

OFFICIAL STATEMENT
Dated August 28, 2023

NEW ISSUE – Book-Entry-Only

RATING:
S&P: “AA/“A+” (Enhanced/Unenhanced)
(See: “BOND INSURANCE”, “APPENDIX D -
Specimen Municipal Bond Insurance Policy”, and
“OTHER INFORMATION-Rating” herein)

In the opinion of Bond Counsel (defined below), under existing law, assuming continuing compliance by the City (defined herein) after the date of initial delivery of the Certificates described below (the “Certificates”) with certain covenants contained in the Ordinance (defined below) authorizing the Certificates and subject to the matters set forth under “TAX MATTERS” herein, interest on the Certificates for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions will be excludable from the gross income of the owners thereof pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Certificates and will not be an item of tax preference for purposes of the federal alternative minimum tax for the owners thereof who are individuals. (see “TAX MATTERS” herein).

THE CERTIFICATES WILL NOT BE DESIGNATED AS “QUALIFIED TAX-EXEMPT OBLIGATIONS” FOR FINANCIAL INSTITUTIONS



\$4,625,000
CITY OF KINGSVILLE, TEXAS
(A Home Rule Municipal Corporation located in Kleberg County)
CERTIFICATES OF OBLIGATION, SERIES 2023A

Dated Date: August 15, 2023
(Interest Accrues from the Delivery Date defined below)

Due: August 1, as shown on the next page

PAYMENT TERMS . . . Interest on the \$4,625,000 City of Kingsville, Texas Certificates of Obligation, Series 2023A (the “Certificates”) will accrue from the Delivery Date, and will be payable February 1 and August 1 of each year commencing February 1, 2024 until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”) pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Certificates will be made to the owners thereof. Principal of and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates (see “THE CERTIFICATES - Book-Entry-Only System” herein). The initial Paying Agent/Registrar is U.S. Bank Trust Company, National Association, Houston, Texas (see “THE CERTIFICATES - Paying Agent/Registrar”).

AUTHORITY FOR ISSUANCE . . . The Certificates are issued pursuant to the Constitution and general laws of the State of Texas (the “State”), particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and the ordinance adopted by the City Commission (the “City Commission”) of the City of Kingsville (the “City”) on August 28, 2023 (the “Ordinance”) (see “THE CERTIFICATES - Authority for Issuance” herein).

SECURITY FOR THE CERTIFICATES . . . The Certificates constitute direct obligations of the City and are payable from a continuing ad valorem tax levied on all taxable property within the City, within the limits prescribed by law, and a pledge of \$1,000 of certain surplus revenues of the City’s waterworks and sewer system, all as provided in the Ordinance authorizing the Certificates (see “THE CERTIFICATES - Security and Source of Payment”).

PURPOSE . . . Proceeds from the sale of the Certificates shall be used for: (i) public works department vehicles and equipment including garbage trucks and dump trucks, and (ii) paying the costs of issuance of the Certificates (see “PLAN OF FINANCING”).



The scheduled payment of principal and interest on the Certificates when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Certificates by BUILD AMERICA MUTUAL ASSURANCE COMPANY. See “RATINGS,” “BOND INSURANCE” and “APPENDIX D - Specimen Municipal Bond Insurance Policy” herein.

CUSIP PREFIX: 496782

MATURITY SCHEDULE, INTEREST RATES, INITIAL YIELDS, 9 DIGIT CUSIP, AND OPTIONAL REDEMPTION
See Schedule on Page ii

DELIVERY . . . The Certificates are offered for delivery when, as and if issued and received by the initial purchaser named below (the “Underwriter”) and subject to the approving legal opinion of the Attorney General of the State of Texas and the legal opinion of Winstead PC, San Antonio, Texas, Bond Counsel (see Appendix C, “Form of Bond Counsel’s Opinion”). Certain legal matters will be passed upon for the Underwriter by its counsel, Bracewell LLP, San Antonio Texas. It is expected that the Certificates will be available for delivery through DTC on or about September 27, 2023 (the “Delivery Date”).

SAMCO CAPITAL MARKETS

\$4,625,000
CITY OF KINGSVILLE, TEXAS
CERTIFICATES OF OBLIGATION, SERIES 2023A
MATURITY SCHEDULE, INTEREST RATES, INITIAL YIELDS, AND CUSIP NUMBERS

CUSIP⁽¹⁾ Prefix: 496782

Maturity (August 1)	Principal Amount	Interest Rate	Initial Yield ⁽²⁾	CUSIP ⁽¹⁾ Suffix
2024	\$ 800,000	5.00%	3.60%	TH6
2025	125,000	5.00%	3.58%	TJ2
2026	130,000	5.00%	3.58%	TK9
2027	140,000	5.00%	3.58%	TL7
2028	145,000	5.00%	3.58%	TM5
2029	150,000	5.00%	3.58%	TN3
2030	160,000	5.00%	3.60%	TP8
2031	170,000	5.00%	3.61%	TQ6
2032	175,000	5.00%	3.63%	TR4
2033	185,000	5.00%	3.65%	TS2
2034	195,000	5.00%	3.72%	TT0 ⁽³⁾
2035	205,000	5.00%	3.80%	TU7 ⁽³⁾
2036	215,000	5.00%	3.92%	TV5 ⁽³⁾
2037	225,000	5.00%	4.04%	TW3 ⁽³⁾
2038	235,000	5.00%	4.15%	TX1 ⁽³⁾
2039	250,000	5.00%	4.19%	TY9 ⁽³⁾
2040	260,000	5.00%	4.23%	TZ6 ⁽³⁾
2041	275,000	5.00%	4.28%	UA9 ⁽³⁾
2042	285,000	5.00%	4.34%	UB7 ⁽³⁾
2043	300,000	5.00%	4.38%	UC5 ⁽³⁾

(Interest to accrue from the Delivery Date)

REDEMPTION . . . The City reserves the right, at its option, to redeem Certificates having stated maturities on and after August 1, 2034, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 1, 2033, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. See “THE CERTIFICATES – Optional Redemption.”

⁽¹⁾ CUSIP numbers are included solely for the convenience of owners of the Certificates. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems, Inc on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the City, the Financial Advisor, or the Initial Purchasers shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

⁽²⁾ Initial yield represents the initial offering yield to the public which has been established by the Underwriter for the offers to the public by the Underwriter as their sole responsibility which may be subsequently changed.

⁽³⁾ Yield calculated based upon the assumption that the Certificates designated and sold at a premium will be redeemed on August 1, 2033, the first optional redemption date for the Certificates, at a redemption price of par plus accrued interest to the redemption date.

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

No dealer, broker, salesperson or other person has been authorized to give information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon.

The information set forth herein has been obtained from the City and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the City's Financial Advisor. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized.

The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described.

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

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE THE MARKET PRICE OF THE ISSUE AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Neither the City, the Underwriter, nor the Financial Advisor make any representation or warranty with respect to the information contained in this Official Statement regarding the Depository Trust Company ("DTC") or its Book-Entry-Only System, or Build America Mutual Assurance Company ("BAM") and its municipal bond insurance policy described herein under the headings "BOND INSURANCE" and "BOND INSURANCE RISK FACTORS", as such information was provided by DTC and BAM, respectively.

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

THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT FROM THE FUTURE RESULTS, PERFORMANCE AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "Bond Insurance" and "Appendix D - Specimen Municipal Bond Insurance Policy".

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The cover page hereof, this page, and the appendices included herein and any addenda, supplement or amendment hereto, are part of the Official Statemen

OFFICIAL STATEMENT SUMMARY

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

THE CITY	The City of Kingsville (the “City”) is located in Kleberg County, Texas on U.S. Highway 77/future I-69, 46 miles southwest of Corpus Christi. The City was founded in 1904 and incorporated in 1911. The City's Home Rule Charter (the “City Charter”) was adopted in April 1916, and the most recent amendments to the City Charter were adopted on November 3, 2020. The City operates under a commissioner/manager form of government pursuant to the Texas Constitution, the laws of the State of Texas, and the City Charter. The City Commission consists of the Mayor and four City Commissioners elected at-large every four years (see APPENDIX A – “General Information Regarding the City”).
THE CERTIFICATES	The Certificates are issued as \$4,625,000 Certificates of Obligation, Series 2023A. (see “THE CERTIFICATES - Description of the Certificates” herein).
PAYMENT OF INTEREST	Interest on the Certificates accrues from Delivery Date, and is payable on February 1, 2024, and each August 1 and February 1 thereafter until maturity or prior redemption (see “THE CERTIFICATES - Description of the Certificates” and “THE CERTIFICATES - Optional Redemption” herein).
AUTHORITY FOR ISSUANCE	The Certificates are issued pursuant to the Constitution and general laws of the State of Texas (the “State”), particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and the Ordinance to be adopted by the City Commission of the City on August 28, 2023 (the “Ordinance”).
SECURITY FOR THE CERTIFICATES	The Certificates constitute direct obligations of the City and are payable from a continuing ad valorem tax levied on all taxable property within the City, within the limits prescribed by law, and a pledge of \$1,000 of certain surplus revenues of the City’s waterworks and sewer system, all as provided in the Ordinance authorizing the Certificates (see “THE CERTIFICATES - Security and Source of Payment” herein).
BOND INSURANCE	The scheduled payment of principal and interest on the Certificates when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Certificates by BUILD AMERICA MUTUAL ASSURANCE COMPANY. See “RATINGS,” “BOND INSURANCE,” “APPENDIX D - Specimen Municipal Bond Insurance Policy,” and “OTHER INFORMATION – Rating” herein.
REDEMPTION	The City reserves the right, at its option, to redeem Certificates having stated maturities on and after August 1, 2034, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 1, 2033, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE CERTIFICATES – Optional Redemption”).
TAX EXEMPTION	In the opinion of Bond Counsel, the interest on the Certificates will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under the caption “TAX MATTERS” herein.
USE OF PROCEEDS	Proceeds from the sale of the Certificates shall be used for: (i) public works department vehicles and equipment including garbage trucks and dump trucks; and (ii) paying the costs of issuance of the Certificates (see “PLAN OF FINANCING” herein).
RATING	S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”) has assigned a rating of “AA” (stable outlook) to the Certificates based on the financial guaranty insurance policy of BAM to be issued simultaneously with the delivery of the Certificates. The Certificates and the presently outstanding ad valorem tax debt of the City have an unenhanced rating of “A+” (Stable Outlook) by S&P. (see “BOND INSURANCE” and “OTHER INFORMATION – Rating” herein).

BOOK-ENTRY-ONLY SYSTEM This section describes how ownership of the Certificates is to be transferred and how the principal of and interest on the Certificates are to be paid to and credited by DTC while the Certificates are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City and the Financial Advisor believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof (see “THE CERTIFICATES - Book-Entry-Only System” herein).

PAYMENT RECORD..... The City has not defaulted in payment of its tax supported debt since 1941 when all bonds and warrants were refunded at par with a reduction in interest rate.

FUTURE DEBT ISSUANCE..... The City anticipates the issuance of approximately \$7,000,000 to \$10,000,000 in additional tax supported debt within the next twelve months.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated City Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Per Capita Taxable Assessed Valuation	Tax Debt Outstanding at End of Year	Per Capita Tax Debt	Ratio Debt to Taxable Assessed Valuation	% of Total Tax Collections
2019	25,782	\$ 854,684,495	\$ 33,150	\$ 13,842,567	\$ 537	1.62%	96.36%
2020	28,948	882,204,022	30,475	12,459,590	430	1.41%	96.10%
2021	29,237	913,258,576	31,236	10,534,605	360	1.15%	98.53%
2022	30,780	992,311,101	32,239	8,889,690	289	0.90%	100.34%
2023	30,404	1,013,910,781 ⁽⁵⁾	33,348	14,555,927 ⁽³⁾	479	1.44%	96.95% ⁽⁴⁾

⁽¹⁾ Source: The City.
⁽²⁾ As reported by the Kleberg County Appraisal District on the City’s Certified Roll; subject to change during the ensuing year.
⁽³⁾ Does not include self-supporting debt. Includes the Certificates.
⁽⁴⁾ Collections through May 2023.
⁽⁵⁾ As of August 8, 2023, the estimated fiscal year 2024 taxable assessed valuation is \$1,175,807,894, which includes the estimated protested amount of \$62,445,254, per the Kleberg County Tax Assessor-Collector’s Tax Rate Calculation Worksheet, which is subject to adjustment after the protest period.

CHANGE IN NET ASSETS CONSOLIDATED STATEMENT SUMMARY

	Fiscal Years Ended September 30,				
	2022	2021	2020	2019	2018
Beginning Net Assets	\$ 23,465,487	\$ 20,493,811	\$ 17,782,446	\$ 17,779,023	\$ 16,674,860
Total Revenues	23,932,383	19,389,146	20,122,782	19,206,105	18,670,889
Total Expenditures	(20,517,980)	(19,804,284)	(20,234,803)	(21,894,018)	(20,180,533)
Increase (Decrease) in Net Position	3,414,403	(415,138)	(112,021)	(2,687,913)	(1,509,644)
Prior Period Adjustment	-	-	-	-	327,533
Transfers	2,184,059	3,386,814	2,823,386	2,691,336	2,286,274
Ending Net Assets	\$ 29,063,949	\$ 23,465,487	\$ 20,493,811	\$ 17,782,446	\$ 17,779,023

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

GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

Fiscal Years Ended September 30,

	2022 ⁽²⁾	2021	2020	2019	2018
Beginning Balance	\$ 13,790,726	\$ 13,151,890	\$ 10,778,333	\$ 9,985,027	\$ 9,119,697 ⁽¹⁾
Total Revenue	22,033,945	20,727,290	21,410,319	20,002,747	19,410,823
Total Expenditures	<u>(23,468,497)</u>	<u>(22,290,659)</u>	<u>(21,122,627)</u>	<u>(20,986,412)</u>	<u>(20,623,201)</u>
Net Funds Available	\$ (1,434,552)	\$ (1,563,369)	\$ 287,692	\$ (983,665)	\$ (1,212,378)
Prior Adjustments	-	-	-	793,306	865,333
Other Sources	<u>908,377</u>	<u>2,202,205</u>	<u>2,085,865</u>	<u>1,776,971</u>	<u>2,077,711</u>
Ending Balance	<u><u>\$ 13,264,551</u></u>	<u><u>\$ 13,790,726</u></u>	<u><u>\$ 13,151,890</u></u>	<u><u>\$ 10,778,333</u></u>	<u><u>\$ 9,985,027</u></u>

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

⁽¹⁾ Restated.

⁽²⁾ The projected fiscal year ending 2023 fund balance is estimated to be \$12,820,435 based on unaudited financials through June 30, 2023 and estimated projections for July, August and September 2023, as of August 17, 2023.

For additional information regarding the City, please contact:

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City Manager
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Fax: (210) 223-4849
don@ehmuni.com

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CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

<u>City Commission</u>	<u>Length of Service</u>	<u>Term Expires</u>	<u>Occupation</u>
Sam Fugate Mayor	19 Years	May 4, 2024	Lawyer - Self Employed
Hector Hinojosa Mayor Pro Tem	5 Years	May 4, 2024	Retired
Edna Lopez Commissioner	7 Years	May 4, 2024	Kingsville ISD Employee
Norma Nelda Alvarez Commissioner	6 Years	May 4, 2024	Retired
Ann Marie Torres Commissioner	3 Years	May 4, 2024	Retired

SELECTED ADMINISTRATIVE STAFF

<u>Name</u>	<u>Position</u>	<u>Length of Service to City</u>	<u>Total Governmental Service</u>
Mark McLaughlin	City Manager	4 Years	33 Years
Deborah Balli	Finance Director	9 Years	33 Years
Mary Valenzuela	City Secretary	26 Years	26 Years
Courtney Alvarez	City Attorney	23 Years	24 Years ⁽¹⁾

⁽¹⁾ Includes one year with Kleberg County.

CONSULTANTS AND ADVISORS

AuditorsJohn Womack & Co., P.C.
Kingsville, Texas

Bond CounselWinstead PC
San Antonio, Texas

Financial Advisor.....Estrada Hinojosa & Company, Inc.
San Antonio, Texas

**OFFICIAL STATEMENT
RELATING TO
\$4,625,000
CITY OF KINGSVILLE, TEXAS
(A Home Rule Municipal Corporation located in Kleberg County)
CERTIFICATES OF OBLIGATION, SERIES 2023A**

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of \$4,625,000 City of Kingsville, Texas Certificates of Obligation, Series 2023A (the “Certificates”). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance (defined herein), which will authorize the issuance of the Certificates, except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Certificates and certain information regarding the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City's Financial Advisor, Estrada Hinojosa & Company, Inc., San Antonio, Texas.

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

DESCRIPTION OF THE CITY . . . The City of Kingsville, Texas (the “City”), is a political subdivision and municipal corporation of the State of Texas (the “State”), duly organized and existing under the laws of the State, including the City's Home Rule Charter (the “City Charter”). The City was incorporated in 1911, and first adopted the City Charter in April 1916. The City operates under a commissioner/manager form of government with a City Commission comprised of the Mayor and four Commissioners. The City Manager is the chief administrative officer for the City. Some of the services that the City provides are: public safety (police and fire protection), highways and streets, water and sanitary sewer utilities, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services. The estimated 2023 population is 30,404.

INFECTIOUS DISEASE OUTBREAK (COVID-19) . . . In March 2020, the World Health Organization and the President of the United States separately declared the outbreak of a respiratory disease caused by a novel coronavirus (“COVID-19”) to be a public health emergency. On March 13, 2020, the Governor of Texas (the “Governor”) declared a state of disaster for all counties in the State of Texas (the “State”) because of the effects of COVID-19. Subsequently, in response to a rise in COVID-19 infections in the State and pursuant to the Chapter 418 of the Texas Government Code, the Governor issued a number of executive orders intended to help limit the spread of COVID-19 and mitigate injury and the loss of life, including limitations imposed on business operations, social gatherings, and other activities.

There are currently no COVID-19 related operating limits for any business or other establishments in the State of Texas. The Governor retains the right to impose restrictions on activities if needed to mitigate the effects of COVID-19. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at <https://gov.texas.gov/>. Neither the information on, nor accessed through, such website of the Governor is incorporated by reference into this Official Statement.

To date, the City has not experienced any decrease in property values, unusual tax delinquencies, or interruptions to service as a result of COVID-19; however the City cannot predict the long-term economic effect of COVID-19 or a similar virus should there be a reversal of economic activity and re-imposition of restrictions.

THE CERTIFICATES

DESCRIPTION OF THE CERTIFICATES . . . The Certificates are dated August 15, 2023 and mature on August 1 in each of the years and in the amounts shown on the inside cover page. Interest will accrue from the Delivery Date and will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on the Certificates on August 1 and February 1, commencing February 1, 2024 until maturity or prior redemption.

PURPOSE . . . Proceeds from the sale of the Certificates shall be used for: (i) public works department vehicles and equipment including garbage trucks and dump trucks; and (ii) paying the costs of issuance of the Certificates (see “PLAN OF FINANCING”).

AUTHORITY FOR ISSUANCE . . . The Certificates are issued pursuant to the Constitution and general laws of the State of Texas (the “State”), particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and the Ordinance adopted by the City Commission of the City of Kingsville (the “City”) on August 28, 2023 (the “Ordinance”).

SECURITY AND SOURCE OF PAYMENT . . . The Certificates constitute direct obligations of the City and are payable from a continuing ad valorem tax levied on all taxable property within the City, within the limits prescribed by law, and a pledge of \$1,000 of certain surplus revenues of the City's waterworks and sewer system, all as provided in the ordinance authorizing the Certificates.

TAX RATE LIMITATION . . . All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to cities with a population of more than 5,000, including the City, and limits the maximum ad valorem tax rate to \$2.50 per \$100 of taxable assessed valuation. The City operates under a Home Rule Charter, which authorizes the constitutional maximum tax rate. Administratively, the Attorney General of Texas will permit allocation of \$1.50 of the \$2.50 maximum tax rate for all general obligation debt service, as calculated at the time of issuance and based upon a 90% collection factor.

PERFECTED SECURITY INTEREST . . . Chapter 1208, Texas Government Code, applies to the issuance of the Certificates and the pledge of the taxes granted by the City under the Ordinance and such pledge is, therefore, valid, effective, and perfected. Should Texas law be amended at any time while the Certificates are outstanding and unpaid, the result of such amendment being that the pledge of the taxes granted by the City under the Ordinance is to be subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, in order to preserve to the registered owners of the Certificates a security interest in such pledge, the City agrees to take such measures as it determines are reasonable and necessary to enable a filing of a security interest in said pledge to occur.

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem the Certificates maturing on or after August 1, 2034 prior to their scheduled maturities, in whole or in part, in integral multiples of \$5,000 on August 1, 2033, or any date thereafter, at a price of par value plus accrued interest on the principal amounts called for redemption from the most recent interest payment to the date fixed for redemption. If less than all the Certificates are redeemed at any time, the particular maturities of Certificates to be redeemed shall be selected by the City. If less than all of the Certificates of a certain maturity are to be redeemed, the particular Certificate or portions thereof to be redeemed will be selected by the Paying Agent/Registrar by such random method as the Paying Agent/Registrar shall deem fair and appropriate.

NOTICE OF REDEMPTION . . . Not less than 30 days prior to a redemption date for the Certificates, the City must cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Certificates to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED WILL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE CERTIFICATES CALLED FOR REDEMPTION WILL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY CERTIFICATE OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH CERTIFICATE OR PORTION THEREOF WILL CEASE TO ACCRUE.

All notices of redemption must (i) specify the date of redemption for the Certificates, (ii) identify the Certificates to be redeemed and, in the case of a portion of the principal amount to be redeemed, the principal amount thereof to be redeemed, (iii) state the redemption price, (iv) state that the Certificates, or the portion of the principal amount thereof to be redeemed, shall become due and payable on the redemption date specified, and the interest thereon, or on the portion of the principal amount thereof to be redeemed, shall cease to accrue from and after the redemption date, and (v) specify that payment of the redemption price for the Certificates, or the principal amount thereof to be redeemed, shall be made at the designated corporate trust office of the Paying Agent/Registrar only upon presentation and surrender thereof by the registered owner.

CONDITIONAL NOTICE OF REDEMPTION . . . In the Ordinance, the City reserves the right, in the case of an optional redemption, to give notice of its election or direction to redeem Certificates conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date, or (ii) that the City retains the right to rescind such notice at any time on or prior to the scheduled redemption date if the City delivers a notice of the City to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected owners of Certificates. Any Certificates subject to conditional redemption and such redemption has been rescinded shall remain outstanding, and the rescission of such redemption shall not constitute an event of default. Further, in the case of a conditional redemption, the failure of the City to make moneys and/or authorized securities available in part or in whole on or before the redemption date shall not constitute an event of default.

NOTICE OF REDEMPTION THROUGH THE DEPOSITORY TRUST COMPANY. . . . The Paying Agent/Registrar and the City, so long as the Book-Entry-Only System is used for the Certificates, will send any notice of redemption (with regard to the Certificates), notice of proposed amendment to the Ordinance or other notices with respect to the Certificates only to DTC (defined herein). Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, shall not affect the validity of the redemption of the Certificates called for redemption or any other action premised or any such notice. Redemption of portions of the Certificates by the City will reduce the outstanding principal amount of such Certificates held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Certificates held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Certificates from the beneficial owners. Any such selection of Certificates to be redeemed will not be governed by the Ordinance and will not be conducted by the City or the Paying Agent/Registrar. Neither the City nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Certificates or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Certificates for redemption (see "THE CERTIFICATES - Book-Entry-Only System" herein).

DEFEASANCE . . . The Ordinance provides for the defeasance of the Certificates when the payment of the principal on the Certificates, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided in any manner permitted by law including by irrevocably depositing with a paying agent, in trust (1) money sufficient to make such payment and/or (2) Government Obligations (defined herein) that mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Certificates. The Ordinance provides that "Government Obligations" means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, and (d) any other then authorized securities or obligations under applicable State law that may be used to defease obligations such as the Certificates. City officials may restrict the use of such eligible securities as deemed appropriate.

The City has additionally reserved the right, subject to satisfying the requirements of (1) or (2) above, to substitute other Government Obligations for the Government Obligations originally deposited, to reinvest the uninvested money on deposit for such defeasance and to withdraw for the benefit of the City money in excess of the amount required for such defeasance. There is no assurance that the ratings for United States Treasury securities acquired to defease any Certificates, or those for any other Government Obligations, will be maintained at any particular rating category. Further, there is no assurance that current State law will not be amended in a manner that expands or contracts the list of permissible defeasance securities (such list consisting of those securities identified in clauses (a) through (c) above), or any rating requirement thereon, that may be purchased with defeasance proceeds relating to the Certificates ("Defeasance Proceeds"), though the City has reserved the right to utilize any additional securities for such purpose in the event the aforementioned list is expanded. Because the Ordinance does not contractually limit such permissible defeasance securities and expressly recognizes the ability of the City to use lawfully available Defeasance Proceeds to defease all or any portion of the Certificates, registered owners of Certificates are deemed to have consented to the use of Defeasance Proceeds to purchase such other defeasance securities, notwithstanding the fact that such defeasance securities may not be of the same investment quality as those currently identified under State law as permissible defeasance securities.

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

AMENDMENTS . . . The City may amend the Ordinance without the consent of or notice to any registered owners in any manner required by the Ordinance, and in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the City may, with the written consent of the holders of a majority in aggregate principal amount of the Certificates then outstanding affected thereby, amend, add to, or rescind any of the provisions of the Ordinance; except that, without the consent of the registered owners of all of the Certificates affected, no such amendment, addition, or rescission may (1) change the date specified as the date on which the principal of or any installment of interest on any Certificate is due and payable, reduce the principal amount thereof, or the rate of interest thereon, (2) give any preference to any Certificate over any other Certificate, (3) reduce the aggregate principal amount of Certificates required for consent to any amendment, addition, or waiver, or (4) extend any waiver of default to subsequent defaults.

BOOK-ENTRY-ONLY SYSTEM . . . This section describes how ownership of the Certificates is to be transferred and how the principal of, premium, if any, and interest on the Certificates are to be paid to and credited by DTC while the Certificates are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The Issuer, Financial Advisor and the Underwriter believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

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

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

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

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

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

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

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

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

Principal and interest payments on the Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Participants.

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the City or the Underwriter.

DTC may discontinue providing its services as securities depository with respect to one or both series of the Certificates, at any time by giving reasonable notice to the Issuer or the Paying Agent/Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, printed certificates for the Certificates are required to be furnished and delivered.

The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, printed certificates will be furnished and delivered as provided in the Ordinance. (See "THE CERTIFICATES – Transfer, Exchange and Registration" below.)

EFFECT OF TERMINATION OF BOOK-ENTRY-ONLY SYSTEM . . . In the event that the Book-Entry-Only System is discontinued, printed Certificates will be issued to the DTC Participants or the owner, as the case may be, and such Certificates will be subject to transfer, exchange, and registration provisions as set forth in the Ordinance and summarized under "THE CERTIFICATES – Transfer, Exchange and Registration" below.

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

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the City or the Financial Advisor.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar is U.S. Bank Trust Company, National Association, Houston, Texas. In the Ordinance, the City covenants to provide a competent and legally qualified bank, trust company, financial institution, or other entity to act as and perform the services of Paying Agent/Registrar at all times until the Certificates are duly paid. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the City, the new Paying Agent/Registrar must accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar, selected at the sole discretion of the City, must be a bank, trust company, financial institution, or other entity duly qualified and legally authorized to serve as a Paying Agent/Registrar for the Certificates. Upon a change in the Paying Agent/Registrar for the Certificates, the City will promptly cause written notice thereof to be sent to each registered owner of the Certificates by United States mail, first-class postage prepaid.

TRANSFER, EXCHANGE, AND REGISTRATION. . . If the Certificates are not in the Book-Entry-Only System, the Certificates may be registered, transferred, assigned, and exchanged on the Register only upon presentation and surrender thereof to the Paying Agent/Registrar, and such registration, transfer, and exchange will be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, transfer, and exchange. A Certificate may be assigned by the execution of an assignment form on the Certificate or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Certificate will be delivered by the Paying Agent/Registrar in lieu of the Certificate being transferred or exchanged at the designated payment office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the registered owner's request, risk, and expense. New Certificates issued in an exchange or transfer of Certificates will be delivered to the registered owner or assignee of the registered owner, to the extent possible, within three business days after the receipt of the Certificates to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Certificates registered and delivered in an exchange or transfer will be in denominations of \$5,000 for any one stated maturity or any integral multiple thereof and for a like aggregate principal amount, series, and rate of interest as the Certificates surrendered for exchange or transfer. See "THE CERTIFICATES – Book-Entry-Only System" herein for a description of the system to be utilized in regard to ownership and transferability of the Certificates while in the Book-Entry-Only System.

MUTILATED, DESTROYED, LOST, OR STOLEN CERTIFICATES... The City has agreed to replace damaged, mutilated, destroyed, lost, or stolen Certificates upon surrender of the damaged or mutilated Certificates to the Paying Agent/Registrar or receipt of satisfactory evidence of such destruction, loss, or theft, and receipt by the City and the Paying Agent/Registrar of security or indemnity as may be required by either of them to hold them harmless. The City may require payment of taxes, governmental charges, and other expenses in connection with any such replacement.

LIMITATION ON TRANSFER . . . Neither the City nor the Paying Agent/Registrar will be required to transfer or exchange any Certificates (1) during the period commencing at the close of business on the Record Date (as hereinafter defined) and ending at the opening of business on the next interest payment date and (2) to transfer or exchange any Certificates so selected for redemption when such redemption is scheduled to occur within thirty calendar days; provided however, that such limitation of transfer is not applicable to an exchange by the Registered Owner of an uncalled balance of a Certificate.

RECORD DATE FOR INTEREST PAYMENT . . . The date for determining the person to whom interest payable on the Certificates on any interest payment date means the 15th day of the preceding month (the "Record Date").

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

CERTIFICATE OWNERS' REMEDIES . . . If the City defaults in the payment of principal, interest, or redemption price on the Certificates when due, or if it fails to make payments into any fund or funds created in the Ordinance, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Ordinance, the certificateholders may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Certificates if there is no other available remedy at law to compel performance of the Certificates or the Ordinance and the City's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, so it rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Certificates in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the bondholders upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Bondholders. The Texas Supreme Court has ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) ("*Tooke*"), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas Legislature has effectively waived the City's sovereign immunity from a suit for money damages, Bondholders may not be able to bring such a suit against the City for breach of the Certificates or the Ordinance. Furthermore, *Tooke*, and subsequent jurisprudence, held that a municipality is not immune from a suit for torts committed in the performance of its proprietary functions, as it is for torts committed in the performance of its governmental functions (the "Proprietary-Governmental Dichotomy"). Governmental functions are those that are enjoined on a municipality by law and are given by the State as a part of the State's sovereignty, to be exercised by the municipality in the interest of the general public, while proprietary functions are those that a municipality may, in its discretion, perform in the interest of the inhabitants of the municipality.

In *Wasson Interests, Ltd. V. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) ("*Wasson*"), the Texas Supreme Court (the "Court") addressed whether the distinction between governmental and proprietary acts (as found in tort-based causes of action) applies to breach of contract claims against municipalities. The Court analyzed the rationale behind the Proprietary-Governmental Dichotomy to determine that "a city's proprietary functions are not done pursuant to the 'will of the people'" and protecting such municipalities "via the [S]tate's immunity is not an efficient way to ensure efficient allocation of [S]tate resources." While the Court recognized that the distinction between governmental and proprietary functions is not clear, the *Wasson* opinion held that the Proprietary-Governmental Dichotomy applies in a contract-claims context. The Court reviewed *Wasson* for a second time and issued an opinion on October 5, 2018 clarifying that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function when it entered into the contract, not at the time of the alleged breach. Therefore, in regard to municipal contract cases (as in tort claims), it is incumbent on the courts to determine whether a function is proprietary or governmental based upon the statutory guidance and definitions found in the Texas Civil Practice and Remedies Code.

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

If a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the Bondholders cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Certificates. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the United States Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without bankruptcy court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9.

Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce Bondholders' rights would be subject to the approval of the bankruptcy court (which could require that the action be heard in bankruptcy court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a bankruptcy court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Certificates are qualified with respect to the customary rights of debtors relative to their creditors and as to general principles of equity that permit the exercise of judicial discretion.

USE OF CERTIFICATE PROCEEDS . . . Proceeds from the sale of the Certificates, are expected to be expended as follows:

Sources:	
Par Amount of the Certificates	\$ 4,625,000.00
Reoffering Premium	282,699.20
Total Sources of Funds	<u>\$ 4,907,699.20</u>
 Uses:	
Deposit to Project Fund	\$ 4,748,289.71
Underwriter's Discount	42,589.02
Costs of Issuance (including bond insurance premium)	116,820.47
Total Uses of Funds	<u>\$ 4,907,699.20</u>

BOND INSURANCE

BOND INSURANCE POLICY

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("BAM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure municipal bonds, as defined in Section 6901 of the New York Insurance Law, which are most often issued by states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of June 30, 2023 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$486.0 million, \$204.5 million and \$281.5 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE".

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at www.buildamerica.com/videos. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at www.buildamerica.com/credit-profiles. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

BOND INSURANCE RISK FACTORS

The following are risk factors relating to bond insurance. In the event of default of the payment of principal or interest with respect to the Certificates when all or some becomes due, any owner of the Bonds shall have a claim under the applicable bond insurance policy (the "Policy") issued by the bond insurance company (the "Bond Insurer") for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration.

The Policy will not insure against redemption premium, if any. The payment of principal and interest in connection with any mandatory or optional prepayment of the Certificates by the City which is recovered by the City from the bond owner as a voidable preference under applicable bankruptcy law is covered by the Policy, however, such payments will be made by the Bond Insurer at such time and in such amounts as would have been due absent such prepayment by the City unless the Bond Insurer chooses to pay such amounts at an earlier date. Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the Bond Insurer without appropriate consent. The Bond Insurer may direct and must consent to any remedies and the Bond Insurer's consent may be required in connection with amendments to any applicable Bond documents.

In the event the Bond Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Certificates will be payable solely from the moneys received pursuant to the applicable Bond documents. In the event the Bond Insurer becomes obligated to make payments with respect to the Certificates, no assurance is given that such event will not adversely affect the market price of the Certificates or the marketability (liquidity) for the Certificates.

The long-term ratings of bonds that are insured by a municipal bond guaranty insurance policy are dependent in part on the financial strength of the Bond Insurer and its claims paying ability. The Bond Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Bond Insurer and of the ratings on any bonds insured by the Bond Insurer will not be subject to downgrade and such event could adversely affect the market price of the bonds or the marketability (liquidity) for the bonds.

The obligations of the Bond Insurer are general obligations of the Bond Insurer and in an event of default by the Bond Insurer, the remedies available may be limited by applicable bankruptcy law or other similar laws related to insolvency.

Neither the City nor the Underwriter will make an independent investigation into the claims paying ability of any potential Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of any potential Bond Insurer is or will be given.

Thus, when making an investment decision, potential investors should carefully consider the ability of the City to pay principal of and interest on the Certificates and the claims paying ability of the Insurer, particularly over the life of the investment (see "BOND INSURANCE" herein).

AD VALOREM TAXATION

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

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

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property (the "10% Homestead cap"). The 10% increase is cumulative, meaning the maximum increase is 10% times the number of years since the property was last appraised.

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

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

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

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

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

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

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

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

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

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

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

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

ECONOMIC DEVELOPMENT GRANTS...The City utilizes economic development grants pursuant to Chapter 380, Texas Local Government Code, as amended, to incentivize jobs, wages, and investment. These agreements are funded with ad valorem taxes paid to the City by developers on the value of their developments or from other revenues of the City.

TAX ABATEMENT AGREEMENTS...Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years. The City has established a tax abatement program to encourage economic development. The terms of all tax abatement agreements must be substantially the same. In order to be considered for tax abatement, a project must meet several criteria pertaining to job creation and property value enhancement. The City’s tax abatement program does not authorize residential tax abatements, only commercial-industrial tax abatements are permitted.

TEMPORARY EXEMPTION FOR QUALIFIED PROPERTY DAMAGED BY A DISASTER . . . The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% physically damaged by a disaster and located within an area declared to be a disaster area by the Governor of the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the City, adopting its tax rate for the tax year. A taxing unit, such as the City, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established by the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised.

For a discussion of how the various exemptions described above are applied by the City, see “AD VALOREM TAXATION – City Application of Tax Code” herein.

CITY AND TAXPAYER REMEDIES...Under certain circumstances, taxpayers and taxing units, including the City, may appeal the determinations of the appraisal district by timely initiating a protest with the appraisal review board. Additionally, taxing units such as the City may bring suit against the appraisal district to compel compliance with the Property Tax Code.

Owners of certain property with a taxable value in excess of the current year “minimum eligibility amount”, as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at \$57,216,456 for the 2023 tax year.

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

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

Furthermore, the City may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances.

The City does not allow for discounts but does allow for split payment of property taxes (one-half before December 1, and the remaining one-half without penalty and interest before July 1 of the following year). The City allows for installment payments (one-fourth before February 1, one-fourth before April 1, one-fourth before June 1, and the remaining one-fourth before August 1) for homeowners who are disabled, disabled veterans, or at least 65 years of age and who qualify for the residential homestead exemption; these homeowners may also defer the collection of tax until the individual no longer owns the property. The same homeowners are offered an additional 10-month payment plan.

Payments are due at the beginning of each month, starting in October and continuing through July of the following year.

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

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

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

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

PUBLIC HEARING AND MAINTENANCE AND OPERATION TAX RATE LIMITATIONS...The following terms as used in this section have the meanings provided below:

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

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

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

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

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

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

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

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

As described below, the property tax code provides that if a city adopts a tax rate that exceeds its voter-approval tax rate or, in certain cases, its de minimis rate, an election must be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate. A city may not adopt a tax rate that exceeds the lower of the voter-approval tax rate or the no-new-revenue tax rate until each appraisal district in which such city participates has delivered notice to each taxpayer of the estimated total amount of property taxes owed and the city has held a public hearing on the proposed tax increase.

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

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

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

State law provides cities and counties in the State the option of assessing a maximum one-half percent (1/2%) sales and use tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. If the additional sales and use tax for ad valorem tax reduction is approved and tax revenues to be generated in the current tax year.

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

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

2023 PROPERTY TAX LEGISLATION . . . The 88th Texas Legislature began on January 10, 2023, and adjourned on May 29, 2023. The Legislature meets in regular session in odd numbered years for 140 days. During the 88th Texas Legislative Session, the Legislature considered legislation affecting ad valorem taxation procedures and exemptions, among other legislation affecting cities, counties and other political

subdivisions generally. The City is in the process of reviewing legislation that passed and can make no representation regarding the impact of such legislation at this time.

When the Legislature is not in session, the Governor may call one or more special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. The Governor called two special sessions. The second special session concluded on July 13, 2023.

During the second called special session, property tax legislation was passed that, among other things, (i) prohibits school districts, cities and counties from repealing or reducing an optional homestead exemption that was granted in tax year 2022 (the prohibition expires on December 31, 2027); (ii) establishes a three-year pilot program limiting growth in the taxable assessed value of non-residence homestead property valued at \$5,000,000 or less to 20 percent; (iii) excepts certain appropriations to pay for ad valorem tax relief from the constitutional limitation on the rate of growth of appropriations; and (iv) expands the size of the governing body of an appraisal district in a county with a population of more than 75,000 by adding elected directors and authorize the legislature to provide for a four-year term of office for a member of the board of directors of certain appraisal districts. The foregoing legislation is intended to reduce the amount of property taxes paid by homeowners and businesses and will result in an increase the State's share of the cost of funding public education.

Implementation of the foregoing legislation is subject to voter approval of a constitutional amendment that will be submitted to the voters at an election to be held on November 7, 2023. If the constitutional amendment is approved by voters, certain additional legislation will take effect including but not limited to certain increases to the no-tax-due threshold for franchise tax.

Additional special sessions may be called. During this time, the Legislature may enact laws that materially change current law as it relates to property tax exemptions and procedures. The City can make no representations or predictions regarding the scope of legislation that may be considered during any additional called special session or the potential impact of such legislation at this time.

DEBT AND TAX RATE LIMITATIONS

The State Constitution and the City Charter provide that the ad valorem taxes levied by the City for general purposes and for the purpose of paying the principal of and interest on the City's indebtedness must not exceed \$2.50 for each \$100 of assessed valuation of taxable property. There is no constitutional or statutory limitation within the \$2.50 rate for interest and sinking fund purposes; however, the Texas Attorney General, who must approve the issuance of the Certificates, has adopted an administrative policy that prohibits the issuance of debt by a municipality, such as the City, if its issuance produces debt service requirements exceeding that which can be paid from \$1.50 of the foregoing \$2.50 maximum tax rate calculated at 90% collections.

CITY APPLICATION OF TAX CODE . . . The City grants an exemption to the market value of the residence homestead of persons 65 years of age or older of \$8,400.

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

See Table 1 herein for a listing of the amounts of the exemptions described above.

Ad valorem taxes are not levied by the City against the exempt value of residence homesteads for the payment of debt. The City does not tax nonbusiness personal property; and the Kleberg County Tax Office collects taxes for the City. The City does not permit split payments, and discounts are not allowed.

The City does tax freeport property.

The City does tax goods-in-transit.

The City does collect the additional one-half cent sales tax for reduction of ad valorem taxes (see "Table 14 – Municipal Sales Tax History").

As of March 31, 2021, the City has entered into the following Chapter 380 agreements:

The City has entered into an agreement with a new commercial development known as Neessen Polaris of Kingsville where the City shall pay an amount no greater than half of the city sales tax generated by taxable sales for the new commercial development. Sales tax combined with ad valorem tax incentives cannot exceed \$200,000.

The City has entered into an incentive agreement for Marshalls Department Store wherein the City shall pay an amount equal to 50% of the city sales tax generated during the preceding calendar year by taxable sales from Marshalls collected in calendar years 2020, 2021 and 2022. This agreement also includes ad valorem tax incentives of 6.15% of the M&O portion of the City's ad valorem tax levy for calendar years 2020 through 2024.

The City Commission approved a sales tax incentive agreement with Chick-Fil-A which opened in April 2021. The incentive pays 100% of City sales tax generated by Chick-Fil-A up to a maximum amount of \$550,000.

TABLE 1 - VALUATION, EXEMPTIONS AND AD VALOREM TAX DEBT

2022 Market Valuation Established by Kleberg County Appraisal District		\$ 1,253,312,668
Less Exemptions/Reductions at 100% Market Value:		
Over 65 Homestead Exemption	\$ 13,391,591	
Charitable Exemption	144,520	
Abatement Exemption	5,959,780	
Disabled Veterans	18,831,927	
Personal Property Vehicle	668,730	
Productivity Loss	11,717,937	
Solar	34,300	
10% Residential Cap	16,584,359	
First Responder Surviving Spouse	120,705	
Totally Exempt Property	<u>171,948,038</u>	
Less: Total Exemptions/Reductions at 100% Market Value		<u>\$ 239,401,887</u>
2022 Net Taxable Assessed Valuation		<u>\$ 1,013,910,781</u> ⁽³⁾
Debt Payable from Ad Valorem Taxes (September 27, 2023) ⁽¹⁾		
Limited Tax Refunding Bonds, Series 2014	\$ 1,770,000	
Certificates of Obligation, Series 2016	2,465,000	
Limited Tax Refunding Bonds, Series 2020	4,150,000	
Tax Notes, Series 2021	755,000	
Limited Tax Refunding Bonds, Series 2021	3,075,000	
Combination Tax & Sub Lien Rev Certificates of Obligation, Taxable Series 2021	3,136,000	
Tax Notes, Series 2022	1,605,000	
Combination Tax & Sub Lien Rev Certificates of Obligation, Taxable Series 2022	385,000	
Combination Tax & Sub Lien Rev Certificates of Obligation, Series 2023	6,100,000	
The Certificates	<u>4,625,000</u>	
Total Tax Debt		\$ 28,066,000
Less: Self Supported Debt ⁽¹⁾		
Limited Tax Refunding Bonds, Series 2014 (100%)	1,770,000	
Limited Tax Refunding Bonds, Series 2020 (46.1496%)	1,915,208	
Limited Tax Refunding Bonds, Series 2021 (79%) ⁽²⁾	2,429,250	
Combination Tax & Sub Lien Rev Certificates of Obligation, Taxable Series 2021 (100%)	3,136,000	
Tax Notes, Series 2022 (64.96%)	1,042,608	
Combination Tax & Sub Lien Rev Certificates of Obligation, Taxable Series 2022 (100%)	385,000	
Combination Tax & Sub Lien Rev Certificates of Obligation, Series 2023 (100%)	<u>6,100,000</u>	
Less: Total Self-Supported Debt		<u>\$ 16,778,066</u>
Net Tax Debt		<u>\$ 11,287,934</u>
General Obligation Interest and Sinking Fund as of September 30, 2022		\$ 491,634
Ratio of Tax Debt to 2022 Taxable Assessed Valuation		2.77%
	2023 Estimated Population	30,404
	Per Capita Taxable Assessed Valuation	\$ 33,348
	Per Capita Tax Debt Payable from Ad Valorem Taxes	\$ 923
	Per Capita Net Tax Debt Payable from Ad Valorem Taxes	\$ 371

⁽¹⁾ Debt in the amounts shown for which repayment is provided from revenues of the Waterworks & Sewer System or the Sanitation System and Solid Waste Revenues. Percentages shown are percentages of self-supporting debt of outstanding obligations.

⁽²⁾ Percentages of Self-Supporting Debt varies year to year, but is approximately 79%.

⁽³⁾ As of August 8, 2023, the estimated fiscal year 2024 taxable assessed valuation is \$1,175,807,894, which includes the estimated protested amount of \$62,445,254, per the Kleberg County Tax Assessor-Collector's Tax Rate Calculation Worksheet, which is subject to adjustment after the protest period.

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

Category	Taxable Appraised Value for Fiscal Year Ended September 30,					
	2023 ⁽¹⁾		2022		2021	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 622,093,847	49.64%	\$ 589,490,658	48.91%	\$ 544,029,756	50.96%
Real, Residential, Multi-Family	103,828,727	8.28%	104,719,257	8.69%	113,899,585	10.67%
Real, Vacant Lots/Tracts	7,770,500	0.62%	7,156,020	0.59%	7,209,621	0.68%
Real, Acreage (Land Only)	12,436,610	0.99%	12,268,190	1.02%	11,862,589	1.11%
Real, Farm and Ranch Improvements	13,624,710	1.09%	13,385,270	1.11%	12,574,420	1.18%
Real, Commercial	186,068,434	14.85%	193,176,080	16.03%	154,558,965	14.48%
Real, Industrial	2,207,720	0.18%	2,227,380	0.18%	1,853,540	0.17%
Real and Tangible Personal, Utilities	33,938,222	2.71%	32,761,893	2.72%	30,369,807	2.84%
Tangible Personal, Commercial	78,348,790	6.25%	77,041,260	6.39%	74,989,510	7.02%
Tangible Personal, Industrial	3,090,640	0.25%	1,683,720	0.14%	1,910,130	0.18%
Tangible Personal, Mobile Homes	4,367,650	0.35%	4,328,140	0.36%	3,080,330	0.29%
Residential Inventory	804,800	0.06%	1,487,000	0.12%	1,265,880	0.12%
Special Inventory	11,970,730	0.96%	10,679,750	0.89%	10,971,660	1.03%
Exempt	172,761,288	13.78%	154,766,105	12.84%	98,930,228	9.27%
Total Appraised Value Before Exemptions	\$ 1,253,312,668	100.00%	\$ 1,205,170,723	100.00%	\$ 1,067,506,021	100.00%
Less: Total Exemptions/Reductions	(239,401,887)		(212,859,622)		(154,247,445)	
Total Appraised Value After Exemptions	\$ 1,013,910,781		\$ 992,311,101		\$ 913,258,576	

Category	Taxable Appraised Value For Fiscal Year Ended September 30,			
	2020		2019	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 517,749,891	50.07%	\$ 492,181,759	49.71%
Real, Residential, Multi-Family	109,134,620	10.55%	103,977,645	10.50%
Real, Vacant Lots/Tracts	7,284,280	0.70%	7,543,569	0.76%
Real, Acreage (Land Only)	11,966,719	1.16%	11,801,941	1.19%
Real, Farm and Ranch Improvements	12,263,820	1.19%	10,984,940	1.11%
Real, Commercial	141,783,827	13.71%	140,119,846	14.15%
Real, Industrial	1,847,650	0.18%	1,913,240	0.19%
Real and Tangible Personal, Utilities	48,425,476	4.68%	44,053,450	4.45%
Tangible Personal, Commercial	68,280,530	6.60%	70,007,860	7.07%
Tangible Personal, Industrial	2,443,210	0.24%	2,942,450	0.30%
Tangible Personal, Mobile Homes	3,065,250	0.30%	2,161,370	0.22%
Special Inventory	1,283,710	0.12%	2,170,220	0.22%
Real Property, Inventory	10,650,930	1.03%	9,371,120	0.95%
Exempt	97,792,627	9.46%	90,786,758	9.17%
Total Appraised Value Before Exemptions	\$ 1,033,972,540	100.00%	\$ 990,016,168	100.00%
Less: Total Exemptions/Reductions	(151,768,518)		(135,331,673)	
Total Appraised Value After Exemptions	\$ 882,204,022		\$ 854,684,495	

Source: Kleberg County Appraisal District.

Note: Valuations shown are certified taxable assessed values reported by the Kleberg County Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

⁽¹⁾ As of August 8, 2023, the estimated fiscal year 2024 taxable assessed valuation is \$1,175,807,894, which includes the estimated protested amount of \$62,445,254, per the Kleberg County Tax Assessor-Collector's Tax Rate Calculation Worksheet, which is subject to adjustment after the protest period.

TABLE 3 - VALUATION AND AD VALOREM TAX DEBT HISTORY

Fiscal Year Ended 9/30	Estimated Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Taxable Assessed Valuation Per Capita	Funded Debt Service Outstanding at End of Year ⁽³⁾	Ratio Funded	
					Debt to Taxable Assessed Valuation	Funded Debt Per Capita
2019	25,782	\$ 854,684,495	33,150	\$ 13,842,567	1.62%	537
2020	28,948	882,204,022	30,475	12,459,590	1.41%	430
2021	29,237	913,258,576	31,236	10,534,605	1.15%	360
2022	30,780	992,311,101	32,239	8,889,690	0.90%	289
2023	30,404	1,013,910,781 ⁽⁴⁾	33,348	14,249,905	1.41%	469

⁽¹⁾ Source: The City of Kingsville, Texas.

⁽²⁾ As reported by the Kleberg County Appraisal District on the City’s Certified Roll; subject to change during the ensuing year.

⁽³⁾ Does not include self-supporting debt. Includes the Certificates.

⁽⁴⁾ As of August 8, 2023, the estimated fiscal year 2024 taxable assessed valuation is \$1,175,807,894, which includes the estimated protested amount of \$62,445,254, per the Kleberg County Tax Assessor-Collector’s Tax Rate Calculation Worksheet, which is subject to adjustment after the protest period.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ending 9/30	Tax Rate	Distribution		Tax Levy	% Current Collections	% Total Collections
		General Fund	Interest and Sinking Fund			
2019	\$ 0.83000	\$ 0.66488	\$ 0.16512	\$ 7,056,152	96.36%	96.36%
2020	0.85304	0.68522	0.16782	7,473,551	96.08%	96.10%
2021	0.85208	0.70027	0.15181	7,706,109	94.22%	98.53%
2022	0.84000	0.67492	0.16508	8,151,509	96.81%	100.34%
2023	0.82500	0.65910	0.16590	8,372,394	93.51% ⁽¹⁾	96.95% ⁽¹⁾

Source: The City of Kingsville, Texas.

⁽¹⁾ Collections through May 2023.

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2022 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
AEP Texas Inc.	Electric Utility/Power Plant	\$ 21,731,140	2.14%
Rockstar Oak Tree LLC	Apartment	12,779,820	1.26%
Rockstar Kingsville Pointe LLC	Apartment	9,091,120	0.90%
HEB Grocery Inc	Retail Store	8,195,120	0.81%
KL Phase 1 Owner LTD	Apartment	7,885,980	0.78%
Apexone Javelina LLC	Apartment	7,060,000	0.70%
Wal-Mart Stores Inc #01-0442	Retail Store	6,873,790	0.68%
Kingsville Two Family Housing LTD	Apartments	6,513,542	0.64%
King Ranch Saddle Shop Inc	Retail Store	6,351,380	0.63%
Lowes Home Centers Inc	Retail Store	6,119,350	0.60%
		<u>\$ 92,601,242</u>	<u>9.13%</u>

Source: Kleberg County Appraisal District.

TAX VALUE CONCENTRATION...As shown in Table 5 above, the top ten taxpayers in the City currently account for approximately nine percent (9%) of the City’s tax base. Adverse developments in economic conditions could impact these taxpayers and the tax values in the City, resulting in less local tax revenues. If any major taxpayer (and particular, the top taxpayer) were to default in the payment of taxes, the ability of the City to make timely payment of debt service on the Certificates will be dependent on its ability to enforce and liquidate its tax lien, which is a time-consuming process which can only occur annually, or, perhaps, fund debt service payments from other resources, if available. See “THE CERTIFICATES – Certificate Owners’ Remedies” and “AD VALOREM TAXATION - City’s Rights in Event of Tax Delinquencies” in this Official Statement.

TABLE 6 - TAX ADEQUACY

Principal and Interest Requirements for the Period Ended September 30, 2023	\$ 3,519,540
Less: Self-Supporting Debt Service ⁽¹⁾	1,909,659
Less: Transfer from Interest and Sinking Fund	-
Net Principal and Interest Requirements	\$ 1,609,881
 \$0.16590 Interest and Sinking Fund Tax Rate @ 97.5% Collections	 \$ 1,640,026

Source: The City of Kingsville, Texas.

⁽¹⁾ Self-Supporting Debt Service is subject to change annually.

TABLE 7 - ESTIMATED OVERLAPPING TAX DEBT

Expenditures of the various taxing entities within the territory of the City are paid out of ad valorem taxes levied by such entities on properties within the City. Such entities are independent of the City and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping Tax Debt was developed from information contained in “Texas Municipal Reports” published by the Municipal Advisory Council of Texas, and other sources. Except for the amounts relating to the City, the City has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional Tax Debt since the date of the report, and such entities may have programs requiring the issuance of substantial amounts of additional Tax Debt, the amount of which cannot be determined. The following table reflects the estimated overlapping Tax Debt.

Taxing Jurisdiction	Tax Year 2022 Taxable Assessed Valuation	Tax Rate	Tax Debt as of 9/27/2023	Estimated %	City’s Overlapping Funded Debt	Authorized but Unissued Tax Debt as of 9/27/2023
City of Kingsville	\$ 1,013,910,781 ⁽¹⁾	\$ 0.8250	\$ 28,066,000 ⁽²⁾	100.00%	\$ 28,066,000	\$ -
Kingsville ISD	940,573,890	1.5190	52,260,000	86.63%	45,272,838	-
Kleberg Co	1,852,553,569	0.7720	8,005,000	54.82%	4,388,341	-
Ricardo ISD	250,173,901	0.9710	838,000	5.71%	47,850	-
South Texas Water Authority	2,500,140,859	0.0820	2,920,000	33.85%	988,420	-
Total Direct and Overlapping Tax Debt					\$ 78,763,449	
Ratio of Direct Overlapping Tax Debt to Taxable Assessed Valuation					7.77%	
Per Capita Overlapping Debt					\$ 2,694	

Source: The Texas Municipal Advisory Council.

⁽¹⁾ As of August 8, 2023, the estimated fiscal year 2024 taxable assessed valuation is \$1,175,807,894, which includes the estimated protested amount of \$62,445,254, per the Kleberg County Tax Assessor-Collector’s Tax Rate Calculation Worksheet, which is subject to adjustment after the protest period.

⁽²⁾ Includes the Certificates.

DEBT INFORMATION

TABLE 8 – AD VALOREM TAX DEBT SERVICE REQUIREMENTS

FYE 9/30	Outstanding Tax Debt Service			The Certificates			Total Tax Debt Service	Less: Self-Supporting Debt Service	Net Tax-Supported Debt Service Requirements	% of Principal Retired
	Principal	Interest	Total	Principal	Interest	Total				
2023	\$ 3,005,000	\$ 514,540	\$ 3,519,540	\$ -	\$ -	\$ -	\$ 3,519,540	\$ 1,909,659	\$ 1,609,881	
2024	2,455,000	676,110	3,131,110	800,000	195,278	995,278	4,126,387	2,251,511	1,874,877	
2025	2,635,000	611,772	3,246,772	125,000	191,250	316,250	3,563,022	2,359,983	1,203,039	
2026	1,880,000	540,390	2,420,390	130,000	185,000	315,000	2,735,390	1,532,876	1,202,514	
2027	1,975,000	484,269	2,459,269	140,000	178,500	318,500	2,777,769	1,571,380	1,206,389	42.31%
2028	1,835,000	424,391	2,259,391	145,000	171,500	316,500	2,575,891	1,458,936	1,116,955	
2029	1,715,000	363,118	2,078,118	150,000	164,250	314,250	2,392,368	1,432,795	959,573	
2030	1,460,000	307,975	1,767,975	160,000	156,750	316,750	2,084,725	1,237,640	847,085	
2031	1,539,000	257,350	1,796,350	170,000	148,750	318,750	2,115,100	1,249,430	865,670	
2032	1,569,000	211,825	1,780,825	175,000	140,250	315,250	2,096,075	1,242,118	853,957	71.01%
2033	1,110,000	165,150	1,275,150	185,000	131,500	316,500	1,591,650	1,011,980	579,670	
2034	725,000	131,275	856,275	195,000	122,250	317,250	1,173,525	729,025	444,500	
2035	745,000	105,425	850,425	205,000	112,500	317,500	1,167,925	727,200	440,725	
2036	775,000	78,675	853,675	215,000	102,250	317,250	1,170,925	729,475	441,450	
2037	675,000	50,625	725,625	225,000	91,500	316,500	1,042,125	725,625	316,500	87.28%
2038	700,000	25,875	725,875	235,000	80,250	315,250	1,041,125	725,875	315,250	
2039	125,000	-	125,000	250,000	68,500	318,500	443,500	125,000	318,500	
2040	125,000	-	125,000	260,000	56,000	316,000	441,000	125,000	316,000	
2041	125,000	-	125,000	275,000	43,000	318,000	443,000	125,000	318,000	
2042	125,000	-	125,000	285,000	29,250	314,250	439,250	125,000	314,250	95.34%
2043	125,000	-	125,000	300,000	15,000	315,000	440,000	125,000	315,000	
2044	125,000	-	125,000				125,000	125,000	-	
2045	125,000	-	125,000				125,000	125,000	-	
2046	125,000	-	125,000				125,000	125,000	-	
2047	125,000	-	125,000				125,000	125,000	-	98.32%
2048	127,000	-	127,000				127,000	127,000	-	
2049	127,000	-	127,000				127,000	127,000	-	
2050	127,000	-	127,000				127,000	127,000	-	
2051	128,000	-	128,000				128,000	128,000	-	
2052	14,000	-	14,000				14,000	14,000	-	100.00%
	<u>\$ 26,446,000</u>	<u>\$ 4,948,764</u>	<u>\$ 31,394,764</u>	<u>\$ 4,625,000</u>	<u>\$ 2,383,528</u>	<u>\$ 7,008,528</u>	<u>\$ 38,403,292</u>	<u>\$ 22,543,506</u>	<u>\$ 15,859,786</u>	

TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION

Principal and Interest Requirements, Fiscal Year Ending 9/30/2023		\$ 3,519,540
General Obligation Interest and Sinking Fund Balance as of 9/30/2022	\$ 491,634	
Utility Fund Interest and Sinking Fund Balance as of 9/30/2022	1,238,215	
FY 22-23 Budgeted Interest and Sinking Fund Tax Levy - Fund 011	1,679,776	
FY 22-23 Budgeted Delinquent, Penalties and Interest	77,000	
SW Transfer for Interest & Sinking Fund Debt ⁽¹⁾	201,571	
Utility Fund Transfer for Self-Supporting Debt ⁽¹⁾	1,777,076	
UF Transfer to Build Up Fund Balance	195,000	
Estimated Investment Income	<u>12,600</u>	
Sources of Funds Available to Pay Debt Service		<u>5,672,872</u>
Estimated Balance as of 9/30/2024		<u>\$ 2,153,332</u>

Source: Fiscal year ending September 30, 2023 Budget.

⁽¹⁾ Self-Supporting Debt Service is subject to change annually.

TABLE 10 - COMPUTATION OF SELF-SUPPORTING DEBT

Net Waterworks and Sewer System Revenue Available, Fiscal Year Ended 9/30/2022	\$ 5,837,727
Less: Requirements for Revenue Bonds, Fiscal Year Ended 9/30/2022	-
Plus: Transfer from Storm Water Drainage (Fund 055) ⁽¹⁾	111,000
Plus: Transfer from Utility System Fund ⁽¹⁾	<u>1,753,552</u>
Balance Available for Other Purposes	\$ 7,702,279
Requirements for Waterworks and Sewer System Self-Supporting Debt, Fiscal Year Ended 9/30/2022 ⁽¹⁾	<u>\$ 1,863,146</u>
Percentage of Self-Supporting Debt Payable from Revenue	100%

Source: City of Kingsville, Texas Continuing Disclosure Report for the Fiscal Year Ended September 30, 2022.

⁽¹⁾ Self-Supporting Debt Service is subject to change annually.

TABLE 11 - AUTHORIZED BUT UNISSUED TAX DEBT

The City does not have any unissued Tax Debt approved by the voters.

FUTURE DEBT ISSUANCE... The City anticipates the issuance of approximately \$7,000,000 to \$10,000,000 in additional tax supported debt within the next twelve months.

TABLE 12 – OTHER OBLIGATIONS**Capital Lease Obligations**

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of September 30, 2022, as follows:

Fiscal Year Ending September 30,	Governmental Activities	Business-Type Activities ⁽¹⁾
2023	\$ 142,609	\$ 234,143
2024	58,737	237,143
2025	49,281	234,143
2026	49,281	138,864
2027	<u>49,281</u>	<u>138,864</u>
Total Minimum Rentals	\$ 349,189	\$ 983,158
Less: Amount representing interest	<u>26,833</u>	<u>86,914</u>
Present value of new minimum lease payments	<u>\$ 322,356</u>	<u>\$ 896,244</u>

The effective interest rate on capital leases is 2.40% to 4.40%

Source: City of Kingsville, Texas Continuing Disclosure Report for the Fiscal Year Ended September 30, 2022.

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

PENSION FUND . . . The City provides pension benefits for all of its full-time employees through the Texas Municipal Retirement System (“TMRS”), a State-wide administered pension plan. The City makes annual contributions to the plan equal to the amounts accrued for pension expense (for more detailed information concerning the retirement plan, see APPENDIX B, “Excerpts from the City’s Annual Financial Report” - Note #H).

OTHER POST-EMPLOYMENT BENEFITS

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 an 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, 2022, the City used an actuarial valuation date of September 30, 2021 and measurement date of September 30, 2022.

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, 2022, a total of 4 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, 2022
Actuarial Valuation Date:	October 1, 2022
Inflation:	3.00%
Salary Increases, including inflation:	3.00%
Discount Rate:	4.40%
Prior Year Discount Rate:	2.19%

The discount rate was based on the 9/30/22 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-2021 for males or females, as appropriate.

Inactive employees currently receiving benefits payments	4
Inactive employees entitled to but not receiving benefits payments	
Active employees	<u>198</u>
	<u><u>261</u></u>

Balance at 09/30/2021	\$ 930,086
Change for the year:	
Service Cost	42,012
Interest	20,552
Differences between expected and actual experience	-
Changes in Assumptions/inputs	(180,900)
Change in Benefit Terms	(38,841)
Benefit payments	(64,787)
Administration expense	-
Net Charges	<u>\$ (221,964)</u>
Balance at 09/30/2021	<u><u>\$ 708,122</u></u>

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
Discount Rate:	\$ 766,748	\$ 708,121	\$ 655,326
Healthcare Cost Trend Rate:	\$ 642,644	\$ 708,121	\$ 785,524
OPEB Expense			
Service Cost			\$ 42,012
Interest on liabilities			20,552
Difference between actual and expected experience			-
Changes in assumptions-inputs			(129,660)
Change in benefit terms			(113,442)
Total OPEB Expense			<u><u>\$ (180,538)</u></u>

Deferred Outflows and Inflows	<u>Outflows</u>	<u>Inflows</u>
Difference between actual and expected experience	\$ 55,056	\$ 277,788
Changes of assumptions or other inputs	10,296	144,484
Total Deferred Outflows and Inflows	<u><u>\$ 65,352</u></u>	<u><u>\$ 422,272</u></u>

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 End Sept. 30:	
2023	\$ (243,102)
2024	(3,948)
2025	(36,623)
2026	(36,623)
2027	(36,623)
Thereafter	-

Source: City of Kingsville, Texas 2022 Annual Comprehensive Financial Report.

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FINANCIAL INFORMATION

TABLE 13 - CHANGES IN NET ASSETS

	Fiscal Years Ended September 30,				
	2022	2021	2020	2019	2018
<u>Revenues:</u>					
<u>Program Revenues:</u>					
Charges for Services	\$ 3,987,987	\$ 3,023,595	\$ 2,994,661	\$ 3,129,133	\$ 3,964,866
Operating Grants and Contributions	936,881	1,355,077	2,607,026	1,379,626	1,003,090
Capital Grants and Contributions	2,331,066	-	-	-	-
<u>General Revenues</u>					
Property Taxes	8,576,529	7,634,770	7,651,822	7,407,799	6,983,970
Sales Tax	6,279,434	5,704,000	5,116,414	5,080,332	4,764,200
Hotel Occupancy Taxes	635,149	609,475	508,437	649,312	566,267
Franchise Taxes (Fees)	840,179	881,639	868,834	1,023,299	979,444
Bingo Taxes	-	-	2,986	3,645	2,762
Alcoholic Beverage Taxes	64,220	54,035	48,876	64,286	61,752
Investment Earnings	221,507	31,377	260,690	396,086	280,161
Insurance Settlement	-	-	-	-	-
Gain (Loss) on Disposal of Capital Assets	-	70,797	23,500	31,605	3,000
Miscellaneous	59,430	24,381	39,536	40,982	61,377
Total Revenue	<u>\$ 23,932,382</u>	<u>\$ 19,389,146</u>	<u>\$ 20,122,782</u>	<u>\$ 19,206,105</u>	<u>\$ 18,670,889</u>
<u>Expenditures</u>					
General Government	\$ 4,805,229	\$ 4,534,741	\$ 4,658,647	\$ 4,719,760	\$ 4,509,275
Public Safety	9,069,157	8,565,107	9,544,822	10,272,984	9,299,188
Public Works	3,120,424	3,588,399	3,053,129	3,632,080	3,382,760
City/County	2,592,537	2,515,339	2,168,364	2,337,837	2,060,985
Tourism	539,067	415,224	543,425	651,531	590,957
Interest on Long-Term Debt	202,888	185,474	266,416	279,826	337,368
Total Expenditures	<u>\$ 20,329,302</u>	<u>\$ 19,804,284</u>	<u>\$ 20,234,803</u>	<u>\$ 21,894,018</u>	<u>\$ 20,180,533</u>
Increase (Decrease) in Net Position	\$ 3,603,080	\$ (415,138)	\$ (112,021)	\$ (2,687,913)	\$ (1,509,644)
Beginning Net Position	23,465,487	20,493,811	17,782,446	17,779,023	16,674,860
Prior Period Adjustment	-	-	-	-	327,533
Transfers	2,184,060	3,386,814	2,823,386	2,691,336	2,286,274
Ending Net Position	<u>\$ 29,252,627</u>	<u>\$ 23,465,487</u>	<u>\$ 20,493,811</u>	<u>\$ 17,782,446</u>	<u>\$ 17,779,023</u>

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

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TABLE 13-A - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Years Ended September 30,				
	2022 ⁽²⁾	2021	2020	2019	2018
<u>General Revenues:</u>					
Taxes	\$ 14,021,370	\$ 12,981,587	\$ 12,152,149	\$ 11,979,660	\$ 11,648,169
Licenses and Permits	320,787	255,995	273,086	239,639	193,757
Charges for Services	6,879,093	6,150,818	6,020,386	5,792,562	5,807,967
Fine and Forfeitures	576,571	682,695	648,971	873,082	903,853
Special Assessments	6,003	4,176	5,333	4,811	774
Interest and Miscellaneous	181,071	50,326	229,515	315,413	232,116
Donations	49,050	24,381	23,517	39,052	3,000
Gain or Loss on Sale of Property	-	70,797	23,500	45,599	-
Intergovernmental Revenue	-	506,515	2,033,862	585,000	550,000
Federal and State Grants	-	-	-	127,929	71,187
Total Revenues	<u>\$ 22,033,945</u>	<u>\$ 20,727,290</u>	<u>\$ 21,410,319</u>	<u>\$ 20,002,747</u>	<u>\$ 19,410,823</u>
<u>Expenditures</u>					
Current:					
General Government and Administration	\$ 4,781,684	\$ 4,650,414	\$ 4,439,395	\$ 4,437,857	\$ 4,290,941
Public Safety	9,807,206	9,413,666	9,059,459	8,824,307	8,542,401
Public Works	6,383,334	5,907,837	5,462,829	5,708,912	4,729,273
City/County	2,496,273	2,318,742	2,117,944	2,011,443	1,994,989
Other	-	-	43,000	3,893	1,065,597
Total Expenditures	<u>\$ 23,468,497</u>	<u>\$ 22,290,659</u>	<u>\$ 21,122,627</u>	<u>\$ 20,986,412</u>	<u>\$ 20,623,201</u>
<u>Other Financing Sources (Uses)</u>					
Bond Proceeds	\$ -	\$ 1,310,000	\$ -	\$ -	\$ -
Lease Proceeds	-	32,229	622,780	42,166	845,105
Gain on Sale of Assets	-	-	-	-	-
Insurance Settlement	-	-	14,548	-	-
Transfers from Other Funds	1,380,795	1,408,120	1,756,006	1,884,303	1,584,365
Transfer to Other Funds	(472,418)	(548,144)	(307,469)	(149,498)	(351,759)
Total Other Sources (Uses)	<u>\$ 908,377</u>	<u>\$ 2,202,205</u>	<u>\$ 2,085,865</u>	<u>\$ 1,776,971</u>	<u>\$ 2,077,711</u>
Excess (Deficiency) of Revenues					
Other Expenditures and Other Sources (Uses)	\$ (526,175)	\$ 638,836	\$ 2,373,557	\$ 793,306	\$ 865,333
Beginning Fund Balance	13,790,726	13,151,890	10,778,333	9,985,027	9,119,697 ⁽¹⁾
Ending Fund Balance	<u>\$ 13,264,551</u>	<u>\$ 13,790,726</u>	<u>\$ 13,151,890</u>	<u>\$ 10,778,333</u>	<u>\$ 9,985,027</u>

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

⁽¹⁾ Restated.

⁽²⁾ The projected fiscal year ending 2023 fund balance is estimated to be \$12,820,435 based on unaudited financials through June 30, 2023 and estimated projections for July, August and September 2023, as of August 17, 2023.

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TABLE 14 - MUNICIPAL SALES TAX HISTORY⁽¹⁾

The City has adopted the Municipal Sales and Use Tax Act, Texas Tax Code, Chapter 321, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City, the proceeds of which are credited to the General Fund and are not pledged to the payment of Tax Debt, including the Certificates. In addition, the City imposes an additional one-half percent (1/2%) sales tax to reduce ad valorem property taxes pursuant to authority conferred by the Tax Code and a local option election held to authorize the additional 1/2% sales tax to reduce ad valorem property taxes. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly. The total City sales tax is 1.50%. Net collections on a fiscal year basis are as follows:

Fiscal Year Ended	Total Collected	% of Ad Valorem Tax Rate	Equivalent of Ad Valorem Tax Rate	Per Capita ⁽²⁾
2019	\$ 5,080,332	72.00%	\$ 0.5944	\$ 197.05
2020	5,116,414	68.46%	0.5800	176.74
2021	5,704,000	74.02%	0.6246	195.10
2022	6,279,412	77.03%	0.6328	204.01
2023	4,990,651 ⁽³⁾	59.61%	0.5618	164.14

Source: City of Kingsville, Texas Annual Comprehensive Financial Reports.

⁽¹⁾ Based on 1.50% City Sales Tax. The 0.50% is for ad valorem tax reduction.

⁽²⁾ Based on population estimates shown on Table 3.

⁽³⁾ Collections through June 2023.

FINANCIAL POLICIES

BASIS OF ACCOUNTING . . . 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 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.

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 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.

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.

BUDGETARY PROCEDURES . . . 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 last week of May 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 a month 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.

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 and departments requires City Commission approval.

During the months of August and September, a project team comprised of the Finance Department, Engineering Department and applicable department heads initiate a review of previously appropriated capital projects and construction in progress.

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 prepared on a monthly and unaudited basis by the Finance Department and provided to City Commission and management for review and use in monitoring revenues and expenditures.

INVESTMENTS... Available investable funds of the City are invested as authorized and required by the Texas Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended (the "Investment Act"), and in accordance with an Investment Policy approved by the City Commission.

LEGAL INVESTMENTS... Under State law, the City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund or their respective successors, or otherwise meeting the requirements of the Texas Public Funds Investment Act; (8) certificates of deposit and share certificates that (i) are issued by or through an institution that has its main office or a branch in Texas and (a) are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund or their respective successors, (b) are secured as to principal by obligations described in clauses (1) through (7) above, or (c) secured in any other manner and amount provided by law for City deposits, or (ii) certificates of deposit where (a) the funds are invested by the City through a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the City as required by law, or a depository institution that has its main office or a branch office in the State of Texas that is selected by the City; (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and (d) the City appoints the depository institution selected under (a) above, an entity as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the United States Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 as custodian for the City with respect to the certificates of deposit issued for the account of the City; (9) fully collateralized repurchase agreements that (i) have a defined termination date, (ii) are fully secured by a combination of cash and obligations described in clause (1), (iii) require the securities being purchased by the City or cash held by the City to be pledged to the City, held in the City's name and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and (iv) are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (10) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time, and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (7) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent, or (c) cash invested in obligations described in clauses (1) through (7) above and clauses (12) through (15) below, (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City, (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas, and (iv) the agreement to lend securities has a term of one year or less; (11) certain bankers' acceptances if the bankers' acceptance (i) has a stated maturity of 270 days or fewer from the date of issuance, (ii) will be, in accordance with its terms, liquidated in full at maturity, (iii) is eligible for collateral for borrowing from a Federal Reserve Bank, and (iv) is accepted by a State

or Federal bank, if the short-term obligations of the accepting bank or its holding company (if the accepting bank is the largest subsidiary) are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with (i) a stated maturity of 365 days or less from the date of issuance, and (ii) a rating of at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies, or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (13) no-load money market mutual funds that are (i) registered with and regulated by the United States Securities and Exchange Commission, (ii) provide the City with a prospectus and other information required by the Securities and Exchange Act of 1934, and (iii) comply with Federal Securities and Exchange Commission Rule 2a-7; (14) no-load mutual funds that are (i) registered with the United States Securities and Exchange Commission, (ii) have an average weighted maturity of less than two years, and (iii) either (a) have a duration of one year or more and are invested exclusively in obligations described in this paragraph, or (b) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities; (15) investment pools if the City has authorized investment in the particular pool and the pool invests solely in investments permitted by the Texas Public Funds Investment Act, and is continuously rated no lower than "AAA" or "AAA-m" or at an equivalent rating by at least one nationally recognized rating service; and (16) guaranteed investment contracts that (i) have a defined termination date, (ii) are secured by obligations which meet the requirements of the Texas Public Funds Investment Act in an amount at least equal to the amount of bond proceeds invested under such contract, and (iii) are pledged to the City and deposited with the City or with a third party selected and approved by the City.

INVESTMENT POLICIES...Under Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, City investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly the investment officers of the City shall submit an investment report detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) State law. No person may invest City funds without express written authority from the City Commission.

ADDITIONAL PROVISIONS...Under State law, the City is additionally required to: (1) annually review its adopted policies and strategies, (2) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution, (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the City; (4) require the qualified representative of firms offering to engage in an investment transaction with the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the City and the business organization that are not authorized by the City's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the City's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the City and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (6) provide specific investment training for the City's designated Investment Officer; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in non-money market mutual funds in the aggregate to no more than 15% of the City's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements, and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

TABLE 15 - CURRENT INVESTMENTS

As June 30, 2023, the City's investable funds were invested in the following categories:

Description	% of Total	Market Value
Non Investment Cash Balances	16.65%	\$ 6,096,839
Money Markets	13.57%	4,971,415
Investment Texas Class	69.78%	25,559,885
Certificates of Deposits	0.00%	-
Total	<u>100%</u>	<u>\$ 36,628,139</u>

As of such date, 100.00% of the City's investment portfolio will mature within one year. The market value of the investment portfolio was approximately 100.00% of its purchase price.

Source: City of Kingsville. Unaudited figures.

TAX MATTERS

OPINION... On the date of initial delivery of the Certificates, Winstead PC, San Antonio, Texas, Bond Counsel to the Issuer will render its opinion that, under existing law, and assuming compliance with certain covenants and the accuracy of certain representations, discussed below, interest on the Certificates is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax for the owners thereof who are individuals however, such interest is taken into account in determining the "annual adjusted financial statement income" (as defined in section 56A of the Code) of "applicable corporations" (as defined in section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations. The statutes, regulations, rulings, and court decisions on which such opinions are based are subject to change.. (See APPENDIX C – Form of Bond Counsel's Opinion.)

In rendering the foregoing opinions, Bond Counsel will rely upon the representations and certifications of the City and the Commission made in a certificate dated the date of delivery of the Certificate pertaining to the use, expenditure, and investment of the proceeds of the Certificates and will assume continuing compliance with the provisions of the Ordinance subsequent to the issuance of the Certificates. The Ordinance contains covenants by the City and the Commission with respect to, among other matters, the use of the proceeds of the Certificate, the manner in which the proceeds of the Certificate are to be invested, the reporting of certain information to the United States Treasury and rebating any arbitrage profits to the United States Treasury. Failure to comply with any of these covenants would cause interest on the Certificate to be includable in the gross income of the owners thereof from the date of the issuance of the Certificate.

Except as described above, Bond Counsel will express no other opinion with respect to any other federal, state, or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Certificate. Prospective purchasers of the Certificate should be aware that the ownership of tax-exempt obligations such as the Certificate may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, owners of an interest in a financial asset securitization investment trust, individuals otherwise qualifying for the earned income credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or how have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the City and the Commission described above. No ruling has been sought from the Internal Revenue Service (the "IRS") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Certificate is commenced, under current procedures the IRS is likely to treat the City as the "taxpayer," and the owners of the Certificate would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Certificate, the City may have different or conflicting interests from the owners of the Certificate. Public awareness of any future audit of the Certificate could adversely affect the value and liquidity of the Certificate during the pendency of the audit, regardless of its ultimate outcome.

TAX ACCOUNTING TREATMENT OF DISCOUNT CERTIFICATES . . . The initial public offering price of certain Certificate may be less than the amount payable on such Certificate at maturity (the “Discount Certificates”). An amount equal to the difference between the initial public offering price of a Discount Certificate (assuming that a substantial amount of the Discount Certificates of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Certificates. A portion of such original issue discount, allocable to the holding period of such Discount Certificate by the initial purchaser will, upon the disposition of such Discount Certificate (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Discount Certificate described above under “Tax Exemption”. Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Certificate, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Certificate and generally will be allocated to an original purchaser in a different amount from the amount of the payment denominated as interest actually received by the original purchaser during the tax year.

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Certificate by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Certificate in the hands of such owner (adjusted upward by the portion of the original issue discount and downward for the payments denominated as interest allocable to the period for which such Discount Certificate was held) is includable in gross income.

Owners of Discount Certificates should consult with their own tax advisors with respect to the determination for federal income tax purposes of and with respect to the state and local tax consequences of owning and disposing of Discount Certificates. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Certificates may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

TAX ACCOUNTING TREATMENT OF PREMIUM CERTIFICATES . . . The initial public offering price of certain Certificates may be greater than the amount payable on such Certificate at maturity (the “Premium Certificates”). An amount equal to the difference between the initial public offering price of a Premium Certificate (assuming that a substantial amount of the Premium Certificate of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Certificates. The basis for federal income tax purposes of a Premium Certificate in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Certificate. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser’s yield to maturity.

Owners of Premium Certificates should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Certificates for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Certificates.

COLLATERAL TAX CONSEQUENCES SUMMARY...The following discussion is a brief discussion of certain collateral federal income tax consequences resulting from the purchase, ownership, or disposition of the Certificates. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Certificate. This discussion is based on existing statutes, regulations, published rulings, and court decisions, all of which are subject to change or modification, retroactively. Prospective investors should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. Interest on the Certificates may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by section 884 of the Code.

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

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

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

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

CHANGES IN LAW...Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Certificates under federal or state law or otherwise prevent owners of the Certificates from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Certificates.

Prospective purchasers of the Certificates should consult their own tax advisors regarding the foregoing matters.

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreement for the benefit of the holders and beneficial owners of the Certificates. The City is required to observe the agreement for so long as it remains an “obligated person” with respect to the Certificates, within the meaning of the Securities and Exchange Commission’s Rule 15c2-12 (the “Rule”). Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board (the “MSRB”).

ANNUAL REPORTS . . .The City will provide certain updated financial information and operating data to certain information vendors annually. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under Tables numbered 1 through 6, 8 through 15 and in Appendix B. The City will update and provide this information within six months after the end of each fiscal year. The City will provide the updated information to the Municipal Securities Rulemaking Board (the “MSRB”) through the “EMMA” information system in accordance with recent amendments to the Rule promulgated by the United States Securities and Exchange Commission (the “SEC”).

The City may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by the Rule. The updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the City will provide audited financial statements when and if the audit report becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation.

The City’s current fiscal year end is September 30. Accordingly, it must provide updated information by March 31 in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change.

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

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

NOTICE OF FAILURE TO TIMELY FILE...The City also will notify the MSRB through EMMA, in a timely manner, of any failure by the City to provide financial information or operating data in accordance with the provisions described above.

AVAILABILITY OF INFORMATION. . . The SEC implemented amendments to the Rule which approved the establishment by the MSRB of EMMA, at www.emma.msrb.org. EMMA is the sole successor to the national municipal securities information repositories with respect to filings made in connection with undertakings made under the Rule after the establishment of EMMA. All information and documentation filing required to be made by the City in accordance with its undertaking made for the Certificates will be made with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB.

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

The City may amend its continuing disclosure agreement from time to time (a) to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if the agreement, as so amended, would have permitted an underwriter to purchase or sell Certificates in the present offering in compliance with the Rule and either the holders of a majority in aggregate principal amount of the outstanding Certificates consent to such amendment, or any person unaffiliated with the City (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the beneficial owners of the Certificates; and (b) upon repeal of the applicable provisions of the Rule, or any judgment by a court of final jurisdiction that such provisions are invalid, or in any other circumstance or manner permitted by the Rule, but in any case, only to the extent that its right to do so would not have prevented an underwriter from lawfully purchasing the Certificates in the present offering in compliance with the Rule.

If the City so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under “ANNUAL REPORTS” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS... Due to an administrative oversight, an event notice was not timely filed with EMMA relating to the City’s incurrence of a financial obligation through the private placement of the City’s Series 2021 Tax Notes delivered on March 26, 2021. An event notice regarding this financial obligation and a notice of late filing have since been filed. Otherwise, during the last five years, the City believes it has complied in all material respects with all continuing disclosure agreements made in accordance with the Rule.

OTHER INFORMATION

RATING... S&P Global Ratings, Inc., a business unit of Standard & Poor’s Financial Services LLC (“S&P”) has assigned a rating of “AA” (stable outlook) to the Certificates based on the financial guaranty insurance policy of BAM to be issued simultaneously with the delivery of the Certificates. The Certificates and the presently outstanding ad valorem tax debt of the City are rated “A+” (Stable Outlook) by S&P without regard to credit enhancement (see “BOND INSURANCE” and “BOND INSURANCE RISK FACTORS” herein).

The forgoing ratings express only the view of S&P at the time the ratings are given. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that the ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by S&P, if, in its judgment, circumstances so warrant. Any such downward change in or withdrawal of such ratings may have an adverse effect on the market price of the Certificates.

LITIGATION...It is the opinion of the City Attorney that there is no pending litigation against the City that would have a material adverse financial impact upon the City or its operations.

REGISTRATION AND QUALIFICATION OF Certificates FOR SALE...The sale of the Certificates has not been registered under the federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Certificates have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Certificates been qualified under the securities acts of any other jurisdiction. The City assumes no responsibility for qualification of the Certificates under the securities laws of any jurisdiction in which the Certificates may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Certificates shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS...Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Certificates are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Certificates by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Certificates be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency (see "OTHER INFORMATION - Rating" herein). In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates are legal investments for state banks, savings banks, trust companies with at capital of one million dollars or more, and savings and loan associations. The Certificates are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the City has been made of the laws in other states to determine whether the Certificates are legal investments for various institutions in those states.

LEGAL OPINIONS AND NO-LITIGATION CERTIFICATE...The City will furnish a complete transcript of proceedings made incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinion of the Attorney General of Texas approving the Certificates and to the effect that the Certificates are valid and legally binding obligations of the City, and, based upon examination of such transcript of proceedings, the legal opinion of Bond Counsel, to the effect that the Certificates are valid and legally binding obligations of the City and are payable from the proceeds of an annual ad valorem tax levied, within the limitations prescribed by law, upon all taxable property within the City, except to the extent the enforceability of the Certificates may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. Though it represents the Financial Advisor and the Underwriter from time to time in matters unrelated to the issuance of the Certificates, Bond Counsel has been engaged by and only represents the City in connection with the issuance of the Certificates. Except as noted below, Bond Counsel did not take part in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein except that in its capacity as Bond Counsel, such firm has reviewed the information appearing in this Official Statement under captions or subcaptions in the Official Statement, "THE CERTIFICATES" (except for information contained in the subheadings "Use of Certificate Proceeds," "Perfected Security Interest," "Book-Entry-Only System," and "Certificate Owners' Remedies," as to which no opinion is expressed), "TAX MATTERS," "CONTINUING DISCLOSURE OF INFORMATION" (except under the subheading "Compliance with Prior Undertakings," as to which no opinion is expressed), "OTHER INFORMATION – Registration and Qualification of Certificates for Sale," and "OTHER INFORMATION – Legal Investments and Eligibility to Secure Public Funds in Texas," and such firm is of the opinion that the information relating to the Certificates and the Ordinance contained under such captions is a fair and accurate summary of the information purported to be shown and that the information and descriptions contained under such captions relating to the provisions of applicable state and federal laws are correct as to matters of law. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Certificates is contingent on the sale and delivery of the Certificates. Certain matters will be passed upon by Bracewell LLP, San Antonio, Texas as counsel to the Underwriter whose fee is contingent upon delivery of the Certificates.

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

FINANCIAL ADVISOR...Estrada Hinojosa & Company, Inc. is employed as Financial Advisor to the City in connection with the issuance of the Certificates. The Financial Advisor's fee for services rendered with respect to the sale of the Certificates is contingent upon the issuance and delivery of the Certificates. Estrada Hinojosa & Company, Inc., in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Certificates, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

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

UNDERWRITER...The Underwriter has agreed, subject to certain conditions, to purchase the Certificates from the City at an underwriting discount of \$42,589.02 from the initial public offering prices for the Certificates. The Underwriter's obligation is subject to certain conditions precedent. The Underwriter will be obligated to purchase all of the Certificates if any Certificates are purchased. The Certificates may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriter.

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

INFORMATION TECHNOLOGY AND CYBERSECURITY...The City depends upon information and computing technology to conduct general business operations. These systems may be subject to disruptions or security breaches that could materially disrupt the City's operations, cause reputational damage and/or give rise to losses or legal liability. The City continually monitors these threats, however, no assurance can be given that the City will fully prevent potential business continuity or cybersecurity risks arising from events wholly or partially beyond the City's control, including electrical telecommunications outages, natural disasters, or cyber-attacks, or larger scale political events, including terrorist attacks. Any such occurrence could materially and adversely affect the City's operations and reputation, which could lead to decreased financial performance that insurance may not cover and may require the City to expend significant resources to correct the failure or disruption.

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

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

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

MISCELLANEOUS...The financial data and other information contained herein have been obtained from the City's records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

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

The Ordinance will approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorized its further use in the reoffering of the Certificates by the Underwriter. The Official Statement will be approved by the City Commission for distribution in accordance with provisions of the Rule.

Sam Fugate
Mayor
City of Kingsville, Texas

ATTEST:

Mary Valenzuela
City Secretary
City of Kingsville, Texas

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APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

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LOCATION AND POPULATION

The City of Kingsville (the “City”) is the county seat of Kleberg County, Texas and principal commercial center located on U.S. Highway 77 southwest of Corpus Christi, Texas. The City is 40 miles southwest of Corpus Christi, 153 miles south of San Antonio, 231 miles southwest of Houston and two hours truck time from Nuevo Laredo and Reynosa, Mexico. The City's 2023 population is estimated to be 30,404. Texas A&M - Kingsville is located within the City limits, and the Naval Air Station-Kingsville is located less than a mile outside the City limits.

GOVERNMENT

The City was founded in 1904, incorporated in 1911 and adopted its first charter in 1916 as a Home Rule City. The City operates under a commissioner/manager type of government, with five commissioners (including the Mayor), a city planning and zoning commission, a city master plan, plus a zoning board of adjustment.

Emergency facilities include one police station with approximately 60 full-time equivalent employees, and two fire stations with approximately 30 full-time equivalent employees.

ECONOMY

Major Employers

<u>Employer</u>	<u>Approximate Number of Employees</u>	<u>Percentage of Total City Employment</u>
NAS Kingsville	1,500	12.15%
Texas A&M Kingsville	950	7.69%
Celanese	600	4.86%
Kingsville ISD	502	4.07%
Kleberg County	300	2.43%
City of Kingsville	290	2.35%
HEB	272	2.20%
Walmart	250	2.02%
Border Patrol	246	1.99%
Christus Spohn	221	1.79%
King Ranch	184	1.49%
	<u>5,315</u>	<u>43.04%</u>

Source: The City of Kingsville.

Educational Facilities

The City of Kingsville is served by the Kingsville Independent School District which includes one high school (9-12), one middle school (7-8), one intermediate school (5-6), one elementary school (EE-4), three elementary schools (PK-4) and two instructional facilities, with a combined 2019-2020 enrollment of 3,102.

Source: Texas Education Agency.

Texas A&M University-Kingsville

Texas A&M University-Kingsville grew out of the teacher college or “normal school” movement that swept Texas and the nation in the early 1900’s. Chartered in 1917 but not opened until 1925 because of America's entry into World War I, the University is the oldest continuously operating public institution of higher learning in South Texas. Shortly after beginning life as South Texas State Teachers College, its role was expanded to embrace a wider array of programs. As its mission has expanded, its name has changed to reflect its wider scope. Its first name change, to Texas College of Arts and Industries, came in 1929. In 1967 the name changed to Texas A&I University. The University became a member of the Texas A&M University System in 1989 and in 1993 changed its name to Texas A&M University-Kingsville to reflect that membership.

Most of Texas A&M-Kingsville's approximately 8,300 students come from South Texas, but there is wide diversity in the population, with students from more than 35 states and more than 43 countries. The student body is split almost equally between men (53 percent) and women (47 percent). Eighty-two percent of students are undergraduates. The main campus consists of approximately 250 acres and more than 80 buildings. The University Farm consists of 545 acres of land located near the campus.

Source: www.tamuk.edu.

Naval Air Station – Kingsville

The Naval Air Station (NAS) Kingsville is one of the U.S. Navy’s premier locations for jet aviation training. Located just east of Kingsville, the NAS’s primary mission is to train tactical jet pilots for the United States Navy and Marine Corps. To accomplish its mission, NAS Kingsville is home to Training Air Wing TWO and several tenant commands, military as well as civilian, with a total complement of approximately 300 officers, 200 enlisted, 350 civilian personnel, and 625 contract maintenance personnel.

The NAS Operations Department operates the airfield and provides services to support operations of activity, tenant, and transiting aircraft; provides firefighting functions, both structural and fire and rescue; provides air traffic control; operates the air terminal; schedules administrative and proficiency flights; repairs and maintains station ground electronics equipment; stores, maintains, and issues assigned ordnance and munitions; and operates firing ranges; operates aerial targets, bombing ranges, and auxiliary landing fields.

Source: https://en.wikipedia.org/wiki/Naval_Air_Station_Kingsville.

King Ranch

Founded in 1853 by Captain Richard King, the King Ranch sprawls across 825,000 acres of South Texas with land that varies from fertile black farmland, to low-lying coastal marshes, to mesquite infested pastures that mark the beginning of the great Texas brush country. Covering almost 1,300 square miles, it is larger than the entire state of Rhode Island. Captain King’s descendants continue to play an active role at the King Ranch working with professional management to build on traditions of the past and innovations for the future.

While it continues to advance cattle ranching and preserve the legacy begun by Captain King, the King Ranch is more than a cattle ranch. Today’s King Ranch has diversified and grown into a major agribusiness corporation, with interests in cattle ranching and feedlot operations, farming (cotton, grain, sugar cane, and sod), citrus groves, commodity marketing and processing, and recreational hunting. Its retail operations include luggage and leather goods, farm equipment, commercial printing, and tourism.

Source: www.king-ranch.com.

LABOR FORCE STATISTICS FOR CITY OF KINGSVILLE⁽¹⁾

	City of Kingsville			Texas		
	April 2023	April 2022	April 2021	April 2023	April 2022	April 2021
Civilian Labor Force	10,810	10,952	11,079	15,019,711	14,592,934	14,219,519
Total Employment	10,333	10,487	10,237	14,468,512	14,076,764	13,379,963
Total Unemployment	477	465	842	551,199	516,170	839,556
Percentage Unemployment	4.41%	4.25%	7.60%	3.67%	3.54%	5.90%

⁽¹⁾ Source: Texas Labor Market Information (www.texaslmi.com).

KLEBERG COUNTY

Kleberg County was created and organized in 1913 from Nueces County. The County is south of Corpus Christi on U.S. Highway 77 in the Rio Grande Plain region of South Texas. Situated on a grassy plain with elevations ranging from sea level to 150 feet, part of the County’s 1,090 square miles lies on the mainland, while the remainder is on Padre Island. A number of creeks, including San Fernando, Santa Gertrudis, Escondido, and Los Olmos, flow into the Callo del Grullo and Baffin Bay in the southeastern section. The County’s clay and loam soils are covered in places with such brush as huisache, mesquite, and ebony. Temperatures range from an average January minimum of 48° to an average July maximum of 96°, and the average annual rainfall is 26.5 inches. The growing season is ordinarily 314 days.

LABOR FORCE STATISTICS FOR KLEBERG COUNTY⁽¹⁾

	Kleberg County			Texas		
	April 2023	April 2022	April 2021	April 2023	April 2022	April 2021
Civilian Labor Force	13,231	13,427	13,529	15,019,711	14,592,934	14,219,519
Total Employment	12,664	12,853	12,547	14,468,512	14,076,764	13,379,963
Total Unemployment	567	574	982	551,199	516,170	839,556
Percentage Unemployment	4.29%	4.27%	7.26%	3.67%	3.54%	5.90%

⁽¹⁾ Source: Texas Labor Market Information (www.texaslmi.com).

APPENDIX B

EXCERPTS FROM THE
CITY OF KINGSVILLE, TEXAS
ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2022

The information contained in this Appendix consists of excerpts from the City of Kingsville, Texas Annual Financial Report for the Year Ended September 30, 2022, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.

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

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MARGARET KELLY, CPA

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KINGSVILLE, TEXAS 78364
(361) 592-2671
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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the 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, 2022, and the related notes to the financial statements, which collectively comprise the City of Kingsville's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

As described in Note A to the financial statements, in 2022, the City of Kingsville adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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



PRIVATE COMPANIES PRACTICE SECTION, AICPA DIVISION FOR CPA FIRMS

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Kingsville's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with 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.

Other Information Included in the ACFR

Management is responsible for the other information included in the ACFR. The other information comprises the information included in the ACFR but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated April 3, 2023 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,



John Womack & Company, P.C.
Kingsville, TX
April 3, 2023

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, 2022. 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 \$87.4 million compared to \$77.6 million in the prior fiscal year ended September 30, 2021. This increase is attributable to increases in property and sales tax revenues and utility revenues for water and sewer services.
- Total deferred outflows of resources were \$1.51 million compared to \$1.01 million in the prior fiscal year ended September 30, 2021. This increase is attributable to increases in outflows related to pensions.
- Total liabilities were \$30.2 million compared to \$31.7 million in the prior fiscal year ended September 30, 2021. This decrease is attributable to decreases in leases and contractual obligations for bond issues.
- Total deferred inflows of resources were \$10.6 million compared to \$6.1 million in the prior fiscal year ended September 30, 2021. This increase is attributable to increases in inflows related to pensions.
- Total net position was \$48.14 million compared to \$40.87 million in the prior fiscal year ended September 30, 2021. This increase is attributable to increases in Capital Asset Investments, and Federal and State grants.
- Assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$48.14 million.

Governmental Activities

On a government-wide basis for governmental activities:

- The City had net program expenses of \$13.1 million for the fiscal year ended September 30, 2022, compared to \$15.4 million for the prior year, representing a 15.25% decrease.
- General revenues and transfers totaled \$18.9 million for the fiscal year ended September 30, 2022, compared to the prior year's amount of \$18.4 million, representing a 2.52% increase.
- Net position overall increased 24.66% from \$23.5 million on September 30, 2021, to \$29.3 million on September 30, 2022.

Business Type Activities

On a government-wide basis for business type activities:

- The City had net program revenues of \$3.6 million for the fiscal year ended September 30, 2022, compared to \$4.3 million for the prior year, representing a 14.96% decrease.
- General revenues and transfers out totaled (\$2.1) million for the fiscal year ended September 30, 2022, compared to the prior year's amount of (\$3.4) million, representing a 36.99% decrease.

- Net position overall increased 8.57% from \$17.4 million on September 30, 2021, to \$18.9 million on September 30, 2022.
- On September 30, 2022, business-type activities had \$16.6 million in total liabilities compared to \$17.2 million on September 30, 2021.

Governmental Activities vs Business-Type Activities

- The ratio of total assets to total liabilities for governmental activities was 3.55 times; for business-type activities the ratio was 2.36 times. This ratio is a measure of leverage and solvency, indicating how much assets are financed through borrowing and other obligations, and how easily debts can be paid by selling assets. The higher the ratio, the financial risk is lowered.
- The quick ratio (current assets to current liabilities) was 5.51 times for governmental activities and 5.10 times for business-type activities. This ratio is an indicator of the short-term liquidity position and measures the ability to meet short-term obligations with assets that can be converted quickly to pay down current liabilities. A high ratio, which is generally anything above 1.0, indicates good liquidity and financial health.
- Total net position was \$48.14 million, which is an increase of \$7.3 million from the prior year, or about 17.81%. Governmental activities' net position increased by 24.66%, while business-type activities' net position increased by 8.57%.

General Fund

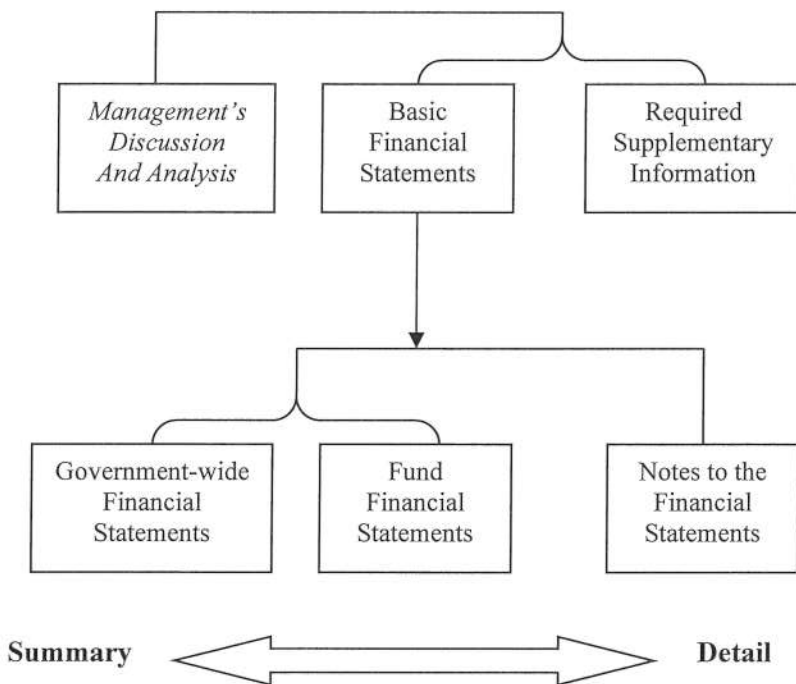
- The fund balance of the General Fund decreased from \$13.8 million to \$13.3 million. This represents a 3.82% decrease from the prior year's fund balance, and furthermore, represents 56.52% of the \$23.5 million in expenditures in the current year. The General Fund's Unassigned Fund Balance was \$8.96 million, or 38.16% of general fund expenditures.
- General Fund revenues for the fiscal year ended September 30, 2022, of \$23.45 million were 0.10% lower than the prior year revenues of \$23.48 million. The \$24 thousand decrease is mainly due to a \$1.0 million increase in taxes, and a \$730 thousand increase in charges for services, but these were more than offset by a \$1.3 million decrease in debt issuance along with a \$507 thousand decrease in intergovernmental revenues.
- General Fund's expenditures, including transfers out, for the fiscal year ended September 30, 2022, of \$23.98 million were 4.99% higher than the prior year expenditures of \$22.84 million. The \$1.14 million increase is mainly due to a \$1.18 million increase in divisional expenditures and a \$37 thousand decrease in transfers out.
- General Fund 001 is part of the General Funds included in the Comprehensive Annual 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, 2021, was \$8.81 million, representing a 42.16% reserve. The fund balance decreased to \$8.26 million on September 30, 2022, representing a 37.30% reserve.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Annual Comprehensive Financial Report has been prepared in accordance with Generally Accepted Accounting Principles (GAAP) for local governments as prescribed by the Governmental Accounting Standards Board (GASB). The report consists of three components: *management's discussion and analysis* (this section), the *basic financial statements*, and *supplementary information*.

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.

Figure A-1: Required Components of the City's Annual Financial 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 as 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 funds.
 - *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.

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, 2022, the net position totaled \$48.14 million, \$7.28 million more than the prior year. The composition of this net position is \$29.25 million for governmental activities and \$18.89 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 46.0% 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 2.0% of its net position set aside for the retirement of debt. Approximately 35.8% 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, 2022 and 2021
(in thousands of dollars)**

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current & other assets	\$ 25,013	\$ 22,902	\$ 17,011	\$ 15,582	\$ 42,024	\$ 38,484
Capital assets	20,060	18,256	21,659	20,892	41,719	39,148
Net pension assets	3,106	0	531	0	3,637	0
Total assets	<u>48,179</u>	<u>41,158</u>	<u>39,201</u>	<u>36,474</u>	<u>87,380</u>	<u>77,632</u>
Deferred Outflows of Revenues	1,258	821	253	185	1,511	1,006
Long-term liabilities	9,046	9,705	13,253	14,121	22,299	23,826
Other liabilities	4,536	4,802	3,338	3,054	7,874	7,856
Total liabilities	<u>13,582</u>	<u>14,507</u>	<u>16,591</u>	<u>17,175</u>	<u>30,173</u>	<u>31,682</u>
Deferred Inflows of Revenues	6,602	4,007	3,973	2,084	10,575	6,091
Net investment in capital assets	12,191	9,712	9,952	9,457	22,143	19,169
Restricted	6,591	4,299	4,583	2,504	11,174	6,803
Unrestricted	10,471	9,454	4,355	5,439	14,826	14,893
Total net position	<u>\$ 29,253</u>	<u>\$ 23,465</u>	<u>\$ 18,890</u>	<u>\$ 17,400</u>	<u>\$ 48,143</u>	<u>\$ 40,865</u>

TABLE A-1: Governmental-Type Activities

Current & Other Assets increased \$2.11 million from \$22.90 million in FY21 to \$25.01 million in FY22, or 9.22%. Most of this increase is due to the City’s higher cash balances. Capital assets, net of accumulated depreciation, increased \$1.8 million from \$18.26 million in FY21, to \$20.06 million in FY22, or 9.88%. Net pension assets are new in FY 21-22, as it was a liability in FY 20-21. Long-term liabilities decreased \$659 thousand from \$9.71 million in FY21 to \$9.05 million in FY22, or 6.79%. Most of this decrease is due to decreases in contractual obligations for debt issues through normally scheduled principal payments. Other liabilities decreased \$266 thousand from \$4.80 million in FY21 to \$4.54 million in FY22 or, 5.54%. This was due to decreases in accounts payable, accrued wages and customer deposits.

Restricted Net Position increased by \$2.29 million from \$4.30 million in FY21 to \$6.59 million in FY22, or 53.3% as follows:

\$1,691,533	increase	Federal and State Programs
\$159,501	increase	Debt Service
\$183,142	increase	Capital Projects
\$11,784	increase	Municipal Court Security
\$157,216	increase	Law Enforcement
\$710	increase	Municipal Court Technology
\$87,558	increase	Tourism

Unrestricted Net Position increased \$1.02 million from \$9.45 million in FY21 to \$10.47 million in FY22, or 10.76%.

TABLE A-1: Business-Type Activities

The Combined Utility System’s net position was \$18.89 million in FY22, which is 39.2% of total net position and is \$1.49 million more than the prior year. The Combined Utility System contributed all the total unrestricted business-type net position.

Current & Other Assets increased \$1.43 million from \$15.58 million in FY21 to \$17.01 million in FY22, or 9.17%. Cash, both unrestricted and restricted is up \$1.49 million from \$13.31 million in FY21 to \$14.80 million in FY22 attributable to ARP funding and other increases in cash balances. Capital assets, net of accumulated depreciation, increased \$768 thousand from \$20.89 million in FY21 to \$21.66 million in FY22, or 3.68%, due to annual straight-line depreciation costs.

Long-term liabilities decreased \$868 thousand from \$14.12 million in FY21 to \$13.25 million in FY22, or 6.15% due to decreases in contractual obligations, other post-employment benefits, and accrued pension liabilities which are now a long-term asset. Net investment in capital assets increased \$493 thousand from \$9.46 million in FY21 to \$9.95 million in FY22, or 5.21% due to the decreases in contractual debt obligations.

Restricted net position increased \$2.08 million from \$2.50 million in FY21 to \$4.58 million in FY22, or 83.05%. Capital projects make up all the restricted net position and are attributable to projects related to ARP funding and other grants.

Unrestricted net position decreased \$1.08 million from \$5.44 million in FY21 to \$4.36 million in FY22, or 19.92%. This decrease is attributable to increased operational departmental costs due to inflationary factors.

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, 2022 and 2021
(in thousands of dollars)**

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenue:						
Program revenue:						
Charges for services	\$ 3,988	\$ 3,024	\$ 14,643	\$ 14,096	\$ 18,631	\$ 17,120
Operating grants & contributions	937	1,355	5	508	942	1,863
Capital grants & contributions	2,331	-	1,017	-	3,348	-
General revenues:						
Property taxes	8,577	7,635	-	-	8,577	7,635
Sales taxes	6,279	5,704	-	-	6,279	5,704
Other taxes	1,539	1,545	-	-	1,539	1,545
Intergovernmental earnings	10	-	-	-	-	-
Investment earnings	212	31	54	6	266	37
Insurance Settlement	-	-	-	-	-	-
Gain (loss) on disposal of capital assets	-	71	-	-	-	71
Other	59	24	-	-	59	24
Total revenues	<u>23,932</u>	<u>19,389</u>	<u>15,719</u>	<u>14,610</u>	<u>39,651</u>	<u>33,999</u>
Expenses:						
General government	4,805	4,535	-	-	4,805	4,535
Public safety	9,069	8,565	-	-	9,069	8,565
Public works	3,120	3,589	-	-	3,120	3,589
Health & other public services	2,593	2,515	-	-	2,593	2,515
Tourism	539	415	-	-	539	415
Interest on long-term debt	203	185	-	-	203	185
Water, wastewater & storm water	-	-	8,801	7,530	8,801	7,530
Solid waste	-	-	3,243	2,816	3,243	2,816
Total expenses	<u>20,329</u>	<u>19,804</u>	<u>12,044</u>	<u>10,346</u>	<u>32,373</u>	<u>30,150</u>
Increase (Decrease) in net position before transfers	3603	(415)	3,675	4,264	7,278	3,849
Transfers	<u>2,184</u>	<u>3,387</u>	<u>(2,184)</u>	<u>(3,387)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	5,787	2,972	1,491	877	7,278	3,849
Net position, beginning	23,466	20,494	17,399	16,522	40,865	37,016
Prior period adjustment	-	-	0	0	0	0
Net position, ending	<u>\$ 29,253</u>	<u>\$ 23,466</u>	<u>\$ 18,890</u>	<u>\$ 17,399</u>	<u>\$ 48,143</u>	<u>\$ 40,865</u>

TABLE A-2: Governmental Activities

As shown in Table A-2, revenues were split between governmental activities and business-type activities at 60.36% and 39.64%, respectively. Expenses for each were 62.80% and 37.20%. Net position increased 24.66% from the prior period for governmental activities, increased 8.57% for business-type activities, and increased 17.81% overall.

The cost of all *governmental* activities for the fiscal year 2022 was \$20.3 million. However, the amount that taxpayers paid for these services through City taxes and business fees was \$16.4 million.

Some of the cost was paid by:

- Those who directly benefited from the programs, or \$3.99 million, and
- Other governments and organizations that subsidized certain programs with grants and contributions was \$3.27 million.
- Charges for services comprised 15.27% of governmental activities' revenues including transfers in and 93.15% of business-type activities' revenues.
- Taxes contributed 62.78% of governmental activities' revenues including transfers.
- Investment earnings, not including transfers, generated 0.89% and 0.34% of governmental activities revenues and business-type activities, respectively, reflective of increasing interest rates in 2022 compared to 2021.
- Public Safety (including Police, Fire, Emergency Management, Inspections and Municipal Court) expenses accounted for 44.61% of governmental activities' expenses and 15.35% 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 \$6.97 million.
- General government comprises 23.64% of all governmental activities' expenses.

Charges for services revenue increased \$964 thousand from \$3.02 million in FY21 to \$3.99 million in FY22, or 31.88%. These revenues come from licenses and permit fees, along with park and recreation activities and other miscellaneous changes. Sales tax revenue increased \$575 thousand from \$5.70 million in FY21 to \$6.28 million in FY22, or 10.08%. The City's level of sales tax held throughout the pandemic and continued strong throughout FY22. It is believed that residents are shopping locally due to increasing fuel costs, rather than traveling to neighboring Corpus Christi. In FY22, the City's one-time comptroller audit adjustments increased overall sales tax payments by \$129 thousand.

Other Revenues increased from \$24 thousand in FY21 to \$59 thousand in FY22.

General government expenses increased \$270 thousand from \$4.54 million in FY21 to \$4.80 million in FY22, or 5.95%. Public Safety expenses increased \$504 thousand from \$8.6 million in FY21 to \$9.1 million in FY22, or 5.88%. Public Works expenses decreased \$469 thousand from \$3.59 million in FY21 to \$3.12 million in FY22, or 13.07%. Overall expenditures went up by \$525 thousand due to inflationary costs in the operational divisions. These increased costs were covered by the City as fees were not increased for current services.

The net increase in net position before transfers changed by \$4.01 million, from a \$415 thousand decrease in FY21 to a \$3.60 million increase in FY22. Transfers decreased \$1.20 million, from \$3.4 million in FY21 to \$2.18 million in FY22, or 35.52%.

TABLE A-2: Business-Type Activities

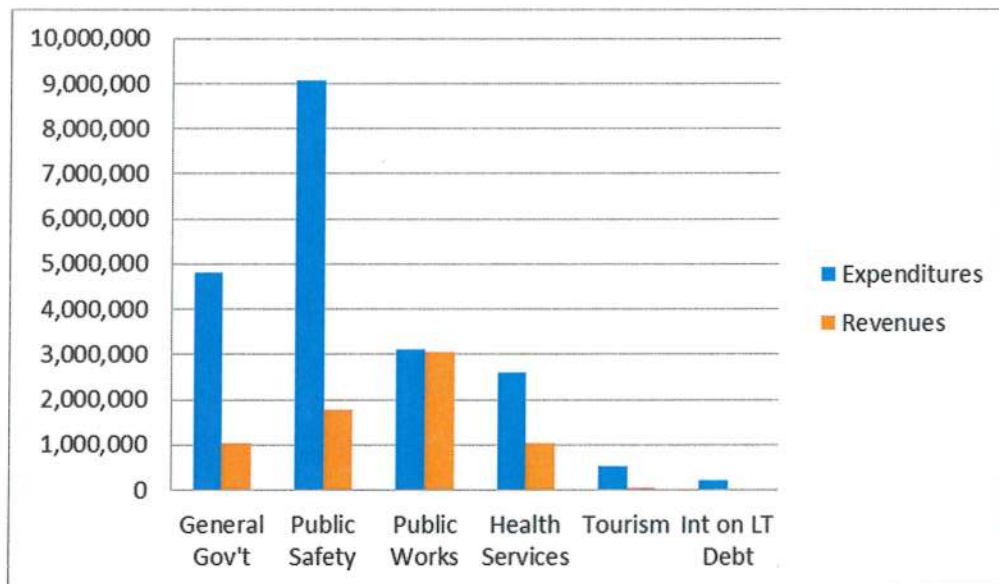
Charges for services revenue increased \$547 thousand from \$14.09 million in FY21 to \$14.64 million in FY22, or 3.88%. Wastewater rates increased 7% in FY22.

The net decrease in net position before transfers was \$589 thousand, from \$4.26 million in FY21 to \$3.68 million in FY22, or 13.81%. Transfers Out decreased \$1.2 from \$3.39 million in FY21 to \$2.18 million in FY22, or 35.52%.

Solid Waste expenses increased \$427 thousand from \$2.82 million in FY21 to \$3.24 million in FY22, or 15.16%. Water and wastewater expenses increased \$1.28 million from \$7.53 million in FY21 to \$8.80 million in FY22, or 16.88%.

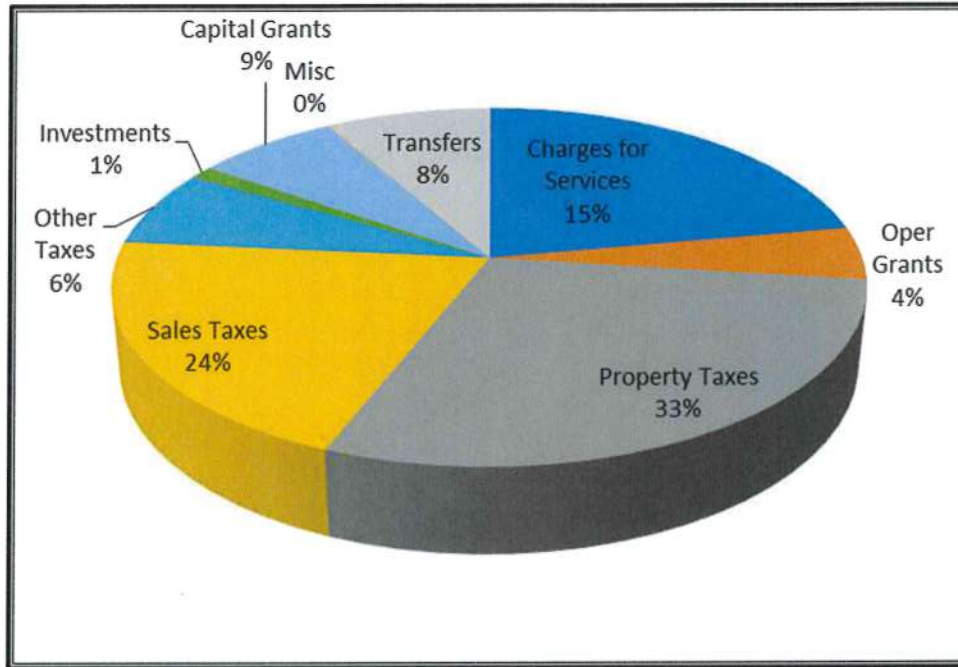
Graph 1 presents the cost of each of the City’s major governmental functions, as well as the associated program revenues.

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 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 73.07% of the expenses generated for business-type activities, with solid waste accounting for an additional 26.93%. The Utilities System had operating revenues of \$10.14 million, up by \$565 thousand, operating income of \$2.36 million, down by \$190 thousand and operating income after transfers was \$1.49 million, an increase of \$613 thousand. The major causes of these results were:

- Water revenues were up by \$250 thousand due to increased consumption.
- Wastewater revenues were up by \$315 thousand due to a rate increase.
- Stormwater revenues were up by \$13 thousand.
- Operating grant revenues were up by \$515 thousand.
- The operating expenses increased by \$1.3 million, primarily due to grant funding received.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds

- Total assets of the General Fund decreased \$485 thousand from \$15.69 million to \$15.21 million between FY21 and FY22. Most of this overall decrease in total assets is from a decrease of \$70 thousand in Accounts Receivable, a \$319 thousand decrease in Due From Other Funds, and a decrease of \$265 thousand in Inventory.
- Deferred Revenues for FY22 increased \$70 thousand. Total liabilities of the General Fund decreased by \$28 thousand to approximately \$1.29 million or, 2.14%. Most of the decrease is attributed to a \$11 thousand decrease in Due To Other Funds, and an \$18 thousand decrease in Due To Other Governments. This brings the ratio of total assets to total liabilities (including deferred revenues) to 7.83 times in 2022, down from 8.26 in 2021.
- Starting on page 89, 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 \$257 thousand. The Committed Fund Balance for Landfill Closure/ Post Closure increased by \$324 thousand and decreased \$123 thousand for Capital Outlay. The overall Fund Balance decreased \$526 thousand from \$13.79 million in FY21 to \$13.26 million in FY22.

Police Forfeiture Funds

- Total assets of the Police Forfeiture Fund increased \$55 thousand from \$1.9 million to \$2.0 million between FY21 and FY22. Most of this overall increase in total assets is from an increase in Cash and Cash Equivalents of \$162 thousand offset by a decrease in Restricted Cash and Cash Equivalents of \$107 thousand as compared to FY21.
- Total liabilities of the Police Forfeiture Fund decreased by \$112 thousand from \$796 thousand in FY21 to approximately \$684 thousand in FY22. This brings the quick ratio (current assets to current liabilities) to 2.92 times in FY22 from 2.44 times in FY21.
- Year-end unsettled seizures remain from current City of Kingsville Police department seizures. Unsettled seizures pending were down \$108 thousand.
- The Police Forfeiture Fund revenues increased \$314 thousand, or 1983%, from \$16 thousand in FY21 to \$330 thousand in FY22. This amount of increase was due to the adjudication of pending seizure cases. Police Forfeiture Fund expenditures saw an increase of \$62 thousand from \$101 thousand in FY21 to \$163 thousand in FY22. As the number of awarded seizures increases, so too will the amount of expenditures.
- The Police Forfeiture Fund Restricted Fund Balance increased by \$167 thousand from \$1.1 million in FY21 to \$1.3 million in FY22. The net of revenues over or under expenditures determines the change in value of the fund balance.

Federal Grants

- Total assets of the Federal Grants increased \$794 thousand from \$1.86 million to \$2.65 million between FY21 and FY22 for a 42.71% increase.
- Total liabilities and deferred inflows increased \$468 thousand or 27.80% from \$1.68 million in FY21 to \$2.15 million in FY22.

- Fund Balance increased \$327 thousand or 183.61% from \$178 thousand in FY21 to \$505 thousand in FY22.

Debt Service Fund

- The Debt Service Fund Balance increased \$87 thousand from \$404 thousand in FY21 to \$492 thousand in FY22. This was an increase of 21.61% from FY21 to FY22. 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 \$58 thousand from \$1.64 million to \$1.59 million between FY21 and FY22. Equity in Pooled Cash and Cash equivalents decreased \$165 thousand, while Restricted Cash and Cash equivalents increased \$14 thousand. Accounts Receivable decreased \$4 thousand and Due From Other Funds and Governments increased \$92 thousand between FY21 and FY22.
- Total liabilities and deferred revenues of the Other Governmental Funds decreased by \$24 thousand to \$92 thousand, a 20.47% decrease. Most of the decrease is attributed to a \$20 thousand decrease in Accounts Payable.
- Other Governmental Funds include State grants and Capital Projects Funds. The fund balance for these funds was \$1.53 million in FY21 and decreased to \$1.49 million in FY22. This decrease was mostly due to federal grants no longer including funds set aside for additional grant opportunity.

Budgetary Results of the General Fund

Revenues

Per page 89, General Fund taxes and business tax revenues were \$14.0 million, which was \$828 thousand, or 6.28% above the final budget. Ad Valorem Tax Delinquent revenues were \$233 thousand, which was \$83 thousand, or 55.27% above budget. Ad Valorem Tax Penalty revenues were \$151 thousand, which was \$36 thousand, or 31.38% above budget, respectively. The City usually budgets these estimated revenues low to adjust for possible anomalies that might occur in the collection process which the City does not manage. Sales Tax Revenues were \$6.28 million, which was \$779 thousand, or 14.17% above budget. Franchise tax revenue was \$840 thousand, which was \$28 thousand, or 3.20% lower 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 and inflation that continues to increase. This practice allowed actuals to come close to conservative budget estimates. Sales taxes had the highest increase, which indicated that consumers continued to shop more locally.

Fines and Forfeiture revenue was less than the Final Budget for FY22 by \$161 thousand, or 21.81%. The Budget for FY22 was once again decreased due to decreased revenues and indications that smaller dockets and virtual court sessions would continue. Issues at the County jail continue as they are still not accepting Municipal Court defendants due to social distancing,

sanitizing requirements, and staffing shortages. There is a movement that the County jail will start accepting Municipal Court defendants in FY23.

Total Charges for Sanitation Services revenues were \$4.15 million, which was \$10 thousand, or 0.24% less than the final budget. Garbage Fees revenue was higher than the final budget by \$13 thousand, or 0.38% of the Final Budget for FY22. The Landfill Fees revenue was less than the final budget by \$2 thousand, or 0.20% for FY22.

Expenditures

City Administration Department

The City Commission expenditures were lower than the final budget by \$9 thousand or 4.93%. Commissioners traveled less than anticipated and subscriptions and memberships decreased.

The City Manager expenditures were lower than the final budget by \$5 thousand or 1.5%. Travel expenses were less as many conferences were held virtually and other expenses were paired down.

City Special Services expenditures were lower than the final budget by \$40 thousand, or 6.72%. This favorable budget variance was mainly the result of lower expenditures for the Appraisal District anticipated billing and a reduction of claims against the City.

Overall, the City Administration Department was able to reduce expenditures by \$100 thousand or 7.01%.

Management Services Department

The Personnel Division expenditures were lower than the final budget by \$22 thousand or 5.05% due to lower costs associated with collective bargaining due to negotiations being kept in-house and lower personnel costs due to a staffing change.

Municipal Court expenditures were lower than the final budget by \$15 thousand or 4.67%. Expenditures for personnel decreased due to a staffing change and associated travel costs also decreased.

Finance expenditures were lower than the final budget by \$4 thousand or 0.33%. Expenditures on personnel decreased due to staffing changes.

Facilities expenditures were lower than the final budget by \$4 thousand or 1.34%. Expenditures for building maintenance decreased due to maintenance projects that were put on hold and less was spent on city hall communications due to less remote work.

Overall, the Management Services Department's expenditures were lower by \$47 thousand or 1.91%.

Legal Department

The Legal Department expenditures were lower by \$11 thousand, or 4.35%. Expenditures for contract attorney work decreased due to reduced Municipal Court dockets. Travel and subscriptions expenditures also decreased.

Urban Development Department

Planning expenditures were lower by \$72 thousand, or 22.27% due to a grant cash match set aside that was not needed as funding was not awarded. The City set aside funding for the completion of the Master Plan which was not completed by year end and changes in staffing resulted in lower personnel expenditures.

Permits and Licenses expenditures were lower by \$5 thousand, or 2.97% due to reduced travel, personnel, and operating lease expenditures.

Code Compliance expenditures were lower than the final budget by \$25 thousand, or 5.84% due to lower personnel costs resulting from a staffing change. Costs for demos and maintenance were also reduced.

Overall, the Urban Development Department expenditures were lower by \$102 thousand or 11.08%.

Police Department

Police Department total expenditures were lower than the final budget by \$735 thousand, or 10.81%. Of this lower amount, \$470 thousand was related to Personal Services expenditures due to vacancies. Supplies were lower by \$12 thousand due to vacancies which resulted in lower gasoline usage, guns and ammunition needs and uniforms. Services were lower by \$68 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. Repairs were lower by \$11 thousand due to less vehicle maintenance. Capital outlay expenditures were lower by \$174 thousand as purchases were not completed due to supply issues.

Fire Department

The Fire Department total expenditures were lower than the final budget by \$193 thousand, or 4.95%. Personal Services expenditures for the Fire Department were \$97 thousand below budget due to vacancies, along with Supplies at \$5 thousand below budget due to lower costs of uniforms and personal protection items. Services were \$8 thousand below budget due to lower travel costs, subscriptions, and medical treatment. Equipment Maintenance was \$12 thousand below budget due to some costs covered by ARP funding. Capital outlay expenditures were lower by \$70 thousand due to purchases not completed due to supply issues.

Volunteer Fire Department

Expenditures for the Volunteer Fire Department were \$11 thousand less than the final budget, or 22.85%. The use of volunteers declined which resulted in lower costs across the board.

Public Works Department

Expenditures for the Public Works Administration division were \$294 less than the final budget, or 0.14% due to vacancies which reduced costs across the board.

Garage expenditures were \$863 less than the final budget, or 0.17% due to staffing shortages which reduced costs across the board.

Sanitation expenditures were less than the final budget by \$422 thousand, or 16.11% due to vacancies which resulted in reduced costs across the board and capital outlay items were not completed due to supply issues.

Street total expenditures were lower than the final budget by \$249 thousand, or 9.59%. The majority of this came from lower building maintenance costs of \$251 thousand due to delays in work.

Landfill total expenditures were lower than the final budget by \$193 thousand, or 14.71%. Lower expenditures were mainly due to lower professional services, motor gas and oil and state fees. There were vacancies which reduced overall costs across the division.

Overall, the Public Works Department expenditures were lower by \$865 thousand, or 11.93%.

Health Department

The Health Department expenditures were lower than the final budget by \$33 thousand, or 4.63% due to reduced operations because of staffing issues.

Parks and Recreation Department

Total expenditures for the Parks and Recreation Department were lower than the final budget by \$86 thousand, or 7.04%. This division saw reductions in most categories due to reduced operations because of staffing issues and capital outlay purchases were not completed due to supply issues.

Golf Course

Total expenditures for the Golf Course were lower than the final budget by \$255 thousand, or 27.29%. The savings were mostly attributable to capital outlays not completed due to supply issues.

Total Revenues and Expenditures

General Fund total revenues, not including transfers-in, were \$22.03 million which is \$706 thousand, or 3.31% above the final budget. The General Fund expenditures, not including transfers-out, came in at \$23.47 million, which was \$2.44 million or 9.41% below the final budget. Actual revenues were below expenditures by \$1.43 million, but it does not include Other Financing Sources of \$908 thousand.

Budget Amendments of the General Fund

The General Fund revenues budget, excluding transfers-in, was amended by an increase of \$220,260 from the following sources:

- Park and recreation fees include donations that were received from various sources to be used for special events, scoreboard sponsorships, supplies for the Pony league, and golf course greens renovations.
- The Fire department received a small donation from Other's First organization for the purchase of fire-fighting equipment.

Further information on the revenue amendments is detailed on pages 84-85 of the Notes to the Financial Statement.

The General Funds comparison of expenditures from the Original Budget to the Final Budget's overall change of \$2.13 million came from the following sources:

The City Administration Department budget increased by \$89,245. Divisions within this department include the City Commission, City Manager, City Special and Economic Development. Budget increases were due to prior year's uncompleted purchase orders rolled forward, and changes in health insurance elections.

The Management Services Department budget changed by \$15,844. Divisions within this department include Personnel, Finance Administration, Municipal Court, and Facilities. Budget increases were due to prior year uncompleted purchase orders rolled forward, increased costs for software maintenance, and increased utility costs for the Municipal Building.

The Urban Development Department budget changed by \$46,707. Divisions within the department include Planning, Permits & Licenses, Code Compliance and Community Appearance. Budget increases were due to cost overruns for the operating lease on copiers, motor gas & oil, and additional demolitions approved by the City Commission.

The Police department budget increased by \$407,201. There are five divisions that include Administration, Patrol, Communications, Criminal Investigations and Warrants. Budget increases were for additional overtime due to vacancies, prior year uncompleted purchase orders rolled forward, increased supplies, motor gas & oil, vehicle maintenance, and professional services.

The Fire department changed by \$84,355 due to increases in motor gas and oil, additional equipment for the donation received, vehicle maintenance and prior year uncompleted purchase orders rolled forward.

The Public Works Department changed by \$1.05 million. Divisions within this department include Public Works Administration, Garage, Sanitation, Street and Landfill. Budget increases were for additional overtime, motor gas and oil, professional services, vehicle maintenance, and prior year uncompleted purchase orders rolled forward.

The Health Department budget increased \$13,967 due to increases in motor gas and oil, animal care costs, postage and freight, professional services, minor vet care, state fees, vehicle maintenance and uncompleted purchase orders rolled forward.

The Parks and Recreation Department budget changed by \$124,909 due to prior year rolled over purchase orders for items not received by prior year end, increased utility costs, additional programs, equipment, and supplies because of donations received.

The Golf Course Department budget changed by \$304,150 due to the greens maintenance project that was rolled over from the prior year, and increased costs of irrigation supplies, motor gas and oil, utilities, pro-shop items, overtime, and associated fringe.

Operating transfers-out increased by \$39,588 for a tax note payment that was not anticipated during the budget process.

Additional information on the City’s Original Budget to Final Budget and Final Budget to Actual can be found on Exhibit B-1, pages 89-95. Further information on the expenditure amendments is detailed on pages 84-85 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 104-112. Total assets for the combined funds were \$1.24 million, total liabilities were \$47 thousand, total deferred inflows were \$41 thousand and total fund balances were \$1.16 million, with \$26 thousand in non-spendable funds and \$1.13 million in Restricted Fund Balance.

The Tourism Fund makes up 62.16% 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, 36.09%, 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, 2022 and 2021
(In thousands of dollars)**

	Governmental Activities			Business-type Activities		
	2022	2021	% Change FY 21-22	2022	2021	% Change FY 21-22
Land	\$ 580	\$ 580	0.00%	\$ 595	\$ 595	0.00%
Construction in progress	2,310	511	352.05%	2,392	2,062	16.00%
Road network	5,047	5,561	-9.24%	-	-	0.00%
Building & improvements	8,354	7,961	4.94%	15,281	15,925	-4.04%
Equipment	1,124	718	56.55%	2,799	1,770	58.14%
Vehicles	2,645	2,924	-9.54%	592	540	9.63%
Total	\$ 20,060	\$ 18,255	9.89%	\$ 21,659	\$ 20,892	3.67%

In the Notes to the Financial Statements located on pages 70-71, the City has invested \$4.65 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 \$1.8 million from \$511 thousand in FY21 to \$2.31 million in FY22 with the on-going projects funded with Certificates of Obligation. As projects are started, construction in progress will continue to increase until project completion.

TABLE A-3: Business-type Activities

Building and improvements, net of depreciation, decreased \$644 thousand from \$15.92 million in FY21 to \$15.28million in FY22, or 4.04% net of accumulated depreciation. Equipment increased \$1.02 million thousand from \$1.8 million in FY21 to \$2.8 million in FY22, or 58.14%. Construction in progress increased \$330 thousand from \$2.06 million in FY21 to \$2.39 million in FY22, or 16.0% indicating construction projects remained uncompleted.

Additional information on the City’s Capital Assets can be found in Note E, pages 70-71 of the Notes to the Financial Statements.

**Table A-4: Long-Term Liabilities
September 30, 2022 and 2021
(in thousands of dollars)**

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Certificates of obligation	\$ 4,280	\$ 5,325	\$ 3,875	\$ 3,358	\$ 8,155	\$ 8,683
Limited tax refunding bonds	4,452	3,545	7,341	8,520	11,793	12,065
Premium on bonds payable	427	500	498	557	925	1,057
Capital Leases	322	526	896	1,161	1,218	1,687
Total debt	9,481	9,896	12,610	13,596	22,091	23,492
Net pension liability	(3,106)	75	(531)	13	(3,637)	88
Landfill closure cost	0	0	1,987	1,821	1,987	1,821
OPEB Liability	561	732	147	198	708	930
Compensated absences	1,283	1,143	104	86	1,387	1,229
Total long-term debt	\$ 8,219	\$ 11,846	\$ 14,317	\$ 15,714	\$ 22,536	\$ 27,560

Table A-4 indicates that total long-term debt decreased by \$5 million from FY21 to FY22, or 18.23%. Of that, landfill closure costs increased \$166 thousand, or 9.11%, while compensated absences increased 12.87%, and other post-employment costs decreased \$222 thousand or 23.87%. Total debt outstanding at the fiscal year-end was \$22.5 million, from \$27.6 million for the prior year.

In addition, there were overall reductions of \$528 thousand in certificates of obligation bonds and revenue bonds (Combined Utility System) through scheduled principal payments and a refunding. Governmental Activities’ certificate of obligations had a \$1 million debt decrease and

the Business-type activities had an increase of \$517 thousand. Additional information on the City's Long-Term Obligations can be found on Note G, Item # 1-3, and pages 72-74 of the Notes to the Financial Statements.

Ad Valorem Taxes

The FY22 tax rates were \$0.68452 for the General Fund and \$0.15548 for the Debt Service Fund, totaling \$0.84000 per \$100 of assessed value. Therefore, the City's tax margin of \$1.66 per \$100 of assessed value could increase taxes \$16.8 million each year based on the assessed value of \$1,013,910,781. 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 62-63 of the Notes to the Financial Statements.

Bond Ratings

The underlying credit rating on outstanding bonds is A+ from Standard & Poor's Global Ratings Service (S&P). The City no longer has revenue bonds outstanding, and therefore does not maintain revenue bond ratings.

FISCAL YEAR 2022-2023 ADOPTED OPERATING BUDGET

The total Revenues and Expenditures adopted for the FY22-23 budget are \$88,931,509 and \$97,423,155, respectively. The \$8,491,646 thousand 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 \$5,567,613, and our ending estimated fund balance is \$5,927,998, leaving a projected operating surplus of \$360,385 over the required minimum of \$5.6 million.

The net deficits for FY21 and FY22 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

FY23 expenditures for personnel services are proposed to increase \$50 thousand or 0.24% from budgeted expenditures of \$20,713,768 in FY22 to \$20,764,163 of budgeted expenditures in FY23. This increase is attributed to a 3% cost of living increase for all non-civil service employees, and an increased longevity payment for all non-civil service employees. All positions are budgeted at 100% regardless of prior year vacancies.

Capital Outlays

Capital outlay requests for FY23 totaled \$4,281,894; of which \$1,886,703 was approved. The capital outlay items approved promote employee efficiency, effectiveness, and safety and are a combination of large and small items. It includes:

- \$7,540 Ice maker and bin for Service Center
- \$10,000 Shade structures for Kleberg Park playground
- \$5,600 Swing set for Flato Park
- \$33,490 US Radar GPRover
- \$15,435 (7) water level transducers
- \$6,000 Stingray 2.0 portable flow level velocity logger
- \$35,456 Cash match – mobile generator grant
- \$68,894 Cash match – backup generator grant
- \$308,529 Commercial side loader garbage truck
- \$26,000 Excavator arm repairs
- \$322,085 Southside landfill drainage plan
- \$10,881 Parts for portable windscreens
- \$22,000 (2) 72” deck John Deere Mowers
- \$12,000 John Deere utility gator
- \$137,078 (2) Chevy Tahoes for Police
- \$74,791 Rotary broom for Streets
- \$126,872 (2) Hidrostal submersible pumps
- \$400,000 Ultraviolet disinfection system for north wastewater plant
- \$200,000 Ultraviolet disinfection system for south wastewater plant
- \$7,885 Diesel tank with trailer
- \$47,120 Batwing shredder for Streets
- \$9,047 6 Stall slide-in animal control unit

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:

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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

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CITY OF KINGSVILLE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2022

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 4,477,869	\$ 16,261	\$ 4,494,130
Equity in pooled cash and cash equivalents	13,370,643	9,002,693	22,373,336
Receivables (net of allowances for uncollectibles):			
Taxes	1,987,859	--	1,987,859
Accounts receivable	396,832	1,466,536	1,863,368
Internal balances	16,559	(16,559)	--
Due from other governments	363,971	--	363,971
Prepaid expenses	603,959	1,754	605,713
Inventory, at cost	219,150	703,384	922,534
Restricted assets:			
Cash and cash equivalents	2,240,765	5,783,621	8,024,386
Equity in pooled cash and cash equivalents	1,335,407	--	1,335,407
Accounts receivable	--	52,845	52,845
Long-term assets:			
Land and construction in progress	2,890,087	2,987,390	5,877,477
Capital assets, net of related depreciation	17,169,536	18,672,085	35,841,621
Net Pension Asset	3,106,393	530,652	3,637,045
Total Assets	<u>48,179,030</u>	<u>39,200,662</u>	<u>87,379,692</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on Refunding	45,173	39,430	84,603
Deferred outflow related to pensions	1,162,902	198,650	1,361,552
Deferred outflow related to OPEB	50,226	15,126	65,352
Total Deferred Outflows of resources	<u>1,258,301</u>	<u>253,206</u>	<u>1,511,507</u>
LIABILITIES			
Accounts payable	1,062,286	715,729	1,778,015
Accrued wages payable	216,785	40,461	257,246
Payable from restricted assets:			
Accrued interest payable	43,236	62,070	105,306
Customer deposits	675,027	924,829	1,599,856
Due to:			
Other governments	258,804	--	258,804
Others	448	--	448
Liabilities due within one year:			
Accumulated unpaid compensated absences	576,680	38,500	615,180
Financed purchases payable	132,058	136,437	268,495
Contractual obligations payable	1,570,949	1,420,051	2,991,000
Liabilities due beyond one year:			
Accumulated unpaid compensated absences	706,710	65,782	772,492
Financed purchases payable	190,293	759,807	950,100
OPEB liability	561,131	146,989	708,120
Contractual obligations payable	7,588,097	10,293,375	17,881,472
Landfill closure costs	--	1,986,942	1,986,942
Total Liabilities	<u>13,582,504</u>	<u>16,590,972</u>	<u>30,173,476</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	4,087,528	698,251	4,785,779
Deferred inflows of resources related to OPEB	339,292	82,981	422,273
Other deferred inflows of resources	2,175,380	3,191,394	5,366,774
Total Deferred Inflows of Resources	<u>6,602,200</u>	<u>3,972,626</u>	<u>10,574,826</u>
NET POSITION:			
Net Investment in Capital Assets	12,190,877	9,951,488	22,142,365
Restricted For:			
Federal and State Programs	3,439,636	--	3,439,636
Debt Service	965,165	--	965,165
Capital Projects	212,159	4,583,395	4,795,554
Municipal Court Security	34,492	--	34,492
Law Enforcement	1,274,940	--	1,274,940
Municipal Court Technology	41,366	--	41,366
Tourism	622,617	--	622,617
Unrestricted	10,471,375	4,355,387	14,826,762
Total Net Position	<u>\$ 29,252,627</u>	<u>\$ 18,890,270</u>	<u>\$ 48,142,897</u>

The accompanying notes are an integral part of this statement.

CITY OF KINGSVILLE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
General government and administration	\$ 4,805,229	\$ 400,742	\$ 641,054	\$ --
Public safety	9,069,157	1,500,917	274,552	327,451
Public works	3,120,424	1,044,853	--	2,003,615
City/County	2,592,537	1,026,714	--	--
Tourism	539,067	14,761	21,275	--
Interest on long-term debt	202,888	--	--	--
Total Government Activities	<u>20,329,302</u>	<u>3,987,987</u>	<u>936,881</u>	<u>2,331,066</u>
Business-type Activities:				
Water Improvement	5,861,743	5,245,790	4,678	1,017,042
Stormwater	1,893	414,582	--	--
Solid waste	3,242,982	4,088,685	--	--
Wastewater	2,937,849	4,894,266	--	--
Total Business-type Activities	<u>12,044,467</u>	<u>14,643,323</u>	<u>4,678</u>	<u>1,017,042</u>
Total Primary Government	<u>\$ 32,373,769</u>	<u>\$ 18,631,310</u>	<u>\$ 941,559</u>	<u>\$ 3,348,108</u>
General Revenues:				
Property taxes				
Sales taxes				
Franchise taxes				
Alcoholic beverage taxes				
Hotel/Motel taxes				
Intergovernmental revenue				
Unrestricted investment earnings				
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>
\$ (3,763,433)		\$ (3,763,433)
(6,966,237)		(6,966,237)
(71,956)		(71,956)
(1,565,823)		(1,565,823)
(503,031)		(503,031)
(202,888)		(202,888)
<u>(13,073,368)</u>		<u>(13,073,368)</u>
	\$ 405,767	405,767
--	412,689	412,689
--	845,703	845,703
--	1,956,417	1,956,417
--	<u>3,620,576</u>	<u>3,620,576</u>
<u>(13,073,368)</u>	<u>3,620,576</u>	<u>(9,452,792)</u>
8,576,529	--	8,576,529
6,279,434	--	6,279,434
840,179	--	840,179
64,220	--	64,220
635,149	--	635,149
10,000	--	10,000
211,507	54,229	265,736
59,430	--	59,430
<u>2,184,060</u>	<u>(2,184,060)</u>	<u>--</u>
<u>18,860,508</u>	<u>(2,129,831)</u>	<u>16,730,677</u>
5,787,140	1,490,745	7,277,885
23,465,487	17,399,525	40,865,012
<u>\$ 29,252,627</u>	<u>\$ 18,890,270</u>	<u>\$ 48,142,897</u>

CITY OF KINGSVILLE

BALANCE SHEET - GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2022

	General Fund	Police Forfeiture Fund
ASSETS		
Assets:		
Cash and cash equivalents	\$ 8,778	\$ 1,283,517
Equity in pooled cash and cash equivalents	11,067,018	--
Receivables (net of allowances for uncollectibles):		
Taxes	1,834,691	--
Accounts receivable	695,961	--
Assessments	59,824	--
Due from:		
Other funds	888	--
Other governments	33,608	--
Prepaid expenditures	263,268	--
Inventory, at cost	213,560	--
Restricted assets:		
Cash and cash equivalents	243,640	674,929
Equity in pooled cash and cash equivalents	731,888	41,909
Accounts receivable	52,845	--
Total Assets	<u>\$ 15,205,969</u>	<u>\$ 2,000,355</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND EQUITY		
Liabilities:		
Accounts payable	\$ 564,013	\$ 8,153
Accrued wages payable	213,311	--
Payable from restricted assets:		
Customer deposits	--	675,027
Due to:		
Other funds	249,079	888
Other governments	258,754	--
Others	448	--
Total Liabilities	<u>1,285,605</u>	<u>684,068</u>
Deferred Inflows of Resources:		
Deferred revenue	655,812	--
Total Deferred Inflows of Resources	<u>655,812</u>	<u>--</u>
Equity:		
Fund balances:		
Nonspendable:		
Inventory	213,560	--
Prepays	263,268	--
Restricted:		
Debt service	--	--
Capital outlay	--	--
Municipal court building security	34,492	--
Municipal court technology	--	41,366
Law enforcement	--	1,274,921
Tourism	--	--
Federal and state programs	--	--
Committed:		
Landfill	2,152,440	--
Street maintenance	573,950	--
Park maintenance	27,498	--
JK Northway project	557,000	--
Sanitation capital outlay	485,427	--
Capital outlay	1,572	--
Unassigned:	8,955,345	--
Total Equity	<u>13,264,552</u>	<u>1,316,287</u>
Total Liabilities, Deferred Inflows of Resources, and Equity	<u>\$ 15,205,969</u>	<u>\$ 2,000,355</u>

The accompanying notes are an integral part of this statement.

EXHIBIT A-3

Federal Grants	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ --	\$ 23,726	\$ 75	\$ 1,316,096
2,422,242	--	1,000,761	14,490,021
--	153,168	--	1,987,859
--	7,980	60,727	764,668
--	--	--	59,824
--	--	--	888
232,037	--	98,327	363,972
--	--	20,000	283,268
--	--	5,590	219,150
--	497,650	400,017	1,816,236
--	4,098	--	777,895
--	--	--	52,845
<u>\$ 2,654,279</u>	<u>\$ 686,622</u>	<u>\$ 1,585,497</u>	<u>\$ 22,132,722</u>
\$ 15,360	\$ --	\$ 45,386	\$ 632,912
--	--	3,474	216,785
--	--	--	675,027
--	41,821	1,480	293,268
--	--	50	258,804
--	--	--	448
<u>15,360</u>	<u>41,821</u>	<u>50,390</u>	<u>2,077,244</u>
2,134,304	153,167	41,076	2,984,359
<u>2,134,304</u>	<u>153,167</u>	<u>41,076</u>	<u>2,984,359</u>
--	--	5,590	219,150
--	--	20,000	283,268
--	491,634	--	491,634
--	--	338,305	338,305
--	--	--	34,492
--	--	--	41,366
--	--	19	1,274,940
--	--	622,617	622,617
504,615	--	507,500	1,012,115
--	--	--	2,152,440
--	--	--	573,950
--	--	--	27,498
--	--	--	557,000
--	--	--	485,427
--	--	--	1,572
--	--	--	8,955,345
<u>504,615</u>	<u>491,634</u>	<u>1,494,031</u>	<u>17,071,119</u>
<u>\$ 2,654,279</u>	<u>\$ 686,622</u>	<u>\$ 1,585,497</u>	<u>\$ 22,132,722</u>

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CITY OF KINGSVILLE
*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2022*

Total fund balances - governmental funds balance sheet \$ 17,071,119

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.	20,059,623
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	699,142
The assets and liabilities of internal service funds are included in governmental activities in the SNP.	3,383,061
Payables for bond principal which are not due in the current period are not reported in the funds.	(8,731,594)
Payables for financed purchases which are not due in the current period are not reported in the funds.	(322,351)
Payables for debt interest which are not due in the current period are not reported in the funds.	(43,236)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(1,283,392)
Other long-term assets are not available to pay for current period expenditures and are deferred in the funds.	45,173
Solid waste assets & liabilities are included in the general fund but are in business activities in SNP.	(529,036)
Recognition of the City's proportionate share of the net pension liability is not reported in the funds.	3,106,393
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(4,087,528)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	1,162,902
Bond premiums are amortized in the SNA but not in the funds.	(427,452)
Recognition of the City's proportionate share of the net OPEB liability is not reported in the funds.	(561,131)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.	(339,292)
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.	50,226

Net position of governmental activities - Statement of Net Position \$ 29,252,627

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, 2022*

	General Fund	Police Forfeiture Fund
	<u> </u>	<u> </u>
Revenue:		
Taxes	\$ 14,021,370	\$ --
Licenses and permits	320,787	--
Charges for services	6,881,093	--
Fines and forfeitures	576,571	328,921
Special assessments	6,003	--
Interest and miscellaneous	181,071	1,273
Donations	47,050	--
Intergovernmental revenue	--	--
Federal and state grants	--	--
Total Revenues	<u>22,033,945</u>	<u>330,194</u>
Expenditures:		
Current:		
General government and administration	4,781,684	9,556
Public safety	9,807,206	153,713
Public works	6,383,334	--
City/County	2,496,273	--
Tourism	--	--
Debt service:		
Principal retired	--	--
Interest	--	--
Paying agent fees	--	--
Total Expenditures	<u>23,468,497</u>	<u>163,269</u>
Excess (deficiency) of revenues (under) expenditures	(1,434,552)	166,925
Other Financing Sources (Uses):		
Transfers in	1,419,324	--
Transfers out	(510,947)	--
Gain on sale of assets	--	--
Issuance of debt	--	--
Total Other Financing Sources (Uses)	<u>908,377</u>	<u>--</u>
Net Change in Fund Balances	(526,175)	166,925
Fund Balances/Equity, October 1	13,790,727	1,149,362
Fund Balances/Equity, September 30	<u>\$ 13,264,552</u>	<u>\$ 1,316,287</u>

The accompanying notes are an integral part of this statement.

EXHIBIT A-5

Federal Grants	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ --	\$ 1,645,049	\$ 634,515	\$ 16,300,934
--	--	--	320,787
1,000	--	15,395	6,897,488
--	--	--	905,492
--	--	--	6,003
--	5,671	1,777	189,792
--	--	30,048	77,098
460,216	--	--	460,216
2,414,076	--	384,988	2,799,064
<u>2,875,292</u>	<u>1,650,720</u>	<u>1,066,723</u>	<u>27,956,874</u>
351,640	--	7,200	5,150,080
399,918	--	634,007	10,994,844
2,003,615	--	951,335	9,338,284
149,589	--	--	2,645,862
21,275	--	514,904	536,179
--	1,360,101	--	1,360,101
--	237,912	7,975	245,887
--	3,872	26,129	30,001
<u>2,926,037</u>	<u>1,601,885</u>	<u>2,141,550</u>	<u>30,301,238</u>
(50,745)	48,835	(1,074,827)	(2,344,364)
377,432	38,529	243,370	2,078,655
--	--	(469,324)	(980,271)
--	--	44,000	44,000
--	--	1,221,925	1,221,925
<u>377,432</u>	<u>38,529</u>	<u>1,039,971</u>	<u>2,364,309</u>
326,687	87,364	(34,856)	19,945
177,928	404,270	1,528,887	17,051,174
<u>\$ 504,615</u>	<u>\$ 491,634</u>	<u>\$ 1,494,031</u>	<u>\$ 17,071,119</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, 2022*

Net change in fund balances - total governmental funds	\$ 19,945
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	3,306,707
The depreciation of capital assets used in governmental activities is not reported in the funds.	(1,496,145)
Trade-in or disposal of capital assets decrease net position in the SOA but not in the funds.	(7,138)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	93,943
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	1,360,101
Repayment of financed purchases principal is an expenditure in the funds but is not an expense in the SOA.	203,739
(Increase) decrease in accrued interest from beginning of period to end of period.	5,740
The net revenue (expense) of internal service funds is reported with governmental activities.	993,576
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(140,455)
Solid waste activities are included in the general fund but are included in business activities in the SOA.	840,841
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	(1,221,925)
Bond premiums are reported in the funds but not in the SOA.	72,280
Pension contributions made after the measurement date but in current FY were de-expended & reduced NPL.	775,813
The City's share of the unrecognized deferred inflows and outflows for the pension plan was amortized.	796,460
OPEB contributions made after the measurement date but in current FY were de-expended & reduced NPL.	138,849
The City's share of the unrecognized deferred inflows and outflows for the OPEB plan was amortized.	49,829
Other reconciling items	(5,020)
Change in net position of governmental activities - Statement of Activities	<u>\$ 5,787,140</u>

The accompanying notes are an integral part of this statement.

CITY OF KINGSVILLE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2022

	Enterprise Fund	Nonmajor Internal Service Fund
	Utility Fund	Insurance Fund
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 12,632	\$ 2,389,176
Equity in pooled cash and cash equivalents	8,961,635	721,371
Receivables (net of allowances for uncollectibles):		
Accounts	1,064,062	84,659
Due from:		
Other funds	41,821	308,938
Prepaid expenses	1,754	320,691
Inventory, at cost	703,384	--
Restricted assets - noncurrent:		
Cash and cash equivalents	5,742,196	--
Total current assets	<u>16,527,484</u>	<u>3,824,835</u>
Noncurrent assets:		
Capital assets:		
Land	181,743	--
Utility plant	45,105,433	--
Equipment	4,074,206	--
Vehicles	2,519,469	--
Construction in progress	734,573	--
Total capital assets	52,615,424	--
Less accumulated depreciation	(36,753,666)	--
Net capital assets	<u>15,861,758</u>	<u>--</u>
Net pension asset	530,652	--
Total noncurrent assets	<u>16,392,410</u>	<u>--</u>
Total Assets	<u>32,919,894</u>	<u>3,824,835</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflow related to pensions	198,650	--
Deferred outflow related to OPEB	10,362	--
Deferred Loss on Refunding	39,430	--
Total Deferred Outflows of Resources	<u>\$ 248,442</u>	<u>\$ --</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 713,622	\$ 441,774
Accrued wages payable	40,461	--
Due to:		
Other funds	58,380	--
Accumulated unpaid compensated absences	38,500	--
Current liabilities payable from restricted assets:		
Accrued interest payable	49,534	--
Financed purchases payable	73,832	--
Contractual obligations payable	1,420,051	--
Customer deposits	924,829	--
Total current liabilities	<u>3,319,209</u>	<u>441,774</u>
Long-term liabilities, net of current portion:		
Accumulated unpaid compensated absences	65,782	--
OPEB liability	108,008	--
Financed purchases payable	321,850	--
Contractual obligations payable	10,293,372	--
Total long-term liabilities, net of current portion	<u>10,789,012</u>	<u>--</u>
Total Liabilities	<u>14,108,221</u>	<u>441,774</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflow related to pensions	698,251	--
Deferred inflow related to OPEB	56,995	--
Other Deferred inflows	3,191,394	--
Total Deferred Inflows of Resources	<u>3,946,640</u>	<u>--</u>
NET POSITION		
Net investment in capital assets	4,654,337	--
Restricted for:		
Self insurance	--	3,383,061
Capital outlay	4,583,395	--
Unrestricted	5,875,743	--
Total Net Position	<u>\$ 15,113,475</u>	<u>\$ 3,383,061</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, 2022*

Utility Fund Net Position - Proprietary Funds Statement of Net Position \$ 15,113,475

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 3,733,593

Assets and liabilities of certain internal service funds are included in business type activities in the SNP. 43,202

Net Position of Business-type Activities - Statement of Net Position \$ 18,890,270

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, 2022

	Enterprise Fund	Nonmajor Internal Service Fund
	Utility Fund	Insurance Fund
OPERATING REVENUES:		
Water	\$ 5,159,548	\$ --
Other income	2,785	11,574
Wastewater	5,395,090	--
Insurance premiums	--	4,569,437
Intergovernmental revenue	578,717	--
Federal Revenue	443,003	--
Total Operating Revenues	<u>11,579,143</u>	<u>4,581,011</u>
OPERATING EXPENSES:		
Personal services	3,018,541	--
Supplies	571,411	--
Services	2,152,273	3,587,435
Maintenance	1,750,835	--
Uncollectable accounts	77,175	--
Depreciation and amortization	1,027,739	--
Total Operating Expenses	<u>8,597,974</u>	<u>3,587,435</u>
Operating Income (Loss)	<u>2,981,169</u>	<u>993,576</u>
NON-OPERATING REVENUES (EXPENSES):		
Interest	39,142	--
Gain or loss on sale of property	10,550	--
Interest and fiscal agent charge	(203,511)	--
Total Non-operating Revenues (Expenses)	<u>(153,819)</u>	<u>--</u>
Net Income (Loss) before Transfers	<u>2,827,350</u>	<u>993,576</u>
TRANSFERS IN (OUT):		
Transfers In	618,403	--
Transfers Out	(1,716,787)	--
Total Transfers In (Out)	<u>(1,098,384)</u>	<u>--</u>
Net Income (Loss)	1,728,966	993,576
Net Position, October 1	13,384,509	2,389,485
Net Position, September 30	<u>\$ 15,113,475</u>	<u>\$ 3,383,061</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, 2022*

Change in net position - utility fund \$ 1,728,966

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. (238,221)

Change in net position of Business-type activities - statement of activities \$ 1,490,745

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, 2022

	Utility Fund	Internal Service Fund
Cash Flows from Operating Activities:		
Cash received from customers	\$ 10,720,861	\$ --
Cash receipts (payments) for interfund services provided and used	--	4,608,499
Cash received from other governments	2,568,891	--
Cash payments to employees for services	(4,304,010)	--
Cash payments to other suppliers for goods and services	(3,299,297)	(4,112,823)
Net Cash Provided (Used) by Operating Activities	<u>5,686,445</u>	<u>495,676</u>
Cash Flows from Non-capital Financing Activities:		
Proceeds (payments) from (for) interfund borrowings	(8,435)	--
Transfers from other funds	785,575	19,015
Transfers (to) other funds	(1,883,959)	--
Net Cash Provided (Used) by Non-capital Financing Activities	<u>(1,106,819)</u>	<u>19,015</u>
Cash Flows from Capital and Related Financing Activities:		
Principal and interest paid	(1,620,988)	--
Proceeds from issuance of bonds	628,075	--
Proceeds from sale of assets	10,550	--
Acquisition or construction of capital assets	(1,237,664)	--
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>(2,220,027)</u>	<u>--</u>
Cash Flows from Investing Activities:		
Interest and dividends on investments	39,142	--
Net Cash Provided (Used) for Investing Activities	<u>39,142</u>	<u>--</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,398,741	514,691
Cash and Cash Equivalents at Beginning of Year	12,317,722	2,595,856
Cash and Cash Equivalents at End of Year	<u>\$ 14,716,463</u>	<u>\$ 3,110,547</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ 2,981,169	\$ 993,576
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation	1,027,739	--
Provision for uncollectible accounts	77,175	--
Change in Assets and Liabilities:		
Decrease (increase) in receivables	145,378	27,488
Decrease (increase) in inventories	(133,200)	(204,697)
Decrease (increase) in prepaid expenses	--	(320,691)
Increase (decrease) in accounts payable	303,709	--
Increase (decrease) in accrued wages payable	8,026	--
Increase (decrease) in net pension liability	(543,494)	--
Increase (decrease) in OPEB liability	(34,396)	--
Increase (decrease) in deferred inflow related to pension	274,910	--
Increase (decrease) in deferred inflow related to OPEB	(3,620)	--
Increase (decrease) in other deferred inflows	1,547,171	--
Increase (decrease) in accumulated compensated absences	17,818	--
Increase (decrease) in customer deposits	18,060	--
Total Adjustments	<u>2,705,276</u>	<u>(497,900)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 5,686,445</u>	<u>\$ 495,676</u>

The accompanying notes are an integral part of this statement.

CITY OF KINGSVILLE
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2022

	<u>Custodial Fund</u>
	<u>Court Cash Bond Account</u>
ASSETS	
Assets:	
Cash and cash equivalents	\$ 29,620
Total Assets	<u>\$ 29,620</u>
LIABILITIES AND EQUITY	
Net Position:	
Fund balances:	
Restricted for Municipal Court Bonds	29,620
Total Net Position	<u>\$ 29,620</u>
Total Liabilities and Net Position	<u>\$ 29,620</u>

The accompanying notes are an integral part of this statement.

CITY OF KINGSVILLE

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Custodial Funds
ADDITIONS:	
Municipal Court Bonds	\$ 18,730
Total Additions	<u>18,730</u>
DEDUCTIONS:	
Payment of Municipal Court Bonds	13,414
Total Deductions	<u>13,414</u>
Change in Fiduciary Net Position	5,316
Net Position-Beginning of the Year	24,304
Prior Period Adjustment	--
Net Position-End of the Year	<u>\$ 29,620</u>

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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, 2022.

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, 2022.

b. Discretely Presented Component Unit

The City did not have a Discretely Presented Component Unit at September 30, 2022.

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, 2022

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 custodial 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 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.

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

The City's custodial 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 custodial funds are used to account for court cash bonds held for others, and for certain funds collected and passed through to other governments.

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.

Federal Grants Fund. This fund is used to account for federal grant receipts and 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 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.

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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.

Under GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," all proprietary funds will continue to follow Financial Accounting Standards Board ("FASB") standards issued on or before November 30, 1989. However, from that date forward, proprietary funds will have the option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continuing to follow new FASB pronouncements unless they conflict with GASB guidance. The City has chosen not to apply future FASB standards.

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. 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 has implemented this Statement in fiscal year 2022.

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, 2021. The City will implement this Statement in fiscal year 2023, if applicable.

GASB Statement No. 91, Conduit Debt Obligations, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related disclosures. The requirements of this Statement will become effective for reporting periods ending December 31, 2022.

GASB Statement No. 92, Omnibus 2020, addresses a variety of topics to enhance comparability in accounting and financial reporting, and to improve consistency of authoritative literature by addressing issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement became effective for reporting periods ending June 30, 2022. This Statement had no effect on the City's financial statements.

GASB Statement No. 93, Replacement of Interbank Offered Rates, addresses accounting and financial reporting implications that result from the replacement of an Interbank Offered Rate on variable payments made or received. Paragraph 11b became effective for reporting periods ending after December 31, 2021, and paragraphs 13 and 14 became effective for financial statements starting with the fiscal years ending June 30, 2022. This Statement had no effect on the City's financial statements.

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). It also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The requirements of this Statement will become effective for financial statements starting with the fiscal year ending June 30, 2023.

GASB Statement No. 96, Subscription-Based Information Technology Arrangements, provides guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users. This Statement becomes effective for financial statements starting with the fiscal year ending June 30, 2023.

GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - An amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32, 1) increases consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform, 2) mitigates costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans as fiduciary component units in fiduciary fund financial statements; and 3) enhances the relevance, consistency, and comparability of the deferred accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement became effective for financial statements starting with the fiscal year ending June 30, 2022. This Statement had no effect on the City's financial statements.

The City has not fully determined the effects of those statements not yet implemented on the City's future 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.

CITY OF KINGSVILLE
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2022

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 2021 tax rate was \$.84000, of which \$.67492 was distributed to the General Fund and \$.16508 was applied to the Debt Service Fund. Using the twenty-five percent rule, the City's legal margin is \$245,237,716.

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.

The top ten taxpayers are as follows:

Taxpayer Name	Nature of Operations	Assessed Valuation	% of Total Taxable Valuation
AEP Texas Inc.	Electric Utility	21,731,140	2.14%
Rockstar Oak Tree LLC	Apartments	12,779,820	1.26%
Rockstar Kingsville Pointe LLC	Apartments	9,091,120	0.90%
HEB Grocery Inc	Retail	8,195,120	0.81%
KL Phase 1 Owner LTD	Apartments	7,885,980	0.78%
Apexone Javelina LLC	Apartments	7,060,000	0.70%
Wal-Mart Stores Inc #01-0442	Retail	6,873,790	0.68%
Kingsville Two Family Housing LTD	Apartments	6,513,542	0.64%
King Ranch Saddle Shop Inc.	Retail	6,351,380	0.63%
Lowes Home Centers Inc.	Retail	6,119,350	0.60%

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.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

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.

CITY OF KINGSVILLE
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2022

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

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 2022.

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 assets that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Deferred outflows of resources represent a consumption of net assets that applies to a future period 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 \$1,511,507, of which \$1,258,301 is in governmental activities and \$253,206 in business-type activities.

There were deferred inflows of resources in the Statement of Net Position of \$10,574,826 of which \$6,602,200 is in governmental activities, and \$3,972,626 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.

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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.

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".

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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 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.

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, 2022, met their minimum requirements.

Spending Prioritization in Using Available Resources:

When an expenditure is incurred for a purpose for which both restricted and unrestricted equity 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.

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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.

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.

CITY OF KINGSVILLE
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2022

1. Cash & Cash Equivalents

At September 30, 2022, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$14,488,561 and the bank balance was \$14,658,006. The City's cash deposits at September 30, 2022 and during the year ended September 30, 2022, 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.

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.

<u>Investment</u>	<u>Reported Amount</u>	<u>Fair Value</u>
Texas Class (Rated @ AAAM)	\$ 21,768,318	\$ 21,768,318

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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.

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

Receivable balances at September 30, 2022 consists of the following:

	General	Debt Service	Enterprise	Enterprise Restricted	Primary Government Total
Receivables:					
Accounts	\$ 8,092,383	\$ --	\$ 2,927,418	\$ 123,476	\$ 11,143,277
Taxes - Property	883,759	255,279	--	--	1,139,038
Taxes - Franchise & Sales	1,304,435	--	--	--	1,304,435
Special Assessments	59,824	--	--	--	59,824
Gross Receivables	<u>10,340,401</u>	<u>255,279</u>	<u>2,927,418</u>	<u>123,476</u>	<u>13,646,574</u>
Less: Allowance for uncollectable	<u>(8,108,878)</u>	<u>(102,111)</u>	<u>(1,460,883)</u>	<u>(70,631)</u>	<u>(9,742,503)</u>
Net total receivable	<u>\$ 2,231,523</u>	<u>\$ 153,168</u>	<u>\$ 1,466,535</u>	<u>\$ 52,845</u>	<u>\$ 3,904,071</u>

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

E. Capital Assets

Capital asset activity for the year ended September 30, 2022, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 580,399	\$ --	\$ --	\$ 580,399
Construction in progress	510,948	2,517,889	(719,149)	2,309,688
Total capital assets not being depreciated	<u>1,091,347</u>	<u>2,517,889</u>	<u>(719,149)</u>	<u>2,890,087</u>
Capital assets being depreciated:				
Road network	19,285,846	--	--	19,285,846
Buildings and improvements	11,586,060	684,139	--	12,270,199
Equipment	7,184,463	763,008	(218,882)	7,728,589
Vehicles	7,871,261	60,821	(260,139)	7,671,943
Total capital assets being depreciated	<u>45,927,630</u>	<u>1,507,968</u>	<u>(479,021)</u>	<u>46,956,577</u>
Less accumulated depreciation for:				
Road network	(13,725,144)	(514,138)	--	(14,239,282)
Buildings and improvements	(3,624,825)	(291,134)	--	(3,915,959)
Equipment	(6,465,776)	(350,878)	211,743	(6,604,911)
Vehicles	(4,947,033)	(339,995)	260,139	(5,026,889)
Total accumulated depreciation	<u>(28,762,778)</u>	<u>(1,496,145)</u>	<u>471,882</u>	<u>(29,787,041)</u>
Total capital assets being depreciated, net	<u>17,164,852</u>	<u>11,823</u>	<u>(7,139)</u>	<u>17,169,536</u>
Governmental activities capital assets, net	<u>\$ 18,256,199</u>	<u>\$ 2,529,712</u>	<u>\$ (726,288)</u>	<u>\$ 20,059,623</u>
<u>Business-type activities:</u>				
Capital assets not being depreciated:				
Land	\$ 594,943	\$ --	\$ --	\$ 594,943
Construction in progress	2,061,540	546,788	(215,881)	2,392,447
Total capital assets not being depreciated	<u>2,656,483</u>	<u>546,788</u>	<u>(215,881)</u>	<u>2,987,390</u>
Capital assets being depreciated:				
Buildings and improvements	47,749,843	215,881	--	47,965,724
Equipment	6,608,725	1,606,091	(475,871)	7,738,945
Vehicles	4,976,032	145,019	--	5,121,051
Total capital assets being depreciated	<u>59,334,600</u>	<u>1,966,991</u>	<u>(475,871)</u>	<u>60,825,720</u>
Less accumulated depreciation for:				
Buildings and improvements	(31,824,528)	(860,646)	--	(32,685,174)
Equipment	(4,839,236)	(511,727)	411,011	(4,939,952)
Vehicles	(4,435,693)	(92,816)	--	(4,528,509)
Total accumulated depreciation	<u>(41,099,457)</u>	<u>(1,465,189)</u>	<u>411,011</u>	<u>(42,153,635)</u>
Total capital assets being depreciated, net	<u>18,235,143</u>	<u>501,802</u>	<u>(64,860)</u>	<u>18,672,085</u>
Business-type activities capital assets, net	<u>\$ 20,891,626</u>	<u>\$ 1,048,590</u>	<u>\$ (280,741)</u>	<u>\$ 21,659,475</u>

CITY OF KINGSVILLE
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Governmental depreciation was charged to functions as follows:

General Government	\$	231,832
Tourism		5,460
Public Safety		666,256
Public Works		417,914
City/County		<u>174,683</u>
	\$	<u>1,496,145</u>

Business-type depreciation was charged to functions as follows:

Water	\$	380,635
Wastewater		437,450
Solid Waste		<u>647,104</u>
	\$	<u>1,465,189</u>

F. Interfund Balances and Activity

1. Due To and From Other Funds

Balances due to and due from other funds at September 30, 2022, consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Police Forfeiture Fund	\$ <u>888</u>	Short-term loans
	Subtotal	<u>888</u>	
Utility Fund	Debt Service Fund	<u>41,821</u>	Short-term loans
	Subtotal	<u>41,821</u>	
Internal Service Fund	General Fund	249,078	Short-term loans
Internal Service Fund	Utility Fund	58,380	Short-term loans
Internal Service Fund	Other Governmental Funds	<u>1,480</u>	Short-term loans
	Subtotal	<u>308,938</u>	
	Total	\$ <u>351,647</u>	

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

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

2. Transfers To and From Other Funds

Transfers to and from other funds at September 30, 2022, consisted of the following:

Transfers To	Transfers From	Amount	Reason
General Fund	Other Governmental Funds	\$ 69,324	Supplement other funds sources
General Fund	Utility Fund	1,350,000	Supplement other funds sources
	Subtotal:	<u>1,419,324</u>	
Federal Fund	General Fund	10,644	Supplement other funds sources
Federal Fund	Utility Fund	366,787	Supplement other funds sources
	Subtotal:	<u>377,431</u>	
Debt Service Fund	General Fund	38,529	Supplement other funds sources
Other Governmental Fund	General Fund	243,370	Supplement other funds sources
	Subtotal:	<u>243,370</u>	
Utility Fund	Other Governmental Funds	400,000	Supplement other funds sources
Utility Fund	General Fund	218,403	Supplement other funds sources
	Subtotal:	<u>618,403</u>	
	Total	<u>\$ 2,697,057</u>	

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, 2022, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Certificates of obligation Limited Tax Refunding Bond	\$ 5,325,000	\$ --	\$ 1,045,000	\$ 4,280,000	\$ 1,221,823
Premium on Bonds Payable	3,544,770	1,221,925	315,102	4,451,593	349,126
Total bonds payable	499,732	--	72,280	427,452	--
Financed purchases	9,369,502	1,221,925	1,432,382	9,159,045	1,570,949
Total long-term debt	526,090	--	203,739	322,351	132,058
	9,895,592	1,221,925	1,636,121	9,481,396	1,703,007
Net pension liability (asset) * Accumulated compensated absences*	75,175	6,058,516	9,240,084	(3,106,393)	--
OPEB liability *	1,142,937	831,818	691,363	1,283,392	576,680
Governmental activities Total long-term debt	731,840	49,229	219,938	561,131	--
	<u>\$ 11,845,544</u>	<u>\$ 8,161,488</u>	<u>\$ 11,787,506</u>	<u>\$ 8,219,526</u>	<u>\$ 2,279,687</u>

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Business-type activities:					
Certificates of obligation	\$ 3,358,000	\$ 628,075	\$ 111,000	\$ 3,875,075	\$ 1,225,874
Limited Tax Refunding Bond	8,520,230	--	1,179,899	7,340,331	194,177
Premium on Bonds Payable	557,185	--	59,165	498,020	--
Total bonds payable	12,435,415	628,075	1,350,064	11,713,426	1,420,051
Financed purchases	1,160,276	--	264,032	896,244	136,437
Total long-term debt	13,595,691	628,075	1,614,096	12,609,670	1,556,488
Net pension liability (asset) *	12,842	1,034,918	1,578,412	(530,652)	--
Landfill closure cost	1,821,015	--	165,927	1,986,942	--
OPEB liability *	198,245	13,334	64,590	146,989	--
Accumulated compensated absences*	86,464	71,350	53,533	104,281	38,500
Business-type activities Long-term liabilities	\$ 15,714,257	\$ 1,747,677	\$ 3,476,558	\$ 14,317,230	\$ 1,594,988

* Other long-term liabilities (assets)

The funds typically used to liquidate other long-term liabilities (assets) 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 (asset)	Governmental activities	General
Accumulated compensated absences	Business-type activities	Utility
Net OPEB liability	Business-type activities	Utility
Net pension liability (asset)	Business-type activities	Utility

Certificates of obligation payable:	2022	2021
(1) \$3,358,000 Combination Tax and Subordinate Lien Revenue Certificates of Obligation Series 2021 for General Improvements; paid in annual installments of \$111,000 to \$115,000 through 8/1/2051 with no interest. (100% Utility Fund)	\$ 3,247,000	\$ 3,358,000
\$9,040,000 Limited Tax Refunding Bonds Series 2014 due in annual installments of \$855,000 to \$895,000 through September 30, 2025, with interest at 2.0% to 2.5% (100% Utility Fund)	2,625,000	3,465,000
\$5,025,000 Limited Tax Refunding Bonds Series 2020 due to original installments of \$360,000 to \$500,000 through August 31, 2032, interest at 4.0% to 4.6% (General Fund 53.8504% and Utility Fund 46.1496%.	4,500,000	4,800,000
\$1,260,000 Limited Tax Refunding Bonds, Series 2013, for Capital Outlay and General Improvements, due in annual installments of \$105,000 to September 2023; Interest at 2.0% (100% General Fund)	105,000	205,000

CITY OF KINGSVILLE
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FOR THE YEAR ENDED SEPTEMBER 30, 2022

\$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)	3,345,000	4,210,000
\$3,595,000 Limited Tax Refunding Bonds Series 2021 due to original installments of \$225,000 to \$500,000 through August 31, 2032, interest at 3.00% to 4.00%. (General Fund 21% and Utility Fund 79%).	3,340,000	3,595,000
\$1,310,000 Tax Note Series 2021, for Capital Outlay and General Improvements, due in annual installments of \$190,000 to \$195,000 through August 2027; interest at 1.5%. (100% General Fund)	935,000	1,115,000
\$1,850,000 Tax Note Series 2022, for Capital Outlay and General Improvements, due in annual installments of \$245,000 to \$285,000 through August 2027; interest at 2.640%. (66.05% General Fund and 33.95% Utility Fund)	<u>1,850,000</u>	<u>--</u>
Total Certificates of Obligation Payable	<u>\$ 19,947,000</u>	<u>\$ 20,748,000</u>

(1) This bond was issued for cash only. Therefore, no imputed interest was calculated.

2. Debt Service Requirements

Debt service requirements on long-term debt at September 30, 2022, are as follows:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2023	\$ 1,570,949	\$ 240,503	\$ 1,811,452
2024	876,177	206,122	1,082,299
2025	906,476	184,064	1,090,540
2026	929,902	161,009	1,090,911
2027	953,382	135,917	1,089,299
2028-2032	2,901,207	342,115	3,243,322
2033-2036	593,500	44,344	637,844
Totals	<u>\$ 8,731,593</u>	<u>\$ 1,314,074</u>	<u>\$ 10,045,667</u>

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Year Ending September 30,	Business-type Activities		
	Certificates of Obligation		Revenue Bonds
	Principal	Interest	Total
2023	\$ 1,420,052	\$ 227,525	\$ 1,647,577
2024	1,464,823	195,488	1,660,311
2025	1,514,523	157,708	1,672,231
2026	636,098	118,381	754,479
2027	652,618	100,852	753,470
2028-2032	3,113,793	239,744	3,353,537
2033-2037	836,500	5,530	842,030
2038-2042	560,000	--	560,000
2043-2047	560,000	--	560,000
2048-2051	457,000	--	457,000
Totals	\$ 11,215,407	\$ 1,045,228	\$ 12,260,635

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, 2022, 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.

In June 2021, the City issued \$3,595,000 of general obligation bonds with an interest rate of 2.5% to 3.0%. These refunding bonds were issued to defease bonds issued in 2013. The refunding resulted in an economic gain of \$238,316, with a total savings of \$224,315.

- Refunding of Debt : There is \$0 of outstanding Refunded Debt as of September 30, 2022.
- Financed Purchases Payable

Commitments for financed purchases payable for facilities and equipment as of September 30, 2022 are as follows:

Governmental Activities:

	2022	2021
Installment loan for capital outlay, due in annual installments of \$54,071, including interest at 3.228%, through January 30, 2023, secured by street sweeper	\$ 52,380	\$ 103,122
Installment loan for capital outlay, due in monthly installments of \$1,990, including interest at 2.4%, through August 12, 2023, secured by golf course mower	19,584	42,330
Installment loan for capital outlay, due in monthly installments of \$147, including interest at 2.0%, through April 15, 2024, secured by golf range picker	2,804	4,571

CITY OF KINGSVILLE
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Installment loan for capital outlay, due in annual installments of \$74,355, paid in full on June 1, 2022, secured by fire equipment	--	72,202
Installment loan for capital outlay, due in annual installments of \$9,168, including interest at 4.33%, through August 31, 2023, secured by nimble array storage	8,785	17,203
Installment loan for capital outlay, due in annual installments of \$49,281, including interest at 3.47%, through December 31, 2026 secured by police vehicles	222,694	262,854
Installment loan for capital outlay, due in annual installments of \$8,417, including interest at 3.06%, through January 31, 2024, secured by nimble array storage	<u>16,104</u>	<u>23,813</u>
Total	<u>\$ 322,351</u>	<u>\$ 526,095</u>

Business-type Activities:

	<u>2022</u>	<u>2021</u>
Installment loan for capital outlay, due in annual installments of \$51,303, including interest at 3.47%, through December 31, 2026 secured by articulated dump truck	\$ 231,831	\$ 273,638
Installment loan for capital outlay, due in annual installments of \$95,279, including interest at 3.15, through January 30, 2025 secured by dump truck	268,731	352,894
Installment loan for capital outlay, secured by John Deere tractor, paid in full on April 28, 2022	--	66,707
Installment loan for capital outlay, due in annual installments of \$87,562, including interest at 3.47, through February 18, 2027 secured by clarifier	<u>395,682</u>	<u>467,037</u>
	<u>\$ 896,244</u>	<u>\$ 1,160,276</u>

Debt service requirements on financed purchases at September 30, 2022, are as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 132,004	\$ 15,173	\$ 147,177
2024	52,206	6,628	58,834
2025	44,487	4,794	49,281
2026	46,031	3,250	49,281
2027	<u>47,623</u>	<u>1,653</u>	<u>49,276</u>
Totals	<u>\$ 322,351</u>	<u>\$ 31,498</u>	<u>\$ 353,849</u>

CITY OF KINGSVILLE
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 FOR THE YEAR ENDED SEPTEMBER 30, 2022

Year Ending September 30,	Business-type Activities		
	Principal	Interest	Total
2023	\$ 203,904	\$ 30,240	\$ 234,144
2024	210,701	23,441	234,142
2025	217,725	16,417	234,142
2026	129,706	9,157	138,863
2027	134,208	4,656	138,864
Totals	\$ 896,244	\$ 83,911	\$ 980,155

H. Pension Plans

Texas Municipal Retirement System

1. Plan Description

The City participates as one of 924 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 annual comprehensive financial report (ACFR) 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.

Employees covered by benefit terms:

At the December 31, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	198
Inactive employees entitled to but not yet receiving benefits	191
Active employees	270
Total covered employees	<u>659</u>

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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 8.04% and 8.39% in calendar years 2022 and 2021, respectively. The City's contributions to TMRS for the year ended September 30, 2022 were \$1,065,042 and were equal to the required contributions.

4. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2020, 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, 2021 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.5% to 11.5% 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, 2021 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2014 through December 31, 2018 first used in the December 31, 2019 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Assumptions are reviewed annually. No additional changes were made for the 2021 valuation.

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:

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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 (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Changes in Net Pension Liability			
Balance at 12/31/2020	\$ 68,419,150	\$ 68,331,131	\$ 88,019
Changes for the year			
Service cost	1,693,432	-	1,693,432
Interest	4,567,986	-	4,567,986
Change of benefit terms	-	-	--
Difference between expected and actual experience	790,799	-	790,799
Changes of assumptions	-	-	--
Contributions - employer	-	1,042,974	(1,042,974)
Contributions - employee	-	872,261	(872,261)
Net investment income	-	8,902,980	(8,902,980)
Benefit payments, including refunds of employee contributions	(3,183,987)	(3,183,987)	--
Administrative expense	-	(41,217)	41,217
Other changes	-	282	(282)
Net changes	3,868,230	7,593,293	(3,725,063)
Balance at 12/31/2021	\$ 72,287,380	\$ 75,924,424	\$ (3,637,044)

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	\$ 6,474,572	\$ (3,637,045)	\$ (11,921,560)

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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, 2022, the City recognized pension expense of \$(775,813).

Schedule of Pension Expense

Total Service Cost	\$	1,693,432
Interest on the Total Pension Liability		4,567,986
Current Period Benefit Changes		-
Employee Contributions (Reduction of Expense)		(872,261)
Projected Earnings on Plan Investments (Reduction of Expense)		(4,612,351)
Administrative Expense		41,217
Other Changes in Fiduciary Net Position		(282)
Recognition of Current Year Outflow (Inflow) of Resources - Liabilities		245,590
Recognition of Current Year Outflow (Inflow) of Resources - Assets		(858,126)
Amortization of Prior Year Outflows (Inflows) of Resources - Liabilities		(290,580)
Amortization of Prior Year Outflows (Inflows) of Resources - Assets		(690,438)
Total Pension Expense (Income)	\$	<u>(775,813)</u>

At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 545,209	\$ 203,842
Changes in actuarial assumptions	10,997	-
Difference between projected and actual investment earnings	-	4,581,937
Contributions subsequent to the measurement date	805,346	-
Total	<u>\$ 1,361,552</u>	<u>\$ 4,785,779</u>

\$805,346 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, 2022. 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,	
2023	\$ (720,753)
2024	\$ (1,738,454)
2025	\$ (912,242)
2026	\$ (858,124)
2027	\$ -
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.

CITY OF KINGSVILLE
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2022

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 \$7,961 for fiscal year ended September 30, 2022 was equal to the required and actual contributions and the City has no future liability. Three-year information is as follows:

	2020	2021	2022
Annual Required Contribution	\$ 4,980	\$ 2,278	\$ 7,961
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.

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, 2022, the City used an actuarial valuation date of September 30, 2021 and measurement date of September 30, 2022.

Note: Actuarial valuations are done every two years. There are no assets accumulated in na GASB compliant

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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, 2022, a total of 4 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, 2022
Actuarial Valuation Date:	September 30, 2022
Inflation:	3.00%
Salary Increases, including inflation:	3.00%
Discount Rate:	4.40%
Prior Year Discount Rate:	2.19%

The discount rate was based on the 9/30/22 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-2021 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-2021 for males or females, as appropriate.

Inactive employees currently receiving benefits payments	4
Inactive employees entitled to but not yet receiving benefit payments	
Active employees	198
	202

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Balance at 9/30/2021	\$	930,086
Changes for the year:		
Service Cost		42,012
Interest		20,552
Differences between expected and actual experience		(180,900)
Changes in Assumptions/Inputs		(38,841)
Change in Benefit Terms		
Benefit payments		(64,787)
Administrative expense		
Net Changes		<u>(221,964)</u>
Balance at 9/30/2022	\$	<u>708,122</u>

	1% Decrease in Discount Rate	No change in Discount Rate	1% Increase in Discount Rate
Discount Rate:	\$ 766,748	\$ 708,121	\$ 655,326
Healthcare Cost Trend Rates:	\$ 642,644	\$ 708,121	\$ 785,524
OPEB Expense			
Service cost			\$ 42,012
Interest on liabilities			20,552
Difference between actual and expected experience			(129,660)
Changes in assumptions-inputs			(113,442)
Change in benefit terms			<u>.</u>
Total OPEB Expense			<u>\$ (180,538)</u>
Deferred Outflows and Inflows		<u>Outflows</u>	<u>Inflows</u>
Differences between actual and expected experience		\$ 55,056	\$ 277,788
Changes of assumptions or other inputs		10,296	144,484
Total Deferred Outflows and Inflows		<u>\$ 65,352</u>	<u>\$ 422,272</u>

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:		
2023	\$	(243,102)
2024		(3,948)
2025		(36,623)
2026		(36,623)
2027		(36,623)
Thereafter		

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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, 2022.

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, 2022 for the following funds:

General Fund
Tourism Fund
Police Forfeiture Fund
Federal Grants Fund
State Grants Fund
Debt Service Fund
Capital Projects Fund
Utility Fund

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

\$195,260 addition in revenues and other financing sources comprised of:

- \$14,000 in Parks and Recreation - Donation revenue for recreational programs
- \$2,500 in Parks and Recreation - Donation revenue for health events
- \$500 in Fire Department - Donation revenue for emergency response equipment
- \$13,300 in Parks and Recreation - Donation revenue for softball league
- \$20,000 in Parks and Recreation - Donation revenue for parks scoreboards
- \$129,760 in Parks and Recreation - Donation from County for golf course greens renovation
- \$8,450 in Parks and Recreation - Donation revenue for Brookshire recreational programs
- \$6,750 in Parks and Recreation - Donation revenue for pony league travel

\$989,272 addition to expenditures and other financing uses comprised of:

- \$85,787 in various departments - For rollover projects
- \$43,000 in Parks Department - For donations for recreational programs, supplies, league uniforms.

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

- \$20,000 in Parks and Recreation - For donation for scoreboard sponsorship
- \$38,000 in Community Appearance - For demolition costs
- \$14,500 in Parks and Recreation - For increase in gas and oil
- \$2,500 in Parks and Recreation - For donation for health events
- \$259,520 in Parks and Recreation - For golf course greens project
- \$238,768 in Sanitation - For increase in costs
- \$186,139 in Police Department - For increase in costs
- \$8,707 in Planning - For increase in costs
- \$500 in Fire Department - Donations for equipment
- \$23,510 in Fire Department - For increase in costs
- \$28,000 in Parks and Recreation - For additional funding for golf course utilities
- \$17,696 in Parks and Recreation - For increase in costs at golf course and administration
- \$1,060 in Transfers - For additional funding
- \$2,000 in Finance Department - increase in costs
- \$2,100 in Facilities Department - increase in costs
- \$5,500 in Street Department - increase in costs
- \$11,985 in Health Department - increase in costs

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, 2022, the liability for accrued vacation leave and accrued sick leave is approximately \$1,387,672. The amounts applicable to the Governmental Activities and Business-type Activities are \$1,283,390 and \$104,282, respectively.

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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:

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, 2022 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.

CITY OF KINGSVILLE
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2022

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 \$2.113888 to \$2.630873 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 \$390,180 in 2022 and 2021, 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 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 \$441,774 at September 30, 2022 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 2022 and 2021 were:

	Beginning-of Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2021	\$ 453,923	\$ 3,521,850	\$ 3,329,302	\$ 646,471
2022	\$ 646,471	\$ 3,382,797	\$ 3,587,293	\$ 441,774

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

The liability at year end is equal to three months of paid claims subsequent to September 30, 2022 but that had been incurred prior to that date, and is considered a current liability for reporting purposes. The City terminated its Self Insurance Plan as of 10/1/2022. See also Subsequent Events footnote.

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, 2022 is \$1,986,942 based on 17.102% usage (filled) of the landfill through September 30, 2022. It is estimated that an additional \$9,631,243 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 \$11,618,185 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, 2022. 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.

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. 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

Management has reviewed subsequent events and transactions that occurred after the balance sheet date through April 3, 2023 (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 is one non-recognized Type II subsequent events that require additional disclosure:

The City terminated its Self Insurance Plan as of October 1, 2022. The decision was made to switch from a self-funded plan to a fully funded plan based on increased costs of almost 10% in premium costs and additional risks due to high risk claims resulting in higher costs for stop loss insurance coverage. A change in plans allows the City to offer employees a more traditional health plan with enhanced network access and a choice of plans based on their health needs.

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

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September 27, 2023

**CITY OF KINGSVILLE, TEXAS
CERTIFICATES OF OBLIGATION, SERIES 2023A
IN THE ORIGINAL PRINCIPAL AMOUNT OF \$4,625,000**

We have acted as “Bond Counsel” to the City of Kingsville, Texas (the “City”) in connection with the issuance of the certificates described above (the “Certificates”) for the sole purpose of providing legal advice and traditional legal services to the City including rendering an opinion with respect to the legality and validity of the Certificates under the Constitution and laws of the State of Texas and with respect to the exclusion of interest on the Certificates from gross income for federal income tax purposes. We have not investigated or verified original proceedings, records, data, or other material, but we have relied solely upon the transcript of certified proceedings, certifications, and other documents described in the following paragraph. We have not assumed any responsibility with respect to the financial condition or capabilities of the City or the disclosure thereof in connection with the sale of the Certificates. We have relied solely on information and certifications furnished to us by the City with respect to the current outstanding indebtedness of, and assessed valuation of taxable property within, the City.

In our capacity as Bond Counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Certificates that contains certified copies of certain proceedings of the City Commission of the City (the “Commission”), including an ordinance of the Commission authorizing the Certificates adopted on August 28, 2023 (the “Ordinance”); the Purchase Contract dated August 28, 2023 approving the purchase of the Bonds by the Underwriter, the approving opinion of the Attorney General of the State of Texas; customary certificates of officers, agents, and representatives of the City, and other public officials; and other documents relating to the issuance of the Certificates. We have also examined applicable provisions of the Internal Revenue Code of 1986, as amended (the “Code”), court decisions, Treasury Regulations, and published rulings of the Internal Revenue Service (the “Service”) as we have deemed relevant. We have also examined executed Certificate No. I-1.

Based on said examination and in accordance with customary legal opinion practice, it is our opinion that:

1. The City is a validly existing political subdivision of the State of Texas with power to adopt the Ordinance, perform its agreements therein, and issue the Certificates.
2. The Certificates have been authorized, sold, and delivered in accordance with law.
3. The Certificates constitute valid and legally binding obligations of the City enforceable in accordance with their terms except as the enforceability thereof may be limited by principles of sovereign immunity, bankruptcy, insolvency, reorganization, moratorium, liquidation, and other similar laws now or hereafter enacted relating to creditors’ rights generally.

4. Ad valorem taxes, within the limit prescribed by law, upon all taxable property within the City, necessary to pay the principal of the Certificates, have been pledged irrevocably for such purpose. Certain revenues, in an amount not to exceed \$1,000, derived from the surplus revenues of the City's waterworks and sewer system to pay the principal of and interest on the Certificates, as described in the Ordinance.

5. Interest on the Certificates will be excludable from gross income for federal income tax purposes under section 103 of the Code and is not an item of tax preference for purposes of the federal alternative minimum tax; however, such interest may be taken into account in determining the "annual adjusted financial statement income" (as defined in section 56A of the Code) of "applicable corporations" (as defined in section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations.

In rendering these opinions, we have relied upon representations and certifications of the City, the City's financial advisor, and the Initial Purchaser of the Certificates with respect to matters solely within the knowledge of such parties, respectively, which we have not independently verified, and we assume continuing compliance by the City with covenants pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Certificates for federal income tax purposes. If such representations and certifications are determined to be inaccurate or incomplete, or the City fails to comply with the foregoing covenants, interest on the Certificates could become includable in gross income retroactively to the date of issuance of the Certificates, regardless of the date on which the event causing such inclusion occurs.

Except as stated above, we express no opinion as to any other federal, state, or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on or the acquisition, ownership, or disposition of the Certificates.

We call your attention to the fact that the ownership of obligations such as the Certificates may result in collateral federal tax consequences to, among others, financial institutions, property and casualty insurance companies, life insurance companies, certain foreign corporations doing business in the United States, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization, investment trust, certain S corporations with Subchapter C earnings and profits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred expenses allocable to, tax-exempt obligations.

The Service has an ongoing audit program to determine compliance with rules relating to whether interest on state or local obligations is excludable from gross income for federal income tax purposes. No assurance can be given regarding whether or not the Service will commence an audit of the Certificates. If such an audit is commenced, under current procedures, the Service would treat the City as the taxpayer, and owners of the Certificates would have no right to participate in the audit process. We observe that the City has covenanted not to take any action, or omit to take any action within its control, that, if taken or omitted, respectively, may result in the treatment of interest on the Certificates as includable in gross income for federal income tax purposes.

The opinions set forth above are based on existing laws of the United States (including statutes, regulations, published rulings, and court decisions) and the State of Texas, which are subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover,

our opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent our legal judgment based on our review of existing law, and are made in reliance on the representations and covenants referenced above that we deem relevant to such opinions.

This legal opinion expresses the professional judgment of this firm as to the legal issues explicitly addressed therein and is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur. In rendering a legal opinion, we do not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of our opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

Respectfully submitted,

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APPENDIX D

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: \$_____ in aggregate principal
amount of [NAME OF TRANSACTION]
[and maturing on]

Effective Date: _____

Risk Premium: \$ _____
Member Surplus Contribution: \$ _____
Total Insurance Payment: \$ _____

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

200 Liberty Street, 27th floor
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN

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Financial Advisory Services Provided By

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INVESTMENT BANKERS



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