

# **Comprehensive Annual Financial Report**

September 30, 2015

## **CITY OF KINGSVILLE, TEXAS**

### **City Commission**

(for the fiscal year ended September 30, 2015)

Sam R. Fugate	Mayor
Dianne Leubert	Mayor Pro-Tem
Arturo Pecos	Commissioner
Noel Pena	Commissioner
Alfonso Garcia	Commissioner

### **City Manager**

Jesus A. Garza

### **Prepared By:**

#### **Department of Finance**

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David Bodiford - Accounting Supervisor

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*Introductory Section*

May 1, 2016

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

The Comprehensive Annual Financial Report of the City of Kingsville, Texas (City) for the fiscal year ended September 30, 2015, is submitted herewith. As required by the TEX. LOCAL GOV'T CODE ANN. § 103.001 et seq., the report includes financial statements which have been audited by an independent firm of certified public accountants, John Womack & Co. PC. The financial statements are presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and are audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

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

The goal of the independent audit, conducted by John Womack & Co. PC was to provide reasonable assurance that the financial statements of the City of Kingsville for fiscal year ended September 30, 2015, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Kingsville's financial statements for the fiscal year ended September 30, 2015, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

## **THE CITY AND ITS ORGANIZATION**

### **Population and Location**

Based on the reviewed 2010 Census of Kingsville, the City now has a population of 27,195; this represents a 6.33 percent increase over the 2000 Census of 25,575. The City of Kingsville's standard metropolitan statistical area consists of Kleberg County which has a population of 32,061 according to the 2010 Census. The geographic location of the City is on U. S. Highway 77 which has been proposed to be the new Interstate 69 which will facilitate travel from Mexico, Central and South America to the U.S. and Canada. The City is also home to a major military installation, NAS Kingsville, and tourist attraction, the King Ranch.

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

### **Form of Government and City Services**

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

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

The City is a full service municipality, providing a full range of services. The City's public safety services include police protection, fire protection, building inspection, and a specialized emergency management operation. Law enforcement is provided through the Police Department with 67 employees, which includes 50 police officers and 17 support personnel. The Kingsville Police Department is the only SWAT unit in the State of Texas that has been awarded a Unit Citation Award recognizing extraordinary achievement in the field of SWAT Tactics, training, valor, or other milestones.

The City of Kingsville also maintains a self-supported Specialized Crimes and Narcotics Task Force which is composed of 5 uniformed Agents that work interdiction on two major corridors, U.S. Highway 77 and U.S. Highway 281, and 4 undercover agents that work undercover assignments and conduct follow-up investigations. The Kingsville Task Force's command staff consists of a Commander, an Assistant Commander and an Administrative Assistant. While the Task Force concentrates its efforts on interdiction on the U.S. Hwy 77 corridor and State Highway 285, they also assist Federal, State and

Local agencies in the South Texas area with narcotic investigations. These U.S. Highways are directly connected to the Lower Rio Grande Valley which borders Mexico and are highly trafficked by illegal aliens traveling north, as well as criminal organizations attempting to transport illegal narcotics into the United States. The Task Force has mutual aid agreements with Brooks, Cameron and Kleberg Counties and work numerous areas in South Texas when the need occurs.

In FY 14-15 Task Force Agents conducted 55 criminal investigations resulting in 33 arrests; the confiscation of 231.2 pounds of cocaine, 2.2 pounds of methamphetamine, and 95 pounds of marijuana. During the same period Task Force investigations also resulted in the confiscation of over \$1.7 million in criminal assets.

The City's Fire Department operates two fire stations, and provides advanced life support emergency medical services and transport. The Department cross staffs 1 fire engine, 1 Truck Company and 2 MICU ambulances using a minimum of 7 personnel each day. Fire protection, rescue, Hazmat and EMS services are provided by 30 firefighters and 3 support staff. Of the 30 firefighters, currently there are 16 certified EMT Paramedics, 4 EMT Intermediates, and 7 EMT Basics. The Department hopes to fill 3 Paramedic vacancies soon.

The City has a combined utility system (System) comprised of water and wastewater. The City's water system, consisting of 123.0 miles of waterlines, serves all residents of the City, as well as several other customers and industries within Kleberg County and a 2 mile radius of the City. The City's water supply is primarily provided by seven water wells. The second water supply source is with STWA which maintains a 42" water line to the City of Corpus Christi. The City's water supply is now sufficient to continue serving the City for the next several decades.

Wastewater collection and treatment is provided within the city limits to more than 26,532 residential, commercial, and industrial customers. The collection system consists of 96.1 miles of gravity and force mains, 1,381 manholes, and 8 lift stations. The City owns and operates 2 treatment plants with separate collection basins, with an average aggregated daily flow at treatment plants of 1,400,000 gallons per day, or 35% of aggregate permitted capacity.

In addition to operating the combined utility system, the City also provides garbage collection and disposal. Garbage collection is primarily limited to residential service, with automated garbage collection using specialized equipment initiated in 2009 and City households are now using the garbage rollouts with automated inventory bar codes and GPS tracking. The City, with its automated garbage collection program, provides garbage pick-up twice a week which results in a savings of more than \$100,000 a year. The commercial garbage collection is also automated and is collected up to six days a week. The City's recycling center collects approximately 150 tons a year. The City owns and operates a regional waste disposal facility, also accepting waste from outside of the City and from commercial garbage haulers. Other public works operations of the City include drainage and street maintenance, street lighting and traffic signalization and engineering. The City provides engineering services to support all public works

departments as well as the planning department. It also provides the City with engineering design for City construction projects.

Community enrichment and culture services are also major programs of the City. The Robert J. Kleberg Public Library is a City-County public library that provides comprehensive library services and information to residents of Kleberg County. The Woman's Club of Kingsville founded the public library on February 23, 1909. The library's 10,250 square foot facility houses more than 55,000 items for leisure and research use. The library has over 30,000 registered patrons and has a circulation of approximately 40,000 items annually. Throughout the year, the library averages over 50,000 visits, and over 1,500 patrons engage in the library's very popular author lectures and book signings event, and the summer reading and activities program. The library also offers electronic resources and services such as databases, eBooks, audiobooks, streaming movies, free high-speed broadband Internet, Wi-Fi Internet access, Wi-Fi web printing, computer labs, a STREAM makerspace lab, an employment resource and testing center, public printers and typewriters. The Robert J. Kleberg Public Library is a member of The Central Texas Library System and is accredited by the Texas State Library and Archives Commission.

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

The City of Kingsville and Kleberg County own and maintain extensive recreational facilities, which include 195 acres of parks and playgrounds, one swimming pool, 12 baseball and softball diamonds, 12 soccer fields, 2 cricket pads, one recreational center, one BBQ hut, and fairgrounds which includes an Exposition Center, campsites, an outdoor rodeo arena and storage building which is currently leased to the Kleberg Kenedy County Junior Livestock Show Association. The horse stalls which were part of the Exposition Center were demolished due to safety concerns. Plans to replace the horse stalls will be included in the new Park Master Plan. City of Kingsville, in the last several years, has also developed a new community Xeriscape Garden and Pavilion area in the downtown area which is being incorporated into the Parks Department inventory.

Environmental health, animal control & care services, vector control (mosquitos) services and Onsite Sewage Facilities are provided by the jointly operated City of Kingsville/Kleberg County Health Department.

### **Annual Budget Process**

State laws and the City Charter require the preparation and filing of a balanced annual operating budget. Departments are required to submit requests to the Finance Department by the first week of June for the development of the annual operating budget. Under the direction of the City Manager, the Director of Finance uses these requests to develop a proposed balanced operating budget for presentation to the City Commission



by the beginning of August. Following months of budget discussions and deliberations with City Commission, a public hearing is scheduled for the first week of September and adoption of the budget ordinance and supporting fee schedules occur no later than September 30th. The operating budget is prepared by fund, department, function, and organizational unit or project levels.

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.

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.

## **FINANCIAL CONDITION**

### **Local Economy**

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

### **Major Revenues**

The City's major sources of revenue are property, sales and other taxes, and business fees. The September 30, 2015, period showed the following changes in these sources from the prior year: (1) an increase in property tax receipts due to an increase in the property values, (2) an increase in charges for services and (3) an increase in building permit fees. This illustrates the resilience of the local economy despite negative revenue trends for other state and local governments in the nation. Real property tax collections as a percent of levy collected has remained stable. Current fiscal year collected taxes to date, as a percent of the net current tax levy, have increased slightly.

### **Employment**

The local unemployment rate stood at 5.2% for September, 2015 compared to 4.4% for Texas and 5.1% for the nation. Future Job growth for the City outpaced the National average and was projected at 41.80% compared to 36.10% nationally for this same time period. Estimated household income for the City is well below the National average at \$35,648 compared to \$53,046.



## **Diversification of Economy**

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

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

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

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

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

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

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

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

## **Transportation**

A primary component of the City's transportation system is the 2,457-acre Corpus Christi International Airport, which is only 45 minutes from the City of Kingsville. Currently, the Airport is served by approximately 24-30 daily flights from three major domestic carriers that use the Airport's 7,508 and 6,080 feet of lighted runways for a total of 13,588 feet. The Airport serviced 334,794 enplanes and 332,607 deplanes in fiscal year 2013. Additionally, airport safety has been enhanced through a multi-jurisdictional cooperative effort with other civil and military law enforcement agencies.

The City is also served by a network of major highways. U.S. Highway 77 (in transition and under construction to become Interstate 69) links the City of Kingsville to both the Rio Grande Valley/Mexico to the south and Victoria (which then provides a direct connection to U.S. 59 and Houston). State Highway 44 and U.S. Highway 59 also link the City of Kingsville to Laredo/Mexico from U.S. Highway 77 at Robstown and Victoria. All highways are four-lane roads and are maintained at interstate or near interstate standards. There is a total of 145.76 miles of local streets within the city limits of Kingsville. Of this total, the Texas Department of Transportation (TX Dot) owns and maintains approximately 25.76 miles of roadway. The City of Kingsville owns and maintains the other 120.0 miles of streets. Seventeen separate motor carriers serve the City of Kingsville for truck transport of products to market. Rail service to and from the City of Kingsville is provided by the Burlington Northern/Santa Fe Railway, Texas Mexican Railway and Union Pacific Railroad.

## **Major Initiatives**

During FY15 the Planning and Development Services Department saw an increase in construction in the city of Kingsville. Specifically, residential construction permits went from 21 in FY14 to 45 in FY15. The City has also seen its commercial construction permits stay steady. This increase in permits increases the workload but work processes are more efficient due to new technology.

With City Manager Jesus Garza coming on board the department has turned its attention to revitalizing the downtown. This includes rewriting ordinances that provide the ability to live downtown, having a downtown vision plan conducted by USTA and utilizing a new program by the Texas Historical Commission to conduct feasibility studies for commercial buildings for that as it means the Texas Theatre.

The HM King High School renovation and adaptive re-use has made tremendous progress in Fiscal Year 2015. Initial funding was pledged and provided through the HM King High Historical Foundation which began fundraising in 2009 after receiving a \$1 million donation from Mrs. Helen Kleberg Groves. The City has committed an additional \$3.8 million. The exterior of the structure was completed in Fiscal Year 2013

with additional work continuing in FY14 and FY15. Anticipated completion and move-in is June 2016.

### **Economic Development**

The City continues to partner with Kleberg County, the Economic Development Council (EDC), Texas A&M University-Kingsville (TAMUK) and Coastal Bend College in creating quality jobs and programs toward achieving optimal economic stability and diversification. Major initiatives tied to economic development are being collaborated with these partners. Recently this partnership has produced substantial development traction, most notably the increase in construction activity. During the course of Fiscal Year 2013, negotiations were finalized for an economic incentive package to be entered into with a residential development company that will construct 184 new single family homes in the City. Additionally, the aforementioned partners have collaborated to continue marketing the community and have attracted substantial interest in apartment developments and commercial prospects.

The City also continues to support our local economic partners most notably the University and NASK. The City in partnership with the EDC continues to monitor and support the missions of our important industries. In conjunction with this we continually work to bring diverse industry that can relate and or equally capitalize on the current industries/services that are currently located in Kingsville.

Additionally, the City was able to successfully continue a partnership with our neighboring industry, Celanese. The City and Celanese renegotiated a Payment In Lieu Of Taxes Agreement wherein both parties have agreed to cooperate on economic development initiatives both financially for the City and from a business development standpoint for Celanese. This exciting partnership, while a continuation, is a valuable contribution to the economic development mission.

### **Current Construction Projects**

- New HMK High School project is progressing on schedule with anticipated completion and move-in June 2016.
- Wildwood trails, a 184-lot subdivision infrastructure was completed in FY14 with the sell and construction of homes on these lots to begin in the spring of 2014. The 184-lot subdivision will have multiple lot sizes that are expected to contain a mix of home prices.
- “The Grand” will be on 36-100x150’ lots with home prices ranging from \$250 - \$400k homes.
- “The Las Villas” will be on 54- 60x120’ lots with home prices ranging from \$150-\$225k. “The Park” will be on 94-50x100’ lots with home prices ranging from \$110-\$140k.
- Renovation work on the old Texas Theater continues. When completed, plans are to use the historic theater for a variety of events which include live productions, beauty pageants, dance recitals and musical acts.

- The City approved a multi-year lease with Texas A&M University-Kingsville to house a new research center dedicated to the Eagle Ford Shale Reserve. The research center is intended to foster the development of technological advances and development of the Reserve. Some of the potential technologies would be pipeline safety monitoring and new generation of infrastructure elements that mimic the self-healing mechanisms of living organisms.

### **Future Construction Projects**

- Lakeview Villa, a 20 townhome subdivision is scheduled to begin construction in May 2015; this project should take 10 months to complete.
- Legends of Kingsville Apartments, is constructing a 198-unit, 504-bed, student-housing-marketed housing development on 21-acres of land next to TAMUK, completion is anticipated in the fall of 2015.
- I-69 highway improvement project
- Legends Phase II was started in September 2015. It will have approximately the same number of units and beds. They plan to finish August 2016.
- La Quinta Hotel – construction has started on a 72 room hotel located north of the Hampton Inn. They anticipate completion by February 2017.
- Nuevo Santa Gertrudis Apartments – This project will be constructed just west of the current Santa Gertrudis Apartments and will consist of 56 efficiency units. Project completion date is unknown at this time.
- Heritage Mixed Use Development, while not final at the time of this publication, it is anticipated that the project will start construction the summer of 2016. This project will have 10 commercial units on the bottom and 20 residential units on the top.
- There have also been a number of small apartment projects (15 units or less) being submitted near Texas A&M Kingsville.

### **Tourism**

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

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

The King Ranch's support and influence has left an indelible mark on the Kingsville's growth and culture that continues to this day. As a centennial city, the secret to city's longevity lays in the resilience of its people and the array of local attractions that draw a wide variety of guests who are seeking to immerse themselves in a bit of historical southern charm and a slower pace of life. Today Kingsville has become a multicultural city that offers something for everyone.

With Kingsville having mostly open range and the scarcely populated area, land was acquired to build the university and navy base.

Renowned in public research, Texas A&M University-Kingsville was chartered in 1917 but did not open its doors until 1925 due to the U.S. entering into the First World War. It has been South Texas oldest continuously operating public institutions for 90 years south of San Antonio. Today the university continues its growth and popularity especially by its adequately sports-related visitors.

Also with its desirable climate and open range, the U.S. Department of Defense in 1941 established NAS Kingsville to the east of the town after a group of Kingsville civic leaders pleaded their case to the department for a base to be located here. Today NAS Kingsville operates higher performance single engine aircrafts and is one of the Navy's premier locations for jet aviation training.

Whether arriving in town from the east through the main corridor or landing at the local airport strip to the west of town, visiting our community can indulge you in some retail therapy at numerous quaint specialty shops and restaurants located in the heart of the city's historic downtown district. Also besides reaching world class fishing along the bay, we also have some of the most delicious historic cuisines in the Lone Star state. And whether you want to get up close and personal with hundreds of species of wildlife at the ranch or the beach, or to just kick up your boots in town at one of our lodging destinations, we've have you covered.

### **Financing of Major Capital Projects**

During the 2015 fiscal year, the City continued to utilize bond issues from the previous fiscal years to fund projects and capital assets planned and approved during the past fiscal year. These are major initiatives that represent a significant long term commitment to revitalization strategies that support commercial and industrial growth and improved quality of life for current residents.

### **CAFR Program**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Kingsville for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2014 continuing to confirm compliance with both GAAP and legal requirements. This was the twenty-seventh consecutive year that the City has received this prestigious award. A Certificate of Achievement is valid for a period of one year only. We believe

that this CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility certification.

## **ACKNOWLEDGEMENTS**

The preparation of this report is possible only because of the dedication of the staff members in the Department of Finance, including Stacie Pena, Accounting Manager; David Bodiford, Accounting Supervisor along with support staff members, Sally Saenz, Sharon Shaw and Norma Cavazos. Special thanks must be given to Courtney Alvarez who served as the Interim City Manager and to our new City Manager, Jesus Garza for their continued guidance and support.

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

Respectfully submitted,

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

Deborah Balli, CPA, CGFO  
Director of Finance



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Kingsville  
Texas**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

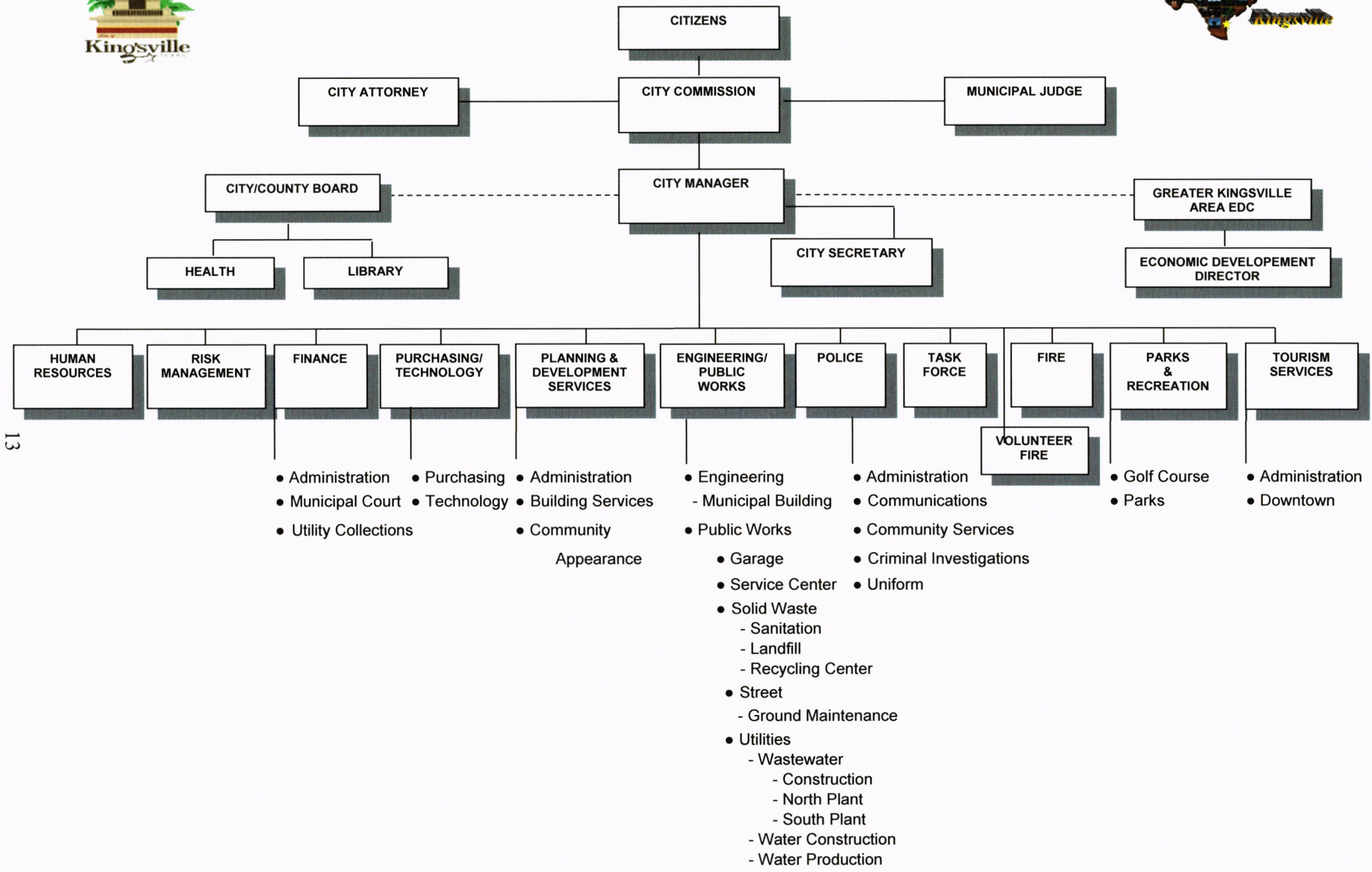
**September 30, 2014**

Executive Director/CEO





# CITY OF KINGSVILLE ORGANIZATIONAL CHART





*Financial Section*

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**Independent Auditor's Report**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kingsville ("the City") as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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



PRIVATE COMPANIES PRACTICE SECTION. AICPA DIVISION FOR CPA FIRMS

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Kingsville as of September 30, 2015, 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.

## Emphasis of Matter

### *Change in Accounting Principle*

As described in Note A to the financial statements, in 2015, City of Kingsville adopted new accounting guidance, Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for contributions made Subsequent to the Measurement Date -- an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

## Other Matters

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Kingsville's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not required parts of the basic financial statements.

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

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2016 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Kingsville's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in cursive script that reads "John Womack, P.C." The signature is written in black ink and is positioned above the typed name and address.

John Womack & Company, P.C.  
Kingsville, TX  
April 15, 2016

## 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, 2015. 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

- The assets of the City exceeded its liabilities by \$29.5 million.
- The fund balance of the General Fund decreased from \$11.5 million to \$10.5 million. This represents an 8.74% decrease over the prior year's fund balance, and furthermore, represents 52.87% of the \$19.9 million in expenditures. The General Fund's Unassigned Fund Balance was \$5.3 million, or 26.84% of general fund expenditures.
- Total assets, were \$69.0 million; total liabilities were \$40.5 million.
- The ratio of total assets to total liabilities for governmental activities was 1.83 times; for business-type activities the ratio was 1.60 times.
- The quick ratio (current assets to current liabilities) was 2.76 times for governmental activities and 3.96 times for business-type activities.
- Total net position was \$29.5 million, which was a decrease from \$30.2 million for the prior year, or about 2.35%. Governmental activities' net position increased by 10.37%, while business-type activities' net position decreased by 13.48%.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

The basic financial statements are comprised of three components:

- The *government-wide financial statements* provide both long-term and short-term information about the City's overall financial status. These statements are presented for both *governmental activities* and *business-type activities*. They are designed to provide readers with a broad overview of the City's finances, similar to a private-sector business. A legally separate *component unit* (Kingsville Convention and Visitors Bureau) are also shown in these statements.
  - The *statement of net position* presents information on all of 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 of the 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 of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.
  - The *governmental funds* statements show how general government services were financed in the short-term as well as what remains for future spending. The two major governmental funds are the General Fund and the Debt Service Fund.
  - *Proprietary fund* statements offer short-term and long-term financial information about the activities the City operates like a business: *enterprise funds* and *internal service funds*. The major proprietary fund is the combined Utility System Fund.
  - *Fiduciary funds* statements provide information about the financial relationships in which the City acts solely as a *trustee* or *agent* for the benefit of others, to whom the resources belong. *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary fund.
- *Notes to the financial statements* provide essential additional information to provide a clear picture of the particular assets, liabilities, or inherent risks. The notes to the financial statements follow the basic financial statements.

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

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

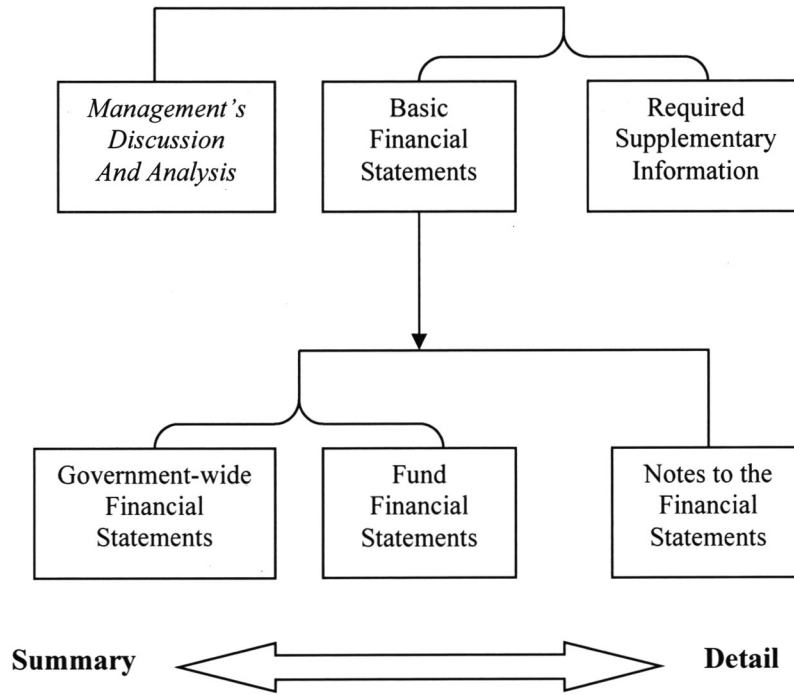


Figure A-1 shows how the required parts of this annual financial report are arranged and relate to one another. In addition to these required elements, a section with combining statements that provides details about the non-major governmental funds and internal service funds is included.

**More about the City's Fund Financial Statements:**

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

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

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

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

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

#### **More about the City's Proprietary Funds:**

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

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

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

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

### **Net Position**

Net position serves over time as a useful indicator of the City's financial position. At September 30, 2015, the net position totaled \$29.5 million, \$711 thousand less than the prior year. The composition of this net position is \$15.5 million for governmental activities and \$13.9 million for business-type activities, which is comprised primarily of the Combined Utility System.

A large portion of the City's net position, 46.3%, 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. 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, and the City has over 0.5% of its net position set aside for the retirement of debt. Approximately 15.1% 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, 2015 and 2014**  
(in thousands of dollars)

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current & other assets	\$ 18,113	\$ 15,739	\$ 15,255	\$ 19,966	\$ 33,368	\$ 35,705
Capital assets	14,416	13,214	21,226	20,252	35,642	33,466
<b>Total assets</b>	<u>32,529</u>	<u>28,953</u>	<u>36,481</u>	<u>40,218</u>	<u>69,010</u>	<u>69,171</u>
Deferred Outflows of Resources	1,106	-	189	-	1,295	-
Long-term liabilities	11,246	9,572	18,887	20,136	30,133	29,708
Other liabilities	6,564	5,281	3,850	3,978	10,414	9,259
<b>Total liabilities</b>	<u>17,810</u>	<u>14,853</u>	<u>23,340</u>	<u>24,114</u>	<u>40,547</u>	<u>38,967</u>
Deferred Inflows of Resources	284	19	-	-	284	19
Net Investment in capital assets	9,979	7,857	3,659	842	13,638	8,699
Restricted	3,214	4,552	5,607	6,362	8,821	10,914
Unrestricted	2,348	1,672	4,667	8,900	7,015	10,572
<b>Total net position</b>	<u>\$ 15,541</u>	<u>\$ 14,081</u>	<u>\$ 13,933</u>	<u>\$ 16,104</u>	<u>\$ 29,474</u>	<u>\$ 30,185</u>

**TABLE A-1: Governmental-Type Activities**

Current & Other Assets increased \$2.4 million from \$15.7 million in FY14 to \$18.1 million in FY15 or 15.09%. The majority of this increase is due to the City's higher cash balances and end of year inventory. Capital assets, net of accumulated depreciation, increased \$1.2 million from \$13.2 million in FY14, to \$14.4 million in FY15, or 9.09%. Other liabilities increased \$1.3 million from \$5.3 million in FY14 to \$6.6 million in FY15 or 24.3%. This was due to increased customer deposits and accounts payable.

As a result of accurately reflecting the restrictions on fund balances, Restricted Net Position decreased by \$1.3 million from \$4.6 million in FY14 to \$3.2 million in FY15 as follows:

\$89,050	increased	Federal and State programs
(\$627,272)	decreased	Debt Service
(\$1,061,484)	decreased	Capital projects
\$7,408	increased	Municipal Court Building Security funds
(\$442,450)	decreased	Law Enforcement
\$3,375	increased	Municipal Court Technology fund
\$51,562	increased	Tourism funds (previously a component unit)
\$0	no change	Other purposes

For this same reason, Unrestricted Net Position increased \$676 thousand from \$1.7 million in FY14 to \$2.3 million in FY15 or 40.46%.

**TABLE A-1: Business-Type Activities**

The Combined Utility System's net position was \$13.9 million, which is 47.3% of total net position and is \$2.2 million less than the prior year. The Combined Utility System contributed all of the total unrestricted business-type net position.

Current & Other Assets decreased \$4.7 million from \$20 million in FY14 to \$15.3 million in FY15 or 23.59%. Restricted Cash is down from \$6.7 million in FY14 to \$5.3 million in FY15 due to the completion of capital projects. Capital assets net of accumulated depreciation increased \$973 thousand from \$20.3 million in FY14 to \$21.2 million in FY15 or 4.81% due to additional equipment purchases net of equipment and vehicle retirements, auction sales and annual straight-line depreciation costs.

Long-term liabilities decreased \$1.2 million from \$20.1 million in FY14 to \$18.9 million in FY15 or 6.2%. Net investment in capital assets increased \$2.8 million from \$842 thousand in FY14 to \$3.7 million in FY15 or 334.30% due to completed capital projects.

Restricted net position decreased \$755 thousand from \$6.4 million in FY14 to \$5.6 million in FY15 or 11.87%.

Capital projects decreased \$800 thousand from \$6.4 million in FY14 to \$5.6 million in FY15 or 11.87%.

Unrestricted net position decreased \$4.2 million from \$8.9 million in FY14 to \$4.7 million in FY15 or 47.55%.

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, 2015 and 2014  
(in thousands of dollars)**

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenue:						
Program revenue:						
Charges for services	\$ 4,091	\$ 3,513	\$ 12,101	\$ 12,858	\$ 16,192	\$ 16,371
Operating grants & contributions	947	299	-	-	947	299
Capital grants & contributions	-	2	-	-	-	2
General revenues:						
Property taxes	6,348	6,211	-	-	\$6,348	\$6,211
Sales taxes	4,521	4,543	-	-	\$4,521	\$4,543
Other taxes	1,625	1,077	-	-	\$1,625	\$1,077
Investment earnings	128	83	46	128	174	211
Other	21	2	-	-	21	2
<b>Total revenues</b>	<b>17,681</b>	<b>15,730</b>	<b>12,147</b>	<b>12,986</b>	<b>29,828</b>	<b>28,716</b>
Expenses:						
General government	3,996	4,127	-	-	3,996	4,127
Public safety	9,205	10,189	-	-	9,205	10,189
Public works	3,307	3,727	-	-	3,307	3,727
Health & other public services	1,861	798	-	-	1,861	798
Tourism	490	482	-	-	490	482
Interest on long-term debt	256	310	-	-	256	310
Water and wastewater	-	-	6,906	7,118	6,906	7,118
Solid waste	-	-	2,706	2,707	2,706	2,707
<b>Total expenses</b>	<b>19,115</b>	<b>19,633</b>	<b>9,612</b>	<b>9,825</b>	<b>28,727</b>	<b>29,458</b>
Increase in net position before transfers	(1,434)	(3,903)	2,535	3,161	1,101	(742)
Transfers	4,442	1,988	(4,442)	(1,988)	-	-
Increase (decrease) in net position	3,008	(1,915)	(1,907)	1,173	1,101	(742)
Net position, beginning	14,081	15,996	16,104	14,931	30,185	30,927
Prior period adjustment	(1,548)		(264)		(1,812)	
<b>Total net position</b>	<b>\$ 15,541</b>	<b>\$ 14,081</b>	<b>\$ 13,933</b>	<b>\$ 16,104</b>	<b>\$ 29,474</b>	<b>\$ 30,185</b>

## **TABLE A-2: Governmental Activities**

As shown in Table A-2, revenues were split between governmental activities and business-type activities at 59.28% and 40.72%, respectively. Expenses for each were 66.54% and 33.46%. Net position increased 24.00% from the prior period for governmental activities, decreased 12.04% for business-type activities, and increased 3.88% overall.

The cost of all *governmental* activities for the fiscal year 2015 was \$19.1 million. However, the amount that taxpayers paid for these services through City taxes and business fees was \$12.5 million.

Some of the cost was paid by:

- Those who directly benefited from the programs was \$4.1 million, and
- Other governments and organizations that subsidized certain programs with grants and contributions was \$947 thousand.
- Charges for services comprised 18.49% of governmental activities' revenues including transfers in and 99.62% of business-type activities' revenues including transfers in.
- Taxes contributed 56.48% of governmental activities' revenues including transfers. Investment earnings, with interest rates, generated 0.72% and 0.38% of governmental activities revenues and business-type activities, respectively.
- Public Safety (including Police, Fire, Emergency Management, Inspections and Municipal Court) expenses accounted for 48.16% of governmental activities' expenses and 17.30% of total 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 \$5.5 million.
- General government comprises 20.91% of all governmental activities' expenses.

Charges for services revenue increased \$578 thousand from \$3.5 million in FY14 to \$4.1 million in FY15 or 16.45%. General revenue sales tax decreased \$22 thousand from \$4.54 million in FY14 to \$4.52 million in FY15 or 0.48%. In FY14, the City received \$12 thousand in one-time comptroller audit adjustments.

General Revenues for Other Revenues increased from \$2 thousand in FY14 to \$21 thousand in FY15.

General government expenses decreased \$131 thousand from \$4.1 million in FY14 to \$4.0 million in FY15 or 3.17%. Public Safety expenses decreased \$984 thousand from \$10.2 million in FY14 to \$9.2 million in FY15 or 9.66%. Public Works expenses decreased \$420 thousand from \$3.7 million in FY14 to \$3.3 million in FY15 or 11.27%.

The decrease in net position before transfers declined \$2.5 million from a \$3.9 million deficit in FY14 to a \$1.4 million deficit in FY15. Transfers increased \$2.5 million from \$1.9 million in FY14 to \$4.4 million in FY15 or 123.44%.

**TABLE A-2: Business-Type Activities**

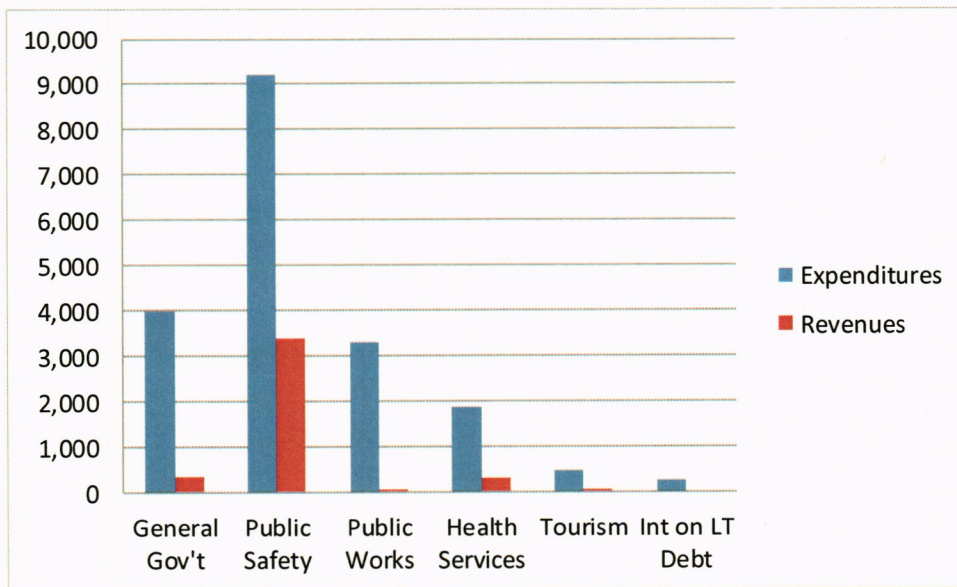
Charges for services revenue decreased \$757 thousand from \$12.9 million in FY14 to \$12.1 million in FY15 or 5.89%. Water and Waste Water sales stabilized due to an increase in total rainfall from prior year. Water and Wastewater rates remained at FY14 rates.

The increase in net position before transfers decreased \$626 thousand from \$3.2 million in FY14 to \$2.5 in FY15 or 19.80%. Transfers Out increased \$2.4 million from \$2.0 million in FY14 to \$4.4 million in FY15 or 123.44%. Fund balance is being used as designed in the Water and Waste Water Rate Model, but the decision was made not to increase utility rates as suggested due to the fact that the City had built up about 14 months of operating funds over the years. Even though the rate model called for a gradual increase in rates, the City chose not to increase water and wastewater rates in FY15. In FY17, the City intends to conduct another rate study.

Solid Waste expenses decreased \$1 thousand from \$2.707 million in FY14 to \$2.706 million in FY15. Water and waste water expenses decreased \$212 thousand from \$7.1 million in FY14 to \$6.9 million in FY15 or 2.98%.

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

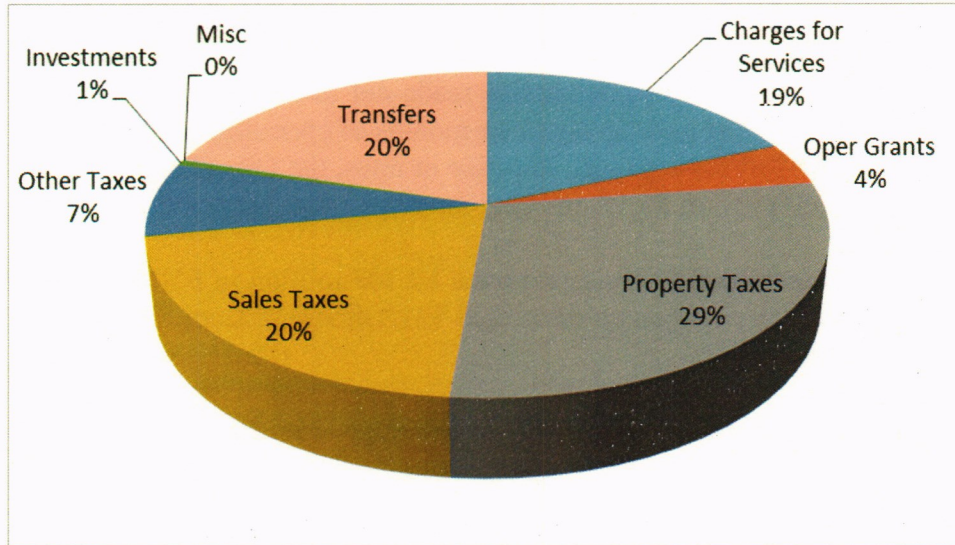
**Graph 1: Program Revenues to Activity Expenditures  
(in thousands of dollars)**





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

**Graph 2: Revenue by Source – Governmental Activities**



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

The Combined Utilities System of water and wastewater accounted for 71.85% of the expenses generated for business-type activities, with solid waste accounting for an additional 28.15%. The Utilities System had operating revenues of \$8.0 million, down by \$890 thousand, and operating income of \$1.1 million down by \$678 thousand. Operating income before transfers was \$1.1 million down \$504 thousand. The major causes of these results were:

- Decreased operating revenues due to an unusually wet year for the entire fiscal year, which caused water revenues to decrease by \$512 thousand, or 10.19% less than the preceding year.
- Wastewater fund revenue was down by \$379 thousand, also due to a decrease in water sales, to which wastewater revenue is tied.
- The operating expenses increased by \$65 thousand, primarily due to increased services, increased depreciation and amortization costs, but decreased maintenance.

Profits after transfers for water and wastewater decreased \$603 thousand from \$2.5 million in FY14 to \$1.9 million in FY15.

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

### Governmental Funds

- Total assets of the General Fund increased \$213 thousand from \$13.4 million to \$13.6 million between FY14 and FY15. Most of this overall increase in total assets is from a decrease of \$286 thousand from unrestricted Equity in Pooled Cash and Cash Equivalents, an increase in Cash and Cash Equivalents of \$24 thousand, an increase in Due From Other Funds of \$65 thousand, a \$222 thousand increase in Accounts Receivable, and an increase in Restricted Cash and Cash equivalents of \$328 thousand over FY14.
- Deferred Revenues for FY15 increased \$221 thousand. Total liabilities of the General Fund increased by \$998 thousand to approximately \$2.1 million, a 92.26% increase. The majority of the increase is attributed to a \$710 thousand increase in Current Accounts Payable, a \$252 thousand increase in Due to Other Funds, and a \$36 thousand increase in Due to Other Governments for FY15 over FY14. This brings the ratio of total assets to total liabilities to 4.36 times in 2015 which is down from the same 7.04 ratio in 2014.
- Starting on page 88, 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 revenue over expenditures before other financing sources.
- The General Fund Unassigned Fund balance increased \$548 thousand in FY15 to \$5.3 million from \$4.8 million in FY14. The Committed Fund Balance for Landfill Closure/ Post Closure decreased by \$1.9 million and increased \$368 thousand for Capital Outlay. Overall Fund Balance decreased \$1.0 million from \$11.5 million in FY14 to \$10.5 million in FY15.

### Police Forfeiture Funds

- Total assets of the Police Forfeiture Fund increased \$1.1 million from \$3.7 million to \$4.8 million between FY14 and FY15. Most of this overall increase in total assets is from a decrease in the net of Equity in Pooled Cash and Cash Equivalents of \$365 thousand, but an increase in Restricted Cash and Cash Equivalents of \$1.5 million as compared to FY14.
- Total liabilities of the Police Forfeiture Fund increased by \$547 thousand from \$2.8 million in FY14 to approximately \$3.3 million in FY15. This brings the quick ratio (current assets to current liabilities) to 1.43 times in FY15 from 1.32 times in FY14. This is because they still had \$3.2 million in unsettled seizures pending, up \$1.0 million, and a decrease in Due to Other Funds and Governments, which was down \$476 thousand at September 30, 2015.
- The Police Forfeiture Fund revenues increased \$852 thousand or, 77.63%, from \$1.1 million in FY14 to \$1.9 million in FY15. Chapter 59 seizure and resulting awards were up as prior revenues seized are being settled. The police units are making concerted efforts to improve their strategy of stopping the flow of money moving through the Interstate 69 corridor. This strategy includes becoming more concentrated with federal, state and local law enforcement agency presence. The Police Forfeiture Fund expenditures saw a decrease of \$543 thousand from \$1.9 million in FY14 to \$1.3 million in FY15.

- The Police Forfeiture Fund Restricted Fund Balance increased by \$550 thousand from \$890 thousand in FY14 to \$1.4 million in FY15.

### **Debt Service Fund**

- The Debt Service Fund Balance decreased \$9.0 thousand from \$589 thousand in FY14 to \$580 thousand in FY15. This was a decrease of 1.58% from FY14 to FY15. 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 \$1.2 million from \$2.5 million to \$1.4 million between FY14 and FY15. Equity in Pooled Cash and Cash equivalents was \$62 thousand less, with Restricted Cash and Cash equivalents decreasing \$862 thousand. Accounts Receivable decreased \$6 thousand and Due From Other Funds and Governments decreased \$234 thousand between FY14 and FY15.
- Total liabilities of the Other Governmental Funds decreased by \$191 thousand to approximately \$237 thousand, a 44.64% decrease. The majority of the decrease is attributed to a \$234 thousand decrease in Due to Other Funds and Governments.

## **Budgetary Results of the General Fund**

### **Revenues**

General Fund taxes and business fee revenues were \$10.5 million, which was \$14 thousand or 0.14% below the final budget. Ad Valorem Delinquent and Penalty revenues were \$11 thousand or 9.10% below budget and \$18 thousand or 23.94% above budget respectively. The City usually budgets these estimated revenues very low to adjust for possible anomalies that might occur in the collection process. Sales Tax Revenue was \$30 thousand or 0.65% below budget. Franchise revenue was \$37 thousand or 3.82% higher than the final budget. These variances are the result of conservative budgeting and changes in the local economy resulting from activity in the Oil and Gas industry.

Fines and Forfeitures revenue was greater than the Final Budget for FY15 by \$176 thousand or 23.55%. In FY15, there was \$7 thousand less budgeted for Municipal Court Fines than in FY14.

Total Charges for Sanitation Services revenues were \$40 thousand or 1.0% more than the final budget. Sanitation Services Garbage Fees revenue were lower than the final budget by \$100 thousand, or 3.0% of the Final Budget for FY15. Sanitation Services Landfill Fees revenue were more than the final budget by \$49 thousand or about 8.70% of the Final Budget for FY15. This resulted from budgeting conservatively, updating sanitation revenue ordinances, and adjusting marketing strategies throughout the fiscal year.



## **Expenditures**

City Special Services expenditures were lower than the final budget by \$1.8 million. This favorable budget variance is mainly the result of lower expenditures for capital outlay than anticipated.

Community Appearance Services expenditures were lower than the final budget by \$61 thousand. This reason for less than budgeted expenditures was due to decreases in professional services and capital outlay expenditures.

Fire Department total expenditures were lower than the final budget by \$313 thousand. Of this amount, \$213 thousand is related to Personal Services for the Fire Department or about 7.92% of the Fire Department Personal Services final budget. Police Department total expenditures were also lower than the final budget by \$285 thousand. Of this amount, \$177 thousand is related to Personal Services for the Police Department or about 4.34% of the Police Department Personal Services final budget. In FY15, both of these departments' Personal Services were budgeted conservatively. In both departments, employee turnover is offset by retirement pay-off (that cannot always be planned in advance). The final result was a positive variance for this fiscal year. The other expenditures in these departments were also conservatively budgeted with managerial oversight contributing to the positive variances.

Street Department total expenditures were lower than the final budget by \$50 thousand or 3.40%. The majority of this came from supplies and maintenance expenditures. Of this amount, \$17 thousand is from Supplies, or 18.86% of the final Supplies budget and \$23 thousand from Building Maintenance, or 31.73% of the Building Maintenance final budget.

Landfill Department Total expenditures were lower than the final budget by \$96 thousand or 7.76%. The majority of this came from an \$18 thousand variance in Personal Services, a \$32 thousand variance in Supplies expenditures, a \$17 thousand variance in Services, and \$14 thousand in Capital Outlays.

General Fund total revenues totaled \$248 thousand or 1.40% below the final budget. The General Fund expenditures came in at \$3.1 million, or 13.54% below the final budget. Actual Expenditures exceeded Revenues by \$2.6 million.

## **Budget Amendments of the General Fund**

The General Fund revenues budget was amended by \$54,729 from the following sources:

The Parks and Recreation department was amended by \$25,352 from donations to help fund park improvements, summer program transportation costs, and the cost of running the softball league and swim team program.

The Volunteer Fire department was amended \$200 for a donation received

The Golf Course department was amended \$29,177 from a contribution received from the Kleberg County for the purchase of golf course irrigation equipment.

The General Fund expenditures budget was amended by \$439,634 from the following sources:

The City Commission department was amended (\$2,000) to cover maintenance expenditures for both the Golf Course and Parks departments.

The City Manager department was amended (\$5,000) for additional costs in the Technology Services department.

The Municipal Building department was amended \$19,000 to cover increased communication fees.

The City Special department was amended \$496,018 to cover additional costs of \$467,519 for building the New City Hall, \$17,000 in building improvements, and \$3,165 for membership in the Texas Mayors of Military Communities and \$8,334 to fund a grant cash match to Kleberg County for a capital project at the County Airport.

The Municipal Court department was amended \$11,786 to cover \$11,325 in additional group health insurance coverage due to open enrollment changes after the budget was adopted.

The Finance department was amended \$22,076 to cover additional audit costs.

The Purchasing department was amended \$3,400 to cover additional group health insurance coverage due to open enrollment changes after the budget was adopted.

The Computer Operations department was amended \$7,640 to cover \$2,640 of additional group health insurance coverage and \$5,000 for the purchase of a computer for the City Manager's office.

The Planning department was amended (\$34,758) to cover the (\$27,800) transfer of funds from the 6<sup>th</sup> Street Corridor Landscaping Project to the Parks Department for Corral Park improvements and JK Northway/Parks improvements and (\$8,334) for funds for the Kleberg County Airport grant cash match. The remaining \$1,376 came from transfers from the Permits and Licenses division of the Planning Department to offset additional supplies and printing and publishing expenditures.

The Police department was amended \$13,000 for increased communication costs due to a change in providers.

The Fire department was amended (\$175,920) from (\$266,920) of capital projects not started allowing those funds to ensure minimum fund balances, \$81,000 for the Vehicle Exhaust Removal System provided by a FEMA grant, and \$10,000 to cover additional equipment purchases provided by the FEMA grant.

The Volunteer Fire department was amended \$200 for the purchase of Minor Equipment provided by donation.

The Sanitation department was amended (\$8,933) to cover additional costs in the recycling center.

The Recycling Center department was amended \$10,633 from \$8,933 from the Sanitation department to help offset unanticipated additional costs and \$1,700 for additional group health insurance coverage.

The Parks and Recreation department was amended \$54,152 from \$4,386 for improvements to the Parks Department recreation building provided by parks donation, \$6,256 for Recreational Programs and Park Improvements provided by parks donation, \$6,000 for summer program transportation costs provided by Parks Donation, \$8,710 for Adult Softball League and Swim Team expenses provided by program revenues, \$1,000 for park improvements provided by a transfer from City Commission department, and \$27,800 for Corral Park and JK Northway improvements.

The Golf department was amended \$30,177 from \$1,000 transferred by the City Commissioner's budget for additional equipment and \$29,177 was received from Kleberg County to purchase irrigation equipment.

Operating transfers in were amended \$467,723 from \$467,519 from the Utility Fund to provide additional funding for the New City Hall at the Historic H.M. King High School and \$205 of remaining funds from Fund 038 so that this fund could be closed.

Additional information on the City's Original Budget to Final Budget and Final Budget to Actual can be found on Exhibit B-1, pages 88-95.

**Non-major Governmental Funds**

Four special revenue funds comprise this portion of the financial statements. Total assets for the combined funds were \$1.4 million, total liabilities were \$237 thousand, and total fund balances were \$1.1 million, with \$2 thousand in Assigned Fund Balance and \$1.1 million in Restricted Fund Balance.

The Tourism Fund makes up 61.15% 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, 37.52%, of these special funds is the Federal 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, 2015 and 2014  
(In thousands of dollars)**

	<u>Governmental Activities</u>			<u>Business-type Activities</u>		
	<u>2015</u>	<u>2014</u>	<u>% Change FY 14-15</u>	<u>2015</u>	<u>2014</u>	<u>% Change FY 14-15</u>
Land	\$ 469	\$ 469	0.00%	\$ 402	\$ 402	0.00%
Building & improvements	2,130	2,129	0.05%	14,147	13,827	2.31%
Equipment	823	987	-16.62%	2,936	2,449	19.89%
Vehicles	2,267	2,355	-3.74%	1,588	1,698	-6.48%
Road network	6,968	6,593	5.69%	-	-	0.00%
Construction in progress	1,759	682	157.92%	2,153	1,876	14.77%
Total	\$ 14,416	\$ 13,215	9.09%	\$ 21,226	\$ 20,252	4.81%

As shown in Table A-3, at September 30, 2015, the City had invested \$90.6 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 \$1.1 million from \$682 thousand in FY14 to \$1.8 million in FY15 with the start of projects funded with Certificate of Obligations.

**TABLE A-3: Business-type Activities**

Building and improvements increased \$320 thousand from \$13.8 million in FY14 to \$14.1 million in FY15, or 0.79%. Equipment increased \$487 thousand from \$2.5 million in FY14 to \$2.9 million in FY15, or 19.88%. Construction in progress increased \$277 thousand from \$1.9 million in FY14 to \$2.2 million in FY15, or 14.75% indicating new construction projects were started and not yet complete.

Additional information on the City's Capital Assets can be found on Note E, pages 66-67 of the Notes to the Financial Statements.

**Table A-4: Long-Term Liabilities**  
**September 30, 2015 and 2014**  
**(in thousands of dollars)**

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Certificates of obligation	\$ 6,405	\$ 7,087	\$ 8,835	\$ 9,868	\$ 15,240	\$ 16,955
Limited tax refunding bonds	990	1,130	8,170	8,900	9,160	10,030
Premium on bonds payable	108	115	318	342	426	457
Capital Leases	327	417	243	300	570	717
Other post-employment benefits	1,174	1,063	313	285	1,487	1,348
Total debt	9,004	9,812	17,879	19,695	26,883	29,507
Net pension liability	2,445	-	418	-	2,863	-
Compensated absences	928	895	70	68	998	963
Landfill closure cost	-	-	2,420	2,231	2,420	2,231
Total long-term debt	\$ 12,377	\$ 10,707	\$ 20,787	\$ 21,994	\$ 33,164	\$ 32,701

Table A-4 indicates that total long-term debt decreased by \$2.4 million from FY14 to FY15 or 7.34%. Of that, landfill closure costs increased \$189 thousand or 8.48%, while compensated absences increased 3.64%. Other Post-Employment Benefits increased by \$139 thousand. Total debt outstanding at fiscal year-end was \$26.9 million, from \$29.5 million for the prior year.

In addition, there were overall reductions of \$1.72 million in certificates of obligation bonds and revenue bonds (Combined Utility System) through scheduled principal payments. Governmental Activities' certificate of obligations had \$683 thousand in debt reduction and the Business-type activities had a reduction of \$1.0 million in certificate of obligations and revenue bonds. Additional information on the City's Long-Term Obligations can be found on Note G, Item # 1-3, and pages 68-70 of the Notes to the Financial Statements.

**Net Pension Liability**

The City implemented GASB Statement No. 68 during the year ended September 30, 2015. A prior period adjustment of \$1,812,808 with \$1,548,382 from Governmental Activities and \$264,486 from Business Type Activities, was required to record the beginning balance of the pension liability for the year ended September 30, 2015. Statement No. 68 establishes standards of accounting and financial reporting, but not funding or budgetary standards, for defined benefit pensions and defined contribution pensions provided to the employees of state and local government employers through pension plans that are administered through trusts or equivalent arrangements criteria detailed above in the detailed above in the description of Statement No. 67. This Statement replaces the requirements Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans within the scope of the Statement.

The requirements of Statement No. 68 apply to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans

that are administered through trusts or equivalent arrangements as described above, and to the financial statements of state and local governmental non-employer contributing entities that have a legal obligation to make contributions directly to such pension plans. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred Inflows of resources, and expense/expenditures related to pensions, Note disclosure and RSI requirements about pensions also are addressed. For defined benefit pension plans, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

The adoption of Statement No. 68 has no impact on the City's governmental fund financial statements, which continue to report expenditures in the contribution amount determined by the Texas Municipal Retirement System's (TMRS) calculation of pension contributions is unaffected by the change. However, the adoption has resulted in the restatement of the City's beginning net position for the fiscal year 2015 government-wide financial statements to reflect the reporting of net pension liability and deferred Inflows of resources and deferred outflows of resources for its qualified pension plan and the recognition of pension expense in accordance with the provisions of the Statement.

The FY15 tax rates were \$0.65558 for the General Fund and \$0.18662 for the Debt Service Fund, totaling \$0.84220 per \$100 of assessed value. Therefore, the City's tax margin of \$1.65780 per \$100 of assessed value could increase taxes \$12.1 million each year based on the assessed value of \$728,913,665. 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 59 of the Notes to the Financial Statements.

### **Bond Ratings**

The City's bond ratings from two rating agencies were reaffirmed or maintained in fiscal year 2015. The unenhanced bond ratings for general obligation bonds were maintained at A1 from Moody's Investors Service, Inc. (Moody's) and reaffirmed A+ from Standard & Poor's Ratings Service (S&P). The City no longer has revenue bonds outstanding, and therefore does not maintain revenue bond ratings.

## **FISCAL YEAR 2015-2016 ADOPTED OPERATING BUDGET**

Total Revenues and Expenditures adopted budget for FY15-16 are \$36,950,895 and \$44,896,987, respectively. The \$7.9 million difference between expenditures and revenues is due mostly to drawing down fund balances to complete capital projects, the largest portion of which are for projects financed by Certificates of Obligation (C.O.'s).

### **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 FY16 General Fund Budget contains a projected operating surplus of \$331 thousand over the required minimum of \$4.8 million.

The net deficits for FY15 and FY16 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 in order 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. A new street maintenance fee was adopted to begin February 1, 2016 with estimated revenues of \$800,000.

### **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 actuary 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 one point in time being covered.

### **Compensation Plan and Personnel Adjustments**

FY16 expenditures for personnel services are proposed to increase \$590 thousand or 3.55% from \$16,603,470 in FY15 to \$17,193,017 in FY16. This increase is attributed to an increase in additional group health insurance contributions to build up the fund balance in the Insurance Fund and increases to employee compensation for scheduled step increases under the City's Compensation Plan and a 1.0% cost of living adjustment (COLA).



### **Capital Outlays**

City staff capital outlay requests for FY16 totaled \$3,086,942; of which \$745,435 was approved. The capital outlay items approved promotes employee efficiency, effectiveness, and safety and is a combination of large and small items. It includes:

- \$5,375 for wildland uniforms for the Volunteer Fire department
- \$5,500 for an additional timeclock hand scanner
- \$11,420 for a ten bay kennel for the Animal Shelter
- \$6,000 for an additional timeclock hand scanner at the new City Hall
- \$8,640 for computer hardware and software for the Fire department
- \$100,000 to relocate the Tourism building
- \$50,000 for wayfinding signs
- \$118,000 for a professional marketing plan
- \$56,000 for one police vehicle and equipment
- \$25,000 for video conferencing system for Municipal Court
- \$60,000 for an 8" water line replacement
- \$25,000 for a class 2 service on Turblex blower for the Wastewater North Plant
- \$63,000 for the force main and lift station pump project for Masters Drive
- \$120,000 to rehab 8 damage manholes
- \$92,000 for a John Deere backhoe for the Wastewater Treatment

### **CITY'S FINANCIAL MANAGEMENT**

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

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

The City of Kingsville  
Director of Finance  
P.O. Box 1458  
Kingsville, Texas 78364  
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Or visit our web site at: [www.cityofkingsville.com](http://www.cityofkingsville.com)



*Basic Financial Statements*

**CITY OF KINGSVILLE**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2015**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<i>Cash and cash equivalents</i>	\$ 5,982,173	\$ 7,447,353	\$ 13,429,526
<i>Equity in pooled cash and cash equivalents</i>	2,055,134	539,929	2,595,063
Receivables ( net of allowances for uncollectibles):			
<i>Taxes</i>	1,399,502	--	1,399,502
<i>Accounts</i>	378,657	1,779,532	2,158,189
<i>Accrued Interest</i>	5,980	6,075	12,055
<i>Internal Balances</i>	177,477	(177,477)	--
<i>Due from other governments</i>	158,973	--	158,973
<i>Inventory, at cost</i>	226,145	279,669	505,814
Restricted assets:			
<i>Cash and cash equivalents</i>	7,467,876	5,307,468	12,775,344
<i>Equity in pooled cash and cash equivalents</i>	261,179	--	261,179
<i>Accounts</i>	--	72,713	72,713
Long-term assets:			
<i>Land and construction in progress</i>	2,228,670	2,554,345	4,783,015
<i>Capital assets, net of related depreciation</i>	12,187,570	18,671,229	30,858,799
Total Assets	<u>32,529,336</u>	<u>36,480,836</u>	<u>69,010,172</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflow related to pensions	1,106,351	188,988	1,295,339
Total Deferred Outflows of resources	<u>1,106,351</u>	<u>188,988</u>	<u>1,295,339</u>
<b>LIABILITIES</b>			
<i>Accounts payable</i>	1,548,685	859,689	2,408,374
<i>Accrued wages payable</i>	335,959	49,768	385,727
Payable from restricted assets:			
<i>Retainage payable</i>	--	142,250	142,250
<i>Accrued interest payable</i>	46,129	62,847	108,976
<i>Customer deposits</i>	3,209,553	779,423	3,988,976
Due to:			
<i>Other governments</i>	288,832	56,171	345,003
<i>Others</i>	4,274	--	4,274
Liabilities due within one year:			
<i>Accumulated unpaid compensated absences</i>	226,680	38,500	265,180
<i>Leases payable</i>	62,248	58,256	120,504
<i>Contractual obligations payable</i>	842,052	1,802,948	2,645,000
Liabilities due beyond one year:			
<i>Accumulated unpaid compensated absences</i>	701,489	31,255	732,744
<i>Leases payable</i>	264,946	184,999	449,945
<i>Accrued other post-employment benefits</i>	1,173,314	312,367	1,485,681
<i>Contractual obligations payable</i>	6,660,829	15,520,669	22,181,498
<i>Net pension liability</i>	2,445,530	417,748	2,863,278
<i>Landfill closure costs</i>	--	2,420,167	2,420,167
Total Liabilities	<u>17,810,520</u>	<u>22,737,057</u>	<u>40,547,577</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
<i>Deferred inflows of resources</i>	283,996	--	283,996
Total Deferred Inflows of Resources	<u>283,996</u>	<u>--</u>	<u>283,996</u>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	9,978,832	3,658,702	13,637,534
Restricted For:			
Federal and State Programs	123,484	--	123,484
Debt Service	141,903	--	141,903
Capital Projects	551,524	5,606,600	6,158,124
Municipal Court Security	87,414	--	87,414
Law Enforcement	1,528,844	--	1,528,844
Municipal Court Technology	52,524	--	52,524
Tourism	725,838	--	725,838
Other Purposes	2,918	--	2,918
Unrestricted	2,347,890	4,667,465	7,015,355
Total Net Position	<u>\$ 15,541,171</u>	<u>\$ 13,932,767</u>	<u>\$ 29,473,938</u>

The accompanying notes are an integral part of this statement.

**CITY OF KINGSVILLE**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government			
<i>General government and administration</i>	\$ 3,995,650	\$ 336,553	\$ --
<i>Public safety</i>	9,204,930	3,394,881	356,123
<i>Public works</i>	3,306,944	62,577	6,050
<i>City/County</i>	1,861,469	295,084	585,000
<i>Tourism</i>	489,686	1,985	--
<i>Interest on long-term debt</i>	255,927	--	--
Total Government Activities	<u>19,114,606</u>	<u>4,091,080</u>	<u>947,173</u>
Business-type Activities:			
Water Improvement	4,136,054	4,509,790	--
Stormwater	631	224,545	--
Solid Waste	2,705,535	3,915,060	--
Wastewater	2,769,038	3,451,936	--
Total Business-type Activities	<u>9,611,258</u>	<u>12,101,331</u>	<u>--</u>
Total Primary Government	<u>\$ 28,725,864</u>	<u>\$ 16,192,411</u>	<u>\$ 947,173</u>

General Revenues:  
*Property Taxes*  
*Sales Taxes*  
*Franchise Taxes*  
*Bingo Taxes*  
*Alcoholic Beverage Taxes*  
*Hotel/Motel Taxes*  
*Unrestricted Investment Earnings*  
*Miscellaneous Income*  
Transfers  
    Total General Revenues and Transfers  
Change in Net Position  
Net Position - Beginning  
Prior Period Adjustment  
Net Position - Ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (3,659,097)		\$ (3,659,097)
(5,453,926)		(5,453,926)
(3,238,317)		(3,238,317)
(981,385)		(981,385)
(487,701)		(487,701)
(255,927)		(255,927)
<u>(14,076,353)</u>		<u>(14,076,353)</u>
--	\$ 373,736	373,736
--	223,914	223,914
--	1,209,525	1,209,525
--	682,898	682,898
--	<u>2,490,073</u>	<u>2,490,073</u>
<u>(14,076,353)</u>	<u>2,490,073</u>	<u>(11,586,280)</u>
6,347,458	--	6,347,458
4,520,268	--	4,520,268
1,003,931	--	1,003,931
5,348	--	5,348
51,917	--	51,917
564,056	--	564,056
128,334	45,957	174,291
21,292	--	21,292
4,442,361	(4,442,361)	--
<u>17,084,965</u>	<u>(4,396,404)</u>	<u>12,688,561</u>
3,008,612	(1,906,331)	1,102,281
14,080,881	16,103,584	30,184,465
(1,548,322)	(264,486)	(1,812,808)
<u>\$ 15,541,171</u>	<u>\$ 13,932,767</u>	<u>\$ 29,473,938</u>

**CITY OF KINGSVILLE**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2015**

	General Fund	Police Forfeiture Fund
<b>ASSETS</b>		
Assets:		
<i>Cash and cash equivalents</i>	\$ 5,437,088	\$ 1,493,928
<i>Equity in pooled cash and cash equivalents</i>	2,006,262	21,332
Receivables ( net of allowances for uncollectibles):		
<i>Taxes</i>	1,275,226	--
<i>Accounts</i>	1,281,435	1,553
<i>Assessments</i>	68,019	--
<i>Accrued Interest</i>	5,975	--
Due from:		
<i>Other funds</i>	79,559	--
<i>Other governments</i>	67,015	--
<i>Inventory, at cost</i>	224,369	--
Restricted assets:		
<i>Cash and cash equivalents</i>	3,041,503	3,209,554
<i>Equity in pooled cash and cash equivalents</i>	87,414	54,048
<i>Accounts</i>	72,713	--
<b>Total Assets</b>	<b>\$ 13,646,578</b>	<b>\$ 4,780,415</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND EQUITY</b>		
Liabilities:		
<i>Accounts payable</i>	\$ 1,284,533	\$ 32,499
<i>Accrued wages payable</i>	312,097	20,373
Payable from restricted assets:		
<i>Customer deposits</i>	--	3,209,553
Due to:		
<i>Other funds</i>	291,318	10,779
<i>Other governments</i>	188,155	67,309
<i>Others</i>	4,274	--
<b>Total Liabilities</b>	<b>2,080,377</b>	<b>3,340,513</b>
Deferred Inflows of Resources:		
Deferred Revenue	1,047,044	--
<b>Total Deferred Inflows of Resources</b>	<b>1,047,044</b>	<b>--</b>
Equity:		
Fund balances:		
Nonspendable:		
<i>Inventory</i>	224,369	--
Restricted:		
<i>Debt service</i>	--	--
<i>Capital outlay</i>	49,789	--
<i>Municipal court building security</i>	87,414	--
<i>Municipal court technology</i>	--	52,524
<i>Law enforcement</i>	--	1,387,378
<i>Tourism</i>	--	--
<i>Federal and state programs</i>	--	--
<i>Community Enrichment</i>	--	--
Committed:		
<i>Landfill</i>	2,477,572	--
<i>Sanitation capital outlay</i>	322,479	--
<i>Capital outlay</i>	2,017,596	--
Assigned:		
<i>Drug Awareness</i>	--	--
Unassigned:	5,339,938	--
<b>Total equity</b>	<b>10,519,157</b>	<b>1,439,902</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Equity</b>	<b>\$ 13,646,578</b>	<b>\$ 4,780,415</b>

The accompanying notes are an integral part of this statement.

EXHIBIT A-3

Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ --	\$ 75	\$ 6,931,091
--	486,415	2,514,009
124,276	--	1,399,502
--	51,211	1,334,199
--	--	68,019
--	--	5,975
124,268	--	203,827
--	91,958	158,973
--	1,776	226,145
395,423	732,476	7,378,956
59,956	--	201,418
--	--	72,713
<u>\$ 703,923</u>	<u>\$ 1,363,911</u>	<u>\$ 20,494,827</u>
\$ --	\$ 93,707	\$ 1,410,739
--	3,489	335,959
--	--	3,209,553
--	82,510	384,607
--	33,368	288,832
--	--	4,274
<u>--</u>	<u>213,074</u>	<u>5,633,964</u>
124,275	23,714	1,195,033
<u>124,275</u>	<u>23,714</u>	<u>1,195,033</u>
--	--	224,369
579,648	--	579,648
--	425,680	475,469
--	--	87,414
--	--	52,524
--	--	1,387,378
--	696,103	696,103
--	57	57
--	2,918	2,918
--	--	2,477,572
--	--	322,479
--	--	2,017,596
--	2,365	2,365
--	--	5,339,938
<u>579,648</u>	<u>1,127,123</u>	<u>13,665,830</u>
<u>\$ 703,923</u>	<u>\$ 1,363,911</u>	<u>\$ 20,494,827</u>

**CITY OF KINGSVILLE**

*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2015*

Total fund balances - governmental funds balance sheet	\$ 13,665,830
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	14,416,240
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	487,706
The assets and liabilities of internal service funds are included in governmental activities in the SNP.	630,262
Payables for capital leases which are not due in the current period are not reported in the funds.	(327,194)
Payables for bond interest which are not due in the current period are not reported in the funds.	(46,129)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(928,170)
Payables for contracts which are not due in the current period are not reported in the funds.	(7,502,881)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.	(1,173,314)
Solid waste assets and liabilities are included in the general fund but are in business activities in the SNP	(2,342,000)
Recognition of the City's proportionate share of the net pension liability is not reported in the funds.	(2,445,530)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	<u>1,106,351</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 15,541,171</u>

The accompanying notes are an integral part of this statement.

# CITY OF KINGSVILLE

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2015

	General Fund	Police Forfeiture Fund
	<u>                    </u>	<u>                    </u>
Revenue:		
<i>Taxes</i>	\$ 10,521,535	\$ --
<i>Licenses and permits</i>	281,595	--
<i>Charges for services</i>	4,865,722	--
<i>Fines and forfeitures</i>	922,330	1,934,835
<i>Interest and miscellaneous</i>	142,823	13,529
<i>Donations</i>	200	--
<i>Intergovernmental revenue</i>	585,000	--
<i>Federal and state grants</i>	--	--
Total revenues	<u>17,319,205</u>	<u>1,948,364</u>
Expenditures:		
Current:		
<i>General government and administration</i>	5,762,725	16,084
<i>Public Safety</i>	7,746,411	1,332,521
<i>Public works</i>	4,424,880	--
<i>City/County</i>	1,961,168	--
<i>Tourism</i>	--	--
Debt service:		
<i>Principal retired</i>	--	--
<i>Interest</i>	--	--
<i>Paying agent fees</i>	--	--
Total expenditures	<u>19,895,184</u>	<u>1,348,605</u>
Excess (deficiency) of revenues (under) expenditures	(2,575,979)	599,759
Other financing sources (uses):		
<i>Transfers in</i>	1,933,053	--
<i>Transfers out</i>	(364,181)	(50,000)
Total other financing sources (uses)	<u>1,568,872</u>	<u>(50,000)</u>
Net change in fund balances	(1,007,107)	549,759
Fund balances/equity, October 1	11,526,264	890,143
Fund balances/equity, September 30	<u>\$ 10,519,157</u>	<u>\$ 1,439,902</u>

The accompanying notes are an integral part of this statement.



Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ 1,384,214	\$ 563,505	\$ 12,469,254
--	--	281,595
--	2,537	4,868,259
--	--	2,857,165
1,390	3,361	161,103
--	4,200	4,400
--	--	585,000
--	362,173	362,173
<u>1,385,604</u>	<u>935,776</u>	<u>21,588,949</u>
--	6,250	5,785,059
--	439,701	9,518,633
--	893,530	5,318,410
--	--	1,961,168
--	513,596	513,596
1,425,793	--	1,425,793
318,555	--	318,555
2,800	--	2,800
<u>1,747,148</u>	<u>1,853,077</u>	<u>24,844,014</u>
(361,544)	(917,301)	(3,255,065)
352,250	11,931	2,297,234
--	(65,533)	(479,714)
<u>352,250</u>	<u>(53,602)</u>	<u>1,817,520</u>
(9,294)	(970,903)	(1,437,545)
588,942	2,098,026	15,103,375
<u>\$ 579,648</u>	<u>\$ 1,127,123</u>	<u>\$ 13,665,830</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, 2015*

Net change in fund balances - total governmental funds	\$ (1,437,545)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	2,365,891
The depreciation of capital assets used in governmental activities is not reported in the funds.	(1,158,032)
Trade-in or disposal of capital assets decrease net position in the SOA but not in the funds.	(6,172)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	23,172
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	822,985
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	90,168
(Increase) decrease in accrued interest from beginning of period to end of period.	15,948
The net revenue (expense) of internal service funds is reported with governmental activities.	424,813
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(144,400)
Solid waste activities are included in the general fund but are included in business activities in the SOA	1,802,640
Pension contributions made after the measurement date but in current FY were de-expended and reduced NP	<u>209,143</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ 3,008,612</u>

The accompanying notes are an integral part of this statement.

**CITY OF KINGSVILLE**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2015**

	Enterprise Fund	Nonmajor Internal Service Fund
	Utility Fund	Insurance Fund
<b>ASSETS</b>		
Current assets:		
<i>Cash and cash equivalents</i>	\$ 5,028,065	\$ 694,144
<i>Equity in pooled cash and cash equivalents</i>	939,595	4,853
<i>Receivables ( net of allowances for uncollectibles):</i>		
<i>Accounts</i>	1,362,165	77,419
<i>Accrued Interest</i>	6,074	5
<i>Due from:</i>		
<i>Other funds</i>	--	299,431
<i>Inventory, at cost</i>	279,669	--
<i>Restricted assets - noncurrent:</i>		
<i>Cash and cash equivalents</i>	5,348,720	--
<i>Equity in pooled cash and cash equivalents</i>	22,000	--
Total current assets	<u>12,986,288</u>	<u>1,075,852</u>
Noncurrent assets:		
<i>Capital assets:</i>		
<i>Land</i>	181,743	--
<i>Utility plant</i>	39,132,049	--
<i>Equipment</i>	3,590,559	--
<i>Vehicles</i>	2,350,567	--
<i>Construction in progress</i>	1,756,592	--
Total capital assets	47,011,510	--
Less accumulated depreciation	(30,130,014)	--
Net capital assets	<u>16,881,496</u>	<u>--</u>
Total noncurrent assets	<u>16,881,496</u>	<u>--</u>
Total Assets	<u>29,867,784</u>	<u>1,075,852</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflow related to pensions	188,988	--
Total Deferred Outflows of Resources	<u>\$ 188,988</u>	<u>\$ --</u>
<b>LIABILITIES</b>		
Current liabilities:		
<i>Accounts payable</i>	\$ 770,977	\$ 183,570
<i>Accrued wages payable</i>	49,768	--
<i>Due to:</i>		
<i>Other funds</i>	118,650	--
<i>Other governments</i>	56,171	--
<i>Accumulated unpaid compensated absences</i>	38,500	--
<i>Current liabilities payable from restricted assets:</i>		
<i>Retainage payable</i>	142,250	--
<i>Accrued interest payable</i>	57,755	--
<i>Contractual obligations payable</i>	1,181,515	--
<i>Customer deposits</i>	779,423	--
Total current liabilities	<u>3,195,009</u>	<u>183,570</u>
<i>Long-term liabilities, net of current portion</i>		
<i>Accumulated unpaid compensated absences</i>	31,255	--
<i>Accrued other post-employment benefits</i>	221,116	--
<i>Contractual obligations payable</i>	15,164,373	--
<i>Net Pension Liability</i>	417,748	--
Total long-term liabilities, net of current portion	<u>15,834,492</u>	<u>--</u>
Total Liabilities	<u>19,029,501</u>	<u>183,570</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflow related to claims	--	260,282
Total Deferred Inflows of Resources	<u>--</u>	<u>260,282</u>
<b>NET POSITION</b>		
<i>Net investment in capital assets</i>	535,606	--
Restricted for:		
<i>Self insurance</i>	--	632,000
<i>Capital outlay</i>	5,606,600	--
<i>Unrestricted</i>	4,885,065	--
Total Net Position	<u>\$ 11,027,271</u>	<u>\$ 632,000</u>

The accompanying notes are an integral part of this statement.

**CITY OF KINGSVILLE**

*RECONCILIATION OF THE PROPRIETARY FUND STATEMENT OF NET POSITION  
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2015*

**EXHIBIT A-7R**

Utility Fund Net Position - Proprietary Funds Statement of Net Position	\$	11,027,271
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		
		2,862,294
Assets and liabilities of certain internal service funds are included in business type activities in the SNP.		
		<u>43,202</u>
Net Position of Business-type Activities - Statement of Net Position	\$	<u><u>13,932,767</u></u>

**CITY OF KINGSVILLE**
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
 IN FUND NET POSITION - PROPRIETARY FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Enterprise Fund	Nonmajor Internal Service Fund
	Utility Fund	Insurance Fund
<b>OPERATING REVENUES:</b>		
<i>Water</i>	\$ 4,509,790	\$ --
<i>Other income</i>	5,925	1,351
<i>Wastewater</i>	3,676,481	--
<i>Insurance premiums</i>	--	3,278,513
Total Operating Revenues	<u>8,192,196</u>	<u>3,279,864</u>
<b>OPERATING EXPENSES:</b>		
<i>Personal services</i>	2,207,150	--
<i>Supplies</i>	308,892	--
<i>Services</i>	1,492,902	2,855,051
<i>Maintenance</i>	1,103,125	--
<i>Water supply contract</i>	350,746	--
<i>Uncollectable accounts</i>	34,663	--
<i>Depreciation and amortization</i>	998,270	--
Total Operating Expenses	<u>6,495,748</u>	<u>2,855,051</u>
Operating Income (Loss)	<u>1,696,448</u>	<u>424,813</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>		
<i>Interest</i>	29,998	--
<i>Interest and fiscal agent charge</i>	(409,975)	--
Total Non-operating Revenues (Expenses)	<u>(379,977)</u>	<u>--</u>
Net Income (Loss) before Transfers	<u>1,316,471</u>	<u>424,813</u>
<b>TRANSFERS IN (OUT):</b>		
<i>To General Fund</i>	(1,817,519)	--
Total Transfers In (Out)	<u>(1,817,519)</u>	<u>--</u>
Net income (loss)	(501,048)	424,813
Net position, October 1	11,792,805	207,187
Prior period adjustment	(264,486)	--
Net position, September 30	<u>\$ 11,027,271</u>	<u>\$ 632,000</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, 2015*

Change in net position - utility fund \$ (501,048)

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. (1,405,283)

Change in net position of Business-type activities - statement of activities \$ (1,906,331)

**CITY OF KINGSVILLE**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Utility Fund	Internal Service Fund
	<u>          </u>	<u>          </u>
<b>Cash Flows from Operating Activities:</b>		
<i>Cash Received from Customers</i>	\$ 8,089,676	\$ --
<i>Cash Receipts (Payments) for Quasi-external     Operating Transactions with Other Funds</i>	--	3,249,873
<i>Cash Payments to Employees for Services</i>	(2,166,882)	--
<i>Cash Payments to Other Suppliers for Goods and Services</i>	(3,460,847)	(2,938,903)
Net Cash Provided (Used) by Operating Activities	<u>2,461,947</u>	<u>310,970</u>
<b>Cash Flows from Non-capital Financing Activities:</b>		
<i>Proceeds (Payments) from (for) Interfund Borrowings</i>	761,561	(366,095)
<i>Transfers To Other Funds</i>	(1,817,519)	--
Net Cash Provided (Used) by Non-capital Financing Activities	<u>(1,055,958)</u>	<u>(366,095)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
<i>Principal and Interest Paid</i>	(1,609,494)	--
<i>Proceeds from Issuance of Refunding Bonds</i>	--	--
<i>Proceeds from Bond Premiums</i>	--	--
<i>Acquisition or Construction of Capital Assets</i>	(2,038,028)	--
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>(3,647,522)</u>	<u>--</u>
<b>Cash Flows from Investing Activities:</b>		
<i>Interest and Dividends on Investments</i>	30,029	--
Net Cash Provided (Used) for Investing Activities	<u>30,029</u>	<u>--</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(2,211,504)	(55,125)
Cash and Cash Equivalents at Beginning of Year	13,549,884	754,122
Cash and Cash Equivalents at End of Year	<u>\$ 11,338,380</u>	<u>\$ 698,997</u>
<b>Reconciliation of Operating Income to Net Cash     Provided by Operating Activities:</b>		
Operating Income (Loss)	\$ 1,696,448	\$ 424,813
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
<i>Depreciation</i>	998,270	--
<i>Provision for Uncollectible Accounts</i>	34,663	--
Change in Assets and Liabilities:		
<i>Decrease (Increase) in Receivables</i>	(72,427)	(77,419)
<i>Decrease (Increase) in Inventories</i>	7,392	--
<i>Increase (Decrease) in Accounts Payable</i>	(268,746)	(83,852)
<i>Increase (Decrease) in Deferred Inflow Related to Claims</i>	--	47,428
<i>Increase (Decrease) in Accrued Wages Payable</i>	20,583	--
<i>Increase (Decrease) in Accrued Other Employment and     Post Employment Benefits</i>	18,206	--
<i>Increase (Decrease) in Net Pension Liability</i>	153,262	--
<i>Increase (Decrease) in Deferred Outflow Related to Pension</i>	(188,980)	--
<i>Increase (Decrease) in Due to Other Governments</i>	56,171	--
<i>Increase (Decrease) in Accumulated Compensated Absences</i>	1,480	--
<i>Increase (Decrease) in Customer Deposits</i>	5,625	--
Total Adjustments	<u>765,499</u>	<u>(113,843)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,461,947</u>	<u>\$ 310,970</u>

The accompanying notes are an integral part of this statement.

**CITY OF KINGSVILLE**

## STATEMENT OF FIDUCIARY NET POSITION

## FIDUCIARY FUNDS

SEPTEMBER 30, 2015

	Pension Trust Fund	Agency Fund
	Deferred Compensation Plan	Court Cash Bond Account
<b>ASSETS</b>		
Assets:		
<i>Cash and cash equivalents</i>	\$ --	\$ 57,582
<i>Investments</i>	1,135,622	--
Receivables ( net of allowances for uncollectibles):		
<i>Participant loans</i>	42,638	--
Total Assets	<u>\$ 1,178,260</u>	<u>\$ 57,582</u>
<b>LIABILITIES AND EQUITY</b>		
Liabilities:		
<i>Payable from restricted assets:</i>		
<i>Customer deposits</i>	\$ --	\$ 57,582
Total Liabilities	<u>--</u>	<u>57,582</u>
Net Position:		
<i>Held in trust for deferred compensation benefits</i>	<u>1,178,260</u>	<u>--</u>
Total Net Position	<u>1,178,260</u>	<u>--</u>
Total Liabilities and Net Position	<u>\$ 1,178,260</u>	<u>\$ 57,582</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, 2015

	Deferred Compensation Plan
<b>Additions:</b>	
Employee Contributions	\$ 92,467
Earnings on Investments	17,568
Total Additions	<u>110,035</u>
<b>Deductions:</b>	
Payment of Benefits	197,429
Administrative Fees	8,841
Total Deductions	<u>206,270</u>
<b>Change in Net Position</b>	(96,235)
Net Position-Beginning of the Year	1,274,495
Net Position-End of the Year	<u>\$ 1,178,260</u>

The accompanying notes are an integral part of this statement.

## **CITY OF KINGSVILLE**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2015**

#### **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, 2015.

#### **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, 2015.

##### **b. Discretely Presented Component Unit**

The City did not have a Discretely Presented Component Unit at September 30, 2015.

##### **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, 2015*

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

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

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

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

Internal service funds of a government (which traditionally provide services primarily to other funds of the government) are presented in the summary form as part of the proprietary fund financial statements. The City's internal service fund accounts for major medical activities. Since the principal users of the internal services are the City's governmental activities, financial statements of internal service funds are consolidated into the governmental column when 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, 2015*

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

The City reports the following major governmental funds:

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

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

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

**Capital Projects Fund.** The City accounts for bond proceeds and related expenditures for construction projects in the capital projects fund.

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 is 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, 2015**

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

#### **3. Implementation of New Standards**

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

The GASB has issued Statement No. 68, "Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27." This Statement replaces the requirements of Statements No. 27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years being completed after June 15, 2015. The City implemented this statement in fiscal year 2015. See also Footnote R for the effect of this implementation.

The GASB has issued Statement No. 69, "Government Combinations and Disposals of Government Operations." This Statement establishes accounting and financial reporting standards for mergers, acquisitions, and transfers of operations (i.e., government combinations). The Statement also provides guidance on how to determine the gain or loss on a disposal of government operations. This Statement applies to all state and local governmental entities. The requirements of this Statement should be applied prospectively and are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013. However, earlier application of the Statement is encouraged. Implementation of the provisions of this Statement did not result in changes to the City's accounting and financial reporting in fiscal year 2015.

The GASB has issued Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date (an amendment of GASB Statement No. 68)" which addresses the issue regarding application of the transition provisions of Statement No. 68, "Accounting and Financial Reporting for Pensions." The City implemented this Statement in fiscal year 2015, simultaneously with the provisions of No. 68.

New pronouncements not yet in effect as of September 30, 2015, are expected to have a significant impact on the City's financial position, results of operations, or cash flows. The City is currently studying these new pronouncements and will adopt them, as applicable, in subsequent fiscal years.

#### Future GASB Statement Implementations

GASB Statement No. 72, Fair Value Measurement and Application, addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes and for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement is effective for financial statements for periods beginning after June 15, 2015. The City will implement this Statement in fiscal year 2016.

GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, addresses accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement No. 68. The requirements of this Statement extend the approach to accounting and financial reporting established in Statement No. 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided

## **CITY OF KINGSVILLE**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2015**

through pension plans that are not administered through trusts that meet the criteria specified in Statement No. 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement No. 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016 for those entities not within the scope of Statement No. 68; the City is within the scope. The requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions, as well as those whose pension plans are within the scope of Statement No. 67 or Statement No. 68, are effective for fiscal years beginning after June 15, 2015. The City will implement this Statement in fiscal year 2016.

GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, addresses the need to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pension and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces Statements No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended, Statement 43, and Statement No. 50, Pension Disclosures. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. The City will implement this Statement in fiscal year 2017.

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, has as its primary objective to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, Statement No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB, Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans and establishes new accounting and financial reporting requirements for OPEB plans. This Statement is effective for fiscal years beginning after June 15, 2017. The City will implement this Statement in fiscal year 2018.

GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. The City will implement this Statement in fiscal year 2016.

**CITY OF KINGSVILLE**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*FOR THE YEAR ENDED SEPTEMBER 30, 2015*

GASB Statement No. 77, Tax Abatement Disclosures, requires disclosure of tax abatement information about a reporting government's own tax abatement agreements and those that are entered into by other governments and that reduce the reporting government's tax revenues. Various disclosures are required, and they should be organized by major tax abatement program, and may disclose information for individual tax abatement agreements within those programs. Requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. The City will implement this Statement in fiscal year 2017.

GASB Statement No. 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans, amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer. Requirements of this Statement are effective for reporting periods beginning after December 15, 2015. The implementation of Statement No. 78 will have no impact on the City as its pension plans cover only City employees.

GASB Statement No. 79, Certain External Investment Pools and Pool Participants, addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The requirements of this Statement No. 79 are effective for reporting periods beginning after June 15, 2015, except for the provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged. In the period this Statement is first applied, changes made to comply with this Statement should be applied on a prospective basis. The City will analyze Statement No. 79 to see if this Statement impacts the City. If it does, the City will implement in fiscal year 2016 and 2017.

GASB Statement No. 80, Blending Requirements for Certain Component Units, an amendment of GASB Statement No. 14, will improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member, as identified in the component unit's articles of incorporation or bylaws. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Units. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. The City will implement this Statement in fiscal year 2017.

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

4. Financial Statement Amounts

a. Equity in Pooled Cash and Cash Equivalents

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



**CITY OF KINGSVILLE**  
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**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

b. Real Property and Sales Taxes

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

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

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

In order to obtain approval of its general obligation bonds by the Attorney General of the State, a satisfactory showing of adequate taxing power must be made. As a general rule, the Attorney General will not approve new bonds if this will make the net debt exceed twenty-five percent of the assessed value. The 2014 tax rate was \$.84220 of which \$.65558 was distributed to the General Fund and \$.18662 was applied to the Debt Service Fund. Using the twenty-five percent rule, the City's legal margin is \$197,230,119.

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 Central Company	Electric Utility	14,026,900	1.93%
Wal-Mart Stores Texas, LLC US00442	Retail	7,439,740	1.02%
Javelina Station LP	Apartments	7,247,330	0.99%
HBC Holding LTD	Apartments	7,037,950	0.97%
King Ranch Saddle Shop Inc.	Retail	7,034,920	0.96%
Eddie Yaklin Ford Lincoln Mercury LTD	Auto Dealership	6,550,980	0.90%
Kingsville Two	Apartments	6,048,550	0.83%
Wal-Mart Stores Inc. #01-0442	Retail	5,408,590	0.74%
HEB Grocery Inc.	Grocery	4,830,640	0.66%
Neessen Chevrolet Inc.	Auto Dealership	4,369,370	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.

# CITY OF KINGSVILLE

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2015

d. Use of Estimates

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

e. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of the donation. 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 2015.

f. Receivable and Payable Balances

The City believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year-end.

g. Deferred Inflows and Outflows

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

Deferred outflows or resources in the Statement of Net Position totaled \$1,295,339, of which \$1,106,351 is in governmental activities and \$188,988 in business-type activities.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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There were no deferred inflows of resources in the Statement of Net Position related to pensions. There were deferred inflows of resources in the Statement of Net Position of \$283,996, of which \$260,282 was for insurance premiums received in advance and \$23,714 in grant proceeds received in advance. Deferred outflows of resources in the Statement of Net Position Internal Service Funds was \$260,282 of unavailable revenue related to insurance claims received in advance.

Deferred inflows of resources in the governmental fund financial statements related to the unavailable revenues associated with property taxes, EMS collections, fines and collections totaled \$1,171,319 and grant proceeds received in advance were \$23,714.

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

h. Restricted Assets

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

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

i. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term debt obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, 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 deferred charges and amortized over 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:

**CITY OF KINGSVILLE**  
*NOTES TO THE FINANCIAL STATEMENTS*  
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Net Invested in Capital Assets - This category represents the net carrying value of all capital assets, reduced by the outstanding balances of long-term debt that are attributable to the acquisition, construction, or improvement of these assets.

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

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

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

Fund balances of the governmental funds are classified as follows:

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

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

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 purposes. 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, 2015, met their minimum requirements.

**CITY OF KINGSVILLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Spending Prioritization in Using Available Resources:

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

i. **Accumulated Unpaid Compensated Absences**

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

m. **Interfund Activity**

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

**CITY OF KINGSVILLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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Cash and Investments

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

1. Cash & Cash Equivalents

At September 30, 2015, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$29,120,433 and the bank balance was \$29,878,352. The City's cash deposits at September 30, 2015 and during the year ended September 30, 2015, 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)	\$ 13,170,205	\$ 13,170,205

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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

	General	Debt Service	Enterprise	Enterprise Restricted	Primary Government Total
Receivables:					
Accounts	\$ 4,417,242	\$ -	\$ 2,693,621	\$ 130,750	\$ 7,241,613
Taxes - Property	579,512	207,126	-	-	786,638
Taxes - Franchise & Sales	927,699	-	-	-	927,699
Special Assessments	68,019	-	-	-	68,019
Gross Receivables	5,992,472	207,126	2,693,621	130,750	9,023,969
Less: Allowance for uncollectable	(4,338,589)	(82,850)	(914,089)	(58,037)	(5,393,565)
Net total receivable	\$ 1,653,883	\$ 124,276	\$ 1,779,532	\$ 72,713	\$ 3,630,404



**CITY OF KINGSVILLE**  
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**E. Capital Assets**

Capital asset activity for the year ended September 30, 2015, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 469,539	\$ -	\$ -	\$ 469,539
Construction in progress	681,345	1,759,130	(681,345)	1,759,130
Total capital assets not being depreciated	<u>1,150,884</u>	<u>1,759,130</u>	<u>(681,345)</u>	<u>2,228,669</u>
<i>Capital assets being depreciated:</i>				
Road network	18,568,152	676,845	-	19,244,997
Buildings and improvements	4,392,993	78,653	-	4,471,646
Equipment	4,020,271	169,976	-	4,190,247
Vehicles	5,809,720	362,632	(21,022)	6,151,330
Total capital assets being depreciated	<u>32,791,136</u>	<u>1,288,106</u>	<u>(21,022)</u>	<u>34,058,220</u>
Less accumulated depreciation for:				
Road network	(11,975,351)	(301,947)	-	(12,277,298)
Buildings and improvements	(2,264,302)	(77,724)	-	(2,342,026)
Equipment	(3,032,967)	(334,082)	-	(3,367,049)
Vehicles	(3,454,848)	(444,279)	14,851	(3,884,276)
Total accumulated depreciation	<u>(20,727,468)</u>	<u>(1,158,032)</u>	<u>14,851</u>	<u>(21,870,649)</u>
Total capital assets being depreciated, net	<u>12,063,668</u>	<u>130,074</u>	<u>(6,171)</u>	<u>12,187,571</u>
Governmental activities capital assets, net	<u>\$ 13,214,552</u>	<u>\$ 1,889,204</u>	<u>\$ (687,516)</u>	<u>\$ 14,416,240</u>

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-type activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 401,745	\$ -	\$ -	\$ 401,745
Construction in progress	1,875,852	1,339,117	(1,062,368)	2,152,601
Total capital assets not being depreciated	<u>2,277,597</u>	<u>1,339,117</u>	<u>(1,062,368)</u>	<u>2,554,346</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	40,243,186	980,512	-	41,223,698
Equipment	4,443,906	980,032	-	5,423,938
Vehicles	4,950,146	176,860	(28,155)	5,098,851
Total capital assets being depreciated	<u>49,637,238</u>	<u>2,137,404</u>	<u>(28,155)</u>	<u>51,746,487</u>
Less accumulated depreciation for:				
Buildings and improvements	(26,415,738)	(660,906)	-	(27,076,644)
Equipment	(1,994,912)	(493,135)	-	(2,488,047)
Vehicles	(3,252,043)	(286,680)	28,155	(3,510,568)
Total accumulated depreciation	<u>(31,662,693)</u>	<u>(1,440,721)</u>	<u>28,155</u>	<u>(33,075,259)</u>
Total capital assets being depreciated, net	<u>17,974,545</u>	<u>696,683</u>	<u>-</u>	<u>18,671,228</u>
Business-type activities capital assets, net	<u>\$ 20,252,142</u>	<u>\$ 2,035,800</u>	<u>\$ (1,062,368)</u>	<u>\$ 21,225,574</u>

Governmental depreciation was charged to functions as follows:

General Government	\$ 85,178
Public Safety	543,918
Public Works	509,686
City/County	19,250
	<u>\$ 1,158,032</u>

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Business-type depreciation was charged to functions as follows:

Water	\$ 309,462
Wastewater	688,807
Solid Waste	442,452
	<u>\$ 1,440,721</u>

F. Interfund Balances and Activity

1. Due To and From Other Funds

Balances due to and due from other funds at September 30, 2015, consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Other Governmental Funds	\$ 79,559	Short-term loans
Debt Service Fund	Utility Fund	65,434	Short-term loans
Debt Service Fund	General Fund	58,834	Short-term loans
	Subtotal	<u>203,827</u>	
Internal Service Fund	Police Forfeiture Fund	10,779	Short-term loans
Internal Service Fund	General Fund	232,484	Short-term loans
Internal Service Fund	Utility Fund	53,216	Short-term loans
Internal Service Fund	Other Governmental Funds	2,952	Short-term loans
	Subtotal	<u>299,431</u>	
	Total	<u>\$ 503,258</u>	

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

2. Transfers To and From Other Funds

Transfers to and from other funds at September 30, 2015, consisted of the following:

<u>Transfers To</u>	<u>Transfers From</u>	<u>Amount</u>	<u>Reason</u>
General Fund	Other Governmental Fund	\$ 65,533	Supplement other funds sources
General Fund	Utility Fund	1,817,519	Supplement other funds sources
General Fund	Police Forfeiture Fund	50,000	Supplement other funds sources
	Subtotal:	<u>1,933,052</u>	
Debt Service Fund	General Fund	352,250	Supplement other funds sources
Other Governmental Fund	General Fund	11,931	Supplement other funds sources
	Subtotal:	<u>364,181</u>	
	Total	<u>\$ 2,297,233</u>	

**CITY OF KINGSVILLE**

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**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, 2015, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>Governmental activities:</b>					
Certificates of obligation Limited Tax Refunding Bond	\$ 7,087,522	\$ -	\$ 682,985	\$ 6,404,537	\$ 702,052
Premium on Bonds Payable	1,130,000	-	140,000	990,000	140,000
Capital leases	115,289	-	6,945	108,344	--
Total long-term debt	<u>8,750,173</u>	<u>-</u>	<u>920,098</u>	<u>7,830,075</u>	<u>904,300</u>
Net pension liability	\$ -	2,445,530	-	2,445,530	-
Accumulated compensated absences*	894,578	756,191	722,599	928,170	226,680
Other post-employment benefits	\$ 1,062,507	110,808	-	1,173,315	-
Governmental activity Total long-term debt	<u>\$ 10,707,258</u>	<u>\$ 3,312,529</u>	<u>\$ 1,642,697</u>	<u>\$ 12,377,090</u>	<u>\$ 1,130,980</u>
<b>Business-type activities:</b>					
Certificates of obligation Limited Tax Refunding Bond	\$ 9,867,478	\$ -	\$ 1,032,015	\$ 8,835,463	\$ 1,057,948
Premium on Bonds Payable	8,900,000	-	730,000	8,170,000	745,000
Capital leases	342,355	-	24,201	318,154	--
Total long-term debt	<u>299,883</u>	<u>-</u>	<u>56,629</u>	<u>243,254</u>	<u>58,255</u>
Net pension liability	\$ -	417,748	-	417,748	-
Landfill closure cost	\$ 2,231,027	-	189,140	2,420,167	-
Other post-employment benefits	\$ 284,518	27,850	-	312,368	-
Accumulated compensated absences*	68,275	63,075	61,595	69,755	38,500
Business-type activities Long-term liabilities	<u>\$ 21,993,536</u>	<u>\$ 508,673</u>	<u>\$ 2,093,580</u>	<u>\$ 20,786,909</u>	<u>\$ 1,899,703</u>

\* Other long-term liabilities

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

Liability	Activity Type
Compensated absences	Governmental activities
Other post-employment benefits	Governmental activities
Net Pension Obligation	Governmental activities
Compensated absences	Business-type activities
Other post-employment benefits	Business-type activities
Net Pension Obligation	Business-type activities

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Certificates of obligation payable:	2015	2014
\$10,000,000 Certificates of Obligation, Series 2011 for General Improvements; paid in annual installments of \$540,000 to \$525,000 through 8/1/2032, with interest at 2.0% to 4.6% (53.8504% General Fund and 46.1496 % Utility Fund).	8,175,000	8,715,000
9,040,000 Limited Tax Refunding Bonds Series 2014 due in annual installments of \$745,000 to \$895,000 through September 30, 2025, with interest at 2.0% to 2.5% (100% Utility Fund)	8,170,000	8,900,000
\$1,200,000 Public Property Financial Contractual Obligation Series 2007 for General Improvements; due in annual installments of \$85,000 to \$90,000, through August 1, 2017; interest at 4.11%. (General Fund 71.667%, Utility Fund 35.83337%).	180,000	265,000
\$4,270,000 Certificates of Obligation Series 2009 for Capital Outlay; due in annual installments of \$680,000 to \$700,000 through February 1, 2021; interest at 3.00% to 3.85%. (General Fund 15.831%, Utility Fund 84.169%).	1,085,000	1,765,000
\$1,890,000 General Obligation Refunding Series 2009; due in annual installments of \$230,000 to \$260,000 through February 1, 2018; interest at 2.25% to 3.75%. (100% General Fund).	750,000	980,000
\$5,230,000 Certificates of Obligation Series 2013, due in annual installments of \$185,000 to \$360,000 through September, 2023; interest at 2.0% to 3.0% (18.45% to General Fund and 81.55% to Utility Fund)	5,050,000	5,230,000
\$1,260,000 Limited Tax Refunding Bonds, Series 2013, due in annual installments of \$140,000 to \$105,000 through September, 2023; interest at 2.0% (100% General Fund)	<div style="border-top: 1px solid black;">990,000</div>	<div style="border-top: 1px solid black;">1,130,000</div>
<b>Total Certificates of Obligation Payable</b>	<div style="border-top: 1px solid black; border-bottom: 3px double black;">\$ 24,400,000</div>	<div style="border-top: 1px solid black; border-bottom: 3px double black;">\$ 26,985,000</div>

**CITY OF KINGSVILLE**  
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2. Debt Service Requirements

Debt service requirements on long-term debt at September 30, 2015, are as follows:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2016	\$ 842,052	\$ 247,638	\$ 1,089,690
2017	855,962	223,228	1,079,190
2018	777,843	196,808	974,651
2019	440,630	179,398	620,028
2020	360,646	164,792	525,438
2021-2025	1,732,643	650,275	2,382,918
2026-2030	1,620,487	352,493	1,972,980
2031-2034	764,274	51,055	815,329
Totals	<u>\$ 7,394,537</u>	<u>\$ 2,065,687</u>	<u>\$ 9,460,224</u>

Year Ending September 30,	Business-type Activities		
	Certificates of Obligation		Revenue Bonds
	Principal	Interest	Total
2016	\$ 1,802,948	\$ 456,410	\$ 2,259,358
2017	1,384,038	412,521	1,796,559
2018	1,302,157	380,142	1,682,299
2019	1,269,370	350,777	1,620,147
2020	1,229,354	319,808	1,549,162
2021-2025	6,382,357	1,156,238	7,538,595
2026-2030	2,339,513	485,222	2,824,735
2031-2034	1,295,726	82,670	1,378,396
Totals	<u>\$ 17,005,463</u>	<u>\$ 3,643,788</u>	<u>\$ 20,649,251</u>

3. Advance Refunding of Debt

In 2010, the City issued \$1,890,000 in bonds to refund the 1998 Bond Series and for bond issuance expense. As a result, the City defeased \$1,845,000 of the 1998 Series Bond Debt of \$1,845,000. The City saved \$79,716 in costs with a present value savings of \$83,764.

In 2014, the City issued \$9,040,000 in bonds to refund the 2005 Bond Series and for bond issuance expense. As a result, the City defeased \$8,900,000 of the 2005 Series Bond Debt, leaving \$0 outstanding at year-end. The City saved \$1,305,765 in costs with a present value savings of \$1,159,538.

GASB Statement No. 7, "Advance Refundings Resulting in Defeasance of Debt," provides that refunded debt and assets placed in escrow for the payment of related debt service be excluded from the financial statements. As of September 30, 2015, outstanding balances of bond issues that have been refunded and defeased in-substance by placing existing assets and the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments are as follows:

Original Bond Issue	Original Amount	Defeased Balance as of 9/30/15
Series 1998	\$ 3,000,000	\$ 225,000
Series 2002	2,485,000	- (1)
Series 2005	11,780,000	- (2)
Total	<u>\$ 17,265,000</u>	<u>\$ 225,000</u>

(1) Refunded obligations were redeemed as of February 20, 2013.

(2) Refunded obligations were redeemed as of August 1, 2014.

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4. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of September 30, 2015, as follows:

<u>Year Ending September 30:</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	(1)
2016	\$ 70,427	\$ 65,242	
2017	70,427	65,242	
2018	70,427	65,243	
2019	70,428	65,242	
2020	70,427	-	
Total Minimum Rentals	<u>352,136</u>	<u>260,969</u>	
Less: Amount representing interest	<u>24,943</u>	<u>17,715</u>	
Present value of net minimum lease payments	<u>\$ 327,193</u>	<u>\$ 243,254</u>	

The effective interest rate on capital leases is 2.500% to 4.400%.

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

H. Pension Plans

*Texas Municipal Retirement System*

1. Plan Description

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

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Employees covered by benefit terms:

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	146
Inactive employees entitled to but not yet receiving benefits	118
Active employees	<u>271</u>
Total covered employees	<u>535</u>

3. Contributions

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 9.89% and 9.59% in calendar years 2014 and 2015, respectively. The City's contributions to TMRS for the year ended September 30, 2015 were \$1,069,512, and were equal to the required contributions.

4. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2014, 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, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year
Overall payroll growth	3.5% to 12% including inflation
Investment Rate of Return	7.0%, 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, 2014, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

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The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	5.0%	8.50%
Total	100.0%	

**Discount Rate**

The discount rate used to measure the Total Pension Liability was 7.0%. 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)
Balance at 12/31/2013	\$ 50,756,674	\$ 48,163,604	\$ 2,593,070
Changes for the year			
Service cost	1,277,906	--	1,277,906
Interest	3,516,450	--	3,516,450
Change of benefit terms	--	--	--
Difference between expected and actual experience	37,693	--	37,693
Changes of assumptions	--	--	--
Contributions - employer	--	1,076,141	(1,076,141)
Contributions - employee	--	761,677	(761,677)
Net investment income	--	2,755,154	(2,755,154)
Benefit payments, including refunds of employee contributions	(2,321,247)	(2,321,247)	--
Administrative expense	--	(28,766)	28,766
Other changes	--	(2,365)	2,365
Net changes	\$ 2,510,802	\$ 2,240,594	\$ 270,208
Balance at 12/31/2014	\$ 53,267,476	\$ 50,404,198	\$ 2,863,278



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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 7.0%, 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 (6.0%) or 1-percentage-point higher (8.0%) than the current rate.

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
City's net pension liability	\$ 10,693,529	\$ 2,863,278	\$ (3,508,888)

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.tmr.com](http://www.tmr.com).

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

For the year ended September 30, 2015, the City recognized pension expense of \$824,623.

Schedule of Pension Expense

Total Service Cost	\$ 1,277,906
Interest on the Total Pension Liability	3,516,450
Current Period Benefit Changes	
Employee Contributions (Reduction of Expense)	(761,677)
Projected Earnings on Plan Investments (Reduction of Expense)	(3,371,452)
Administrative Expense	28,766
Other Changes in Fiduciary Net Position	2,365
Recognition of Current Year Outflow (Inflow) of Resources - Liabilities	9,025
Recognition of Current Year Outflow (Inflow) of Resources - Assets	123,260
Amortization of Prior Year Outflows (Inflows) of Resources - Liabilities	
Amortization of Prior Year Outflows (Inflows) of Resources - Assets	
Total Pension Expense	<u>\$ 824,643</u>

At September 30, 2015, 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	\$ 28,668	\$ --
Changes in actuarial assumptions	\$ --	\$ --
Difference between projected and actual investment earnings	\$ 493,038	\$ --
Contributions subsequent to the measurement date	\$ 773,633	
Total	<u>\$ 1,295,339</u>	<u>\$ --</u>

**CITY OF KINGSVILLE**

*NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015*

\$773,633 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, 2015. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended Dec. 31:		
2015	\$	132,285
2016	\$	132,285
2017	\$	132,285
2018	\$	124,851
2019	\$	--
Thereafter	\$	<u>521,706</u>

*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 (the System) established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. Direct financial activity for the System is classified in the financial statements as pension trust funds. Of the nine member state board of trustees, at least five trustees must be active members of the pension system, one of whom must represent emergency medical services personnel. One trustee may be a retiree of the pension system, and three trustees must be persons who have experience in the fields of finance, securities investment, or pension administration.

At August 31, 2014, there were 198 contributing fire and/or emergency services department members participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a member department.

At August 31, 2014, the pension system membership consisted of:  
 Retirees and beneficiaries currently receiving benefits  
 Terminated members entitled to benefits but not yet receiving them  
 Active Participants (Vested and Nonvested)

	<u>State</u>	<u>City</u>
Retirees and beneficiaries currently receiving benefits	3,073	9
Terminated members entitled to benefits but not yet receiving them	2,161	--
Active Participants (Vested and Nonvested)	4,036	12
	<u>9,270</u>	<u>21</u>

Senate Bill 411, 65th Legislature, Regular Session (1977), created TESRS and established the applicable benefit provisions. The 79th Legislature, Regular Session (2005), recodified the provisions and gave the TESRS Board of Trustees authority to establish vesting requirements, contribution levels, benefit formulas, and eligibility requirements by board rule. The benefit provisions include retirement benefits as well as death and disability benefits. Members are 50% vested after the tenth year of service, with the vesting percent increasing 10% for each of the next five years of service so that a member becomes 100% vested with 15 years of service.

Upon reaching age 55, a vested member may retire and receive a monthly pension equal to his vested percentage multiplied by six times the governing body's average monthly contribution over the member's years of qualified service. For years of service in excess of 15 years, this monthly benefit is increased at the rate of 6.2% compounded annually. There is no provision for automatic postretirement benefit increases.

On and off-duty death benefits and on-duty disability benefits are dependent on whether or not the member was engaged in the performance of duties at the time of death or disability. Death benefits include a lump sum amount and continuing monthly payments to a member's surviving spouse and dependent children.

**CITY OF KINGSVILLE**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*FOR THE YEAR ENDED SEPTEMBER 30, 2015*

2. Funding Policy

Contributions are made by governing bodies for the participating departments. No contributions are required from the individuals who are members of the System, nor are they allowed. The governing bodies of each participating department are required to make contributions for each month a member performs emergency services for a department (this minimum contribution is \$36 per member and the department may make a higher monthly contribution for its members). This is referred to as a Part One contribution, which is the legacy portion of the System contribution that directly impacts future retiree annuities.

The state is required to contribute an amount necessary to make the System "actuarially sound" each year, which may not exceed one-third of the total of all contributions made by participating governing bodies in a particular year.

The board rule defining contributions was amended effective July 27, 2014 to add the potential for actuarially determined Part Two contributions that would be required only if the expected future annual contributions from the state are not enough with the Part One contributions to provide an adequate contribution arrangement as determined by the most recent actuarial valuation. This Part Two portion, which is actuarially determined as a percent of the Part One portion (not to exceed 15%), is to be actuarially adjusted near the end of each even-numbered calendar year based on the most recent actuarial valuation. Based on the actuarial valuation as of August 31, 2014, the Part Two contribution rate was 0%, since the first actuarial valuation report after adoption of the rules showed the System to have an adequate contribution arrangement without any Part Two contributions.

Additional contributions may be made by governing bodies within two years of joining the System, to grant up to ten years of credit for service per member. Prior service purchased must have occurred before the department began participation in the System.

A small subset of participating departments have a different contribution arrangement which is being phased out over time. In this arrangement, contributions made in addition to the monthly contributions for active members, are made by local governing bodies on a pay-as-you-go basis for members who were pensioners when their respective departments merged into the System. There is no actuarial impact associated with this arrangement as the pay-as-you-go contributions made by these governing bodies are always equal to benefit payments paid by the System.

3. Contributions Required and Contributions Made

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions are set by board rule, and there is no maximum contribution rate. For the fiscal year ending August 31, 2014, total contributions (dues, prior service and interest on prior service financing) of \$4,176,659 were paid into TESRS by the political subdivisions served by the member volunteer emergency services personnel. The state appropriated \$1,530,343 for the fiscal year ending August 31, 2014.

The purpose of the biennial actuarial valuation is to determine if the contribution arrangement is adequate to pay the benefits that are promised. Actuarial assumptions are disclosed in subsection D below.

The actuarial valuation as of August 31, 2014 stated that TESRS has an adequate contribution arrangement for the benefit provisions recognized in the valuation based on the expected total contributions, including the expected contributions both from the governing body of each participating department and from the state. The expected contributions from the state are state appropriations equal to (1) the maximum annual contribution (one-third of all contributions to TESRS by governing bodies of participating departments in a year) as needed in accordance with state law governing TESRS and (2) approximately \$625,000 each year to pay for part of the System's administrative expenses. On August 31, 2014, the actuarial liabilities exceeded the actuarial assets by \$26,093,761.

**CITY OF KINGSVILLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

4. Actuarial Assumptions

The total pension liability in the August 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Salary increases	N/A
Investment rate of return	7.75% net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Healthy Lives Mortality Tables for males and for females projected to 2018 by scale AA.

The long-term expected rate of return on pension plan investments was determined using a building block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components 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 (3.50%). In addition, the final 7.75% assumption reflected a reduction of 0.20% for adverse deviation. The target allocation and expected arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Equities		
Large cap domestic	32%	5.2%
Small cap domestic	10%	5.8%
Developed international	21%	5.5%
Emerging markets	6%	5.4%
Master limited partnership	5%	5.1%
Fixed Income		
Domestic	21%	1.4%
International	5%	1.6%
Cash	--	--
Total	100%	

5. Annual Required Contributions-City

The employer annual pension cost of \$9,436 for fiscal year ended August 31, 2015 was equal to the required and actual contributions and the City has no future liability. Three-year information is as follows:

	2013	2014	2015
Annual Required Contribution	\$ 8,416	\$ 7,916	\$ 9,436
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

**CITY OF KINGSVILLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

*City of Kingsville Deferred Compensation Plan Restatement*

City of Kingsville has a deferred compensation plan for its employees, created in accordance with Internal Revenue Code Section 457. The plan, available to all regular employees, permits them to defer a portion of their salary on a pre-taxed basis until future years. The compensation deferred under this plan is not available to employees until termination, retirement, death, loan, or qualifying unforeseeable emergency. Participation in the plan is voluntary. The City has no liability for losses under this plan but does have the usual fiduciary responsibilities of a plan sponsor. The assets of the Plans are reported in a pension trust fund. The investments of the plan at September 30, 2015 consist of the following:

AmCent Gr Inv	\$	16,096	NW Inv Dest Aggr Svc	34,239
AmCent Val Inv		24,157	NW Inv Dest Cnsv Svc	5,002
Drey S P 500 Indx		9,471	NW Inv Dest Mod Aggr Svc	47,122
Fed US GovtSec 2 5 Yr Inst		1,491	NW Inv Dest Mod Cnsv Svc	4,334
Fid Contra		63,522	NW Inv Dest Mod Svc	13,107
Fixed Assets		8,523	NW LgCap Gr	22,456
Invsco Gr Inc A		9,259	NW MDCAP MKT INDX A	7,847
Invsco Intl Gr R5		27,186	NW Mny Mkt Prm	202
JPM MidCap Value A		8,484	NW S P 500 Indx Inst Svc	13,144
MFS Intl Val R3		27,177	NW Sm Co Gr Inst Svc	18,161
NW BD INDX A		6,785	NW US SmCap Val Inst Svc	10,918
NW Dest 2015 Inst Svc		898	Nationwide Fixed Account	601,852
NW Dest 2020 Inst Svc		1,762	NeuBer Genesis Tr	19,488
NW Dest 2025 Inst Svc		3,779	NeuBer Soc Resp Inv	14,412
NW Dest 2030 Inst Svc		17,232	Opp Gibi A	23,359
NW Dest 2040 Inst Svc		1,878	PIMCO Ttl Rtn A	3,275
NW Dest 2045 Inst Svc		66	TRowePr Gr Stk Adv	6,509
NW Fd Inst Svc		20,709	W&R Advisor High Income Y	16,896
NW HM Bd Inst Svc		12,833	WFA Disc Admn	11,439
NW INTL INDX A		555	Total	<u>\$ 1,135,622</u>

I. Post Retirement Benefits

1. Post-Employment Health Care Benefits

GASB Statement No. 45: Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions (OPEB), established new accounting standards for postretirement benefits. The new standard does not require funding of OPEB expense, but any difference between the annual required contribution (ARC) and the amount funded during the year is required to be recorded in the employer's financial statement as an increase (or decrease) in the net OPEB obligation. The effective date for implementation of GASB 45 by the City of Kingsville is October 1, 2007. Accordingly, the City did obtain an actuarial valuation in accordance with GASB 45 standards as of October 1, 2013 and discloses the following:

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, 2014, a total of 6 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.

# CITY OF KINGSVILLE

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2015

### Annual OPEB Cost and Net OPEB Obligation

The City's annual other post-employment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The City's annual OPEB cost is as follows:

OPEB Cost for Fiscal Years Ending 2013, 2014 and 2015	FYE 2013	FYE 2014	FYE 2015
Normal Cost	\$ 89,960	\$ 74,115	\$ 80,452
Minimum Amortization of UAL	116,604	81,392	88,351
Interest Adjustment to Year-end	8,263	5,443	5,908
Annual Required Contribution	214,827	160,950	174,711
ARC Adjustment	(36,556)	(43,930)	(48,125)
Interest Adjustment to Net OPEB Obligation	40,942	43,036	47,146
OPEB Cost	219,213	160,056	173,732
Contributions Made	(13,160)	(42,647)	(35,074)
Increase in Net OPEB Obligation	206,053	117,409	138,658
Net OPEB Obligation - beginning of year	1,023,562	1,229,615	1,347,023
Net OPEB Obligation - end of year	\$ 1,229,615	\$ 1,347,024	\$ 1,485,681

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
09/30/13	\$219,213	6.00%	\$1,229,615
09/30/14	\$160,056	26.65%	\$1,347,024
09/30/15	\$173,732	20.20%	\$1,485,681

### Funded Status and Funding Progress

The funded Status of the plan as of September 30, 2014, was as follows:

Actuarial Valuation Date	10/01/2013
Actuarial Value of Assets	\$ -
Actuarial Accrued Liability	\$ 2,278,181
Unfunded Actuarial Liability	\$ 2,278,181
Funded Ratio	--
Annualized Covered Payroll	\$ 8,720,167
Ratio of Unfunded Actuarial Liability to Annual Covered Payroll	26.1%
Actuarial Cost Method	Entry-Age Normal

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the status of the plan and the annual required contributions of the City are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

## CITY OF KINGSVILLE

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2015

#### Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan and include the type of benefits in force at the valuation date and the pattern of sharing benefits between the City and the plan members at that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce the short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions used for this valuation are as follows:

Measurement Date	October 1, 2013
Actuarial Cost Method	Entry - Age Normal Method
Amortization Period	30 Years. Open
Amortization Method	Level Percent of Payroll
Discount Rate	3.50%
CPI	3.00%
Healthcare Cost Trend Rate	8.0% initial rate, 5.0% ultimate rate, 9 year grade in period.
Payroll Growth Rate	3.00% annually

#### 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, 2015.

#### 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, 2015 for the following funds:

- General Fund
- Tourism Fund
- Debt Service Fund
- Capital Projects Fund
- Utility Fund

## **CITY OF KINGSVILLE**

### *NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2015*

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

\$879,607 addition to revenues and other financing sources comprised mainly of:

\$467,519 in Non Departmental - Transfer from Utility Fund to provide additional funding for the new City Hall at the historic H.M. King High School.

\$4,386 in Parks & Recreation - Donation revenue for improvements to the Parks Department recreation building.

\$72,900 in Fire Department - Grant revenue for a 90% matching FEMA Assistance to Firefighters grant for fire department vehicle exhaust removal system.

\$266,920 in Fund Transfers - To transfer capital projects back to General Fund.

\$6,256 in Parks & Recreation - Donation revenue for recreational programs and park improvements.

\$6,000 in Parks & Recreation - Donation revenue for summer program transportation costs.

\$9,000 in Fire Department - Grant revenue from 90% FEMA grant awarded to the Kingsville Fire Department for equipment.

\$8,710 in Parks & Recreation - Recreational Program revenue collected from the Adult Softball League and the Swim Team Programs.

\$8,334 in Fund Transfers - To transfer funds from capital projects to General Fund to contribute towards a Kleberg County Airport grant cash match.

\$29,177 in L.E. Ramey Golf Course - Contribution from Kleberg County for the purchase of golf course irrigation equipment.

\$200 in Non-Departmental - Donation revenue for the Volunteer Fire Department.

\$205 in Non-Departmental - Transfer from Fund 38 to close fund.

\$714,889 addition to expenditure and other financing uses comprised mainly of:

\$17,000 in City Special - To provide building improvements to a city owned building in preparation for the lease of the building.

\$467,519 in City Special - For construction at the New City Hall at the historic H.M. King High School.

\$3,165 in City Special - For membership into the Texas Mayors of Military Communities.

\$4,386 in Parks & Recreation - For improvements to the Parks Department recreation building provided by parks donation.

\$81,000 in Fire Department - For Vehicle Exhaust Removal System provided by FEMA grant.

(\$266,920) in Fire Department - Capital projects were reduced to ensure minimum fund balance requirements were in compliance with fund balance policy.

\$266,920 in Fund Transfers - To transfer General Fund capital projects back to General Fund.

(\$27,800) in Planning Department - To transfer funds from the 6th Street Corridor Landscaping Project to the Parks Department for Corral Park improvements and JK Northway/Parks improvements.



## **CITY OF KINGSVILLE**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2015**

\$27,800 in Parks Department - For Corral Park improvements and JK Northway/Parks improvements.

(\$5,000) in City Manager Department - To transfer funds from printing & publishing budget to Technology services.

\$5,000 to Technology Services - For the purchase of a computer for the City Manager's office.

\$6,256 in Parks & Recreation - For Recreational Programs and Park Improvements provided by parks donation.

\$6,000 in Parks & Recreation - For summer program transportation costs provided by parks donation.

\$1,700 in Recycle Center - For group health insurance coverage that was not covered by the departmental budget. Original budget included vacancies as Employee Only coverage.

\$11,325 in Municipal Court - For group health insurance coverage that was not covered by the departmental budget. Original budget included vacancies as Employee Only coverage.

\$3,400 in Purchasing Department - For group health insurance coverage that was not covered by the departmental budget. Original budget included vacancies as Employee Only coverage.

\$2,640 in Technology Services - For group health insurance coverage that was not covered by the departmental budget. Original budget included vacancies as Employee Only coverage.

\$22,076 in Finance Department - To cover additional audit costs over original budgeted amounts.

\$19,000 in Municipal Building Department - To cover increased communication fees over original budgeted amounts.

\$13,000 in PD-Communications - To cover increased communication fees over original budgeted amounts.

\$10,000 in Fire Department - To cover additional equipment purchase provided by the FEMA grant.

\$8,710 in Parks & Recreation - For Adult Softball League and Swim Team expenses provided by program revenues.

\$8,334 in City Special Department - To contribute towards a Kleberg County Airport grant cash match.

(\$8,334) in Planning Department - To provide funds for a Kleberg County Airport grant cash match.

\$8,334 in Fund Transfers - To transfer unused capital projects to General Fund.

\$29,178 in L.E. Ramey Golf Course - For purchase of golf course irrigation equipment provided by contribution from Kleberg County.

(\$2,000) in City Commission - To transfer training and travel funds to the Golf Course and Parks departments.

\$1,000 in L.E. Ramey Golf Course - For minor equipment provided by transfer from City Commission.

\$1,000 in Parks Department - For park improvements provided by transfer from City Commission.

\$200 in Volunteer Fire Department - For Minor Equipment/Furniture provided by donation.

**CITY OF KINGSVILLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**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, 2015, the liability for accrued vacation leave and accrued sick leave is approximately \$996,925. The amount applicable to the General Fund and Enterprise Fund of \$928,170 and \$69,755, respectively, and have been recorded in its respective fund.

**M. Contracts With South Texas Water Authority**

South Texas Water Authority Contract starting October 1, 2006 through September 30, 2012, extended on a month-to-month basis to September 30, 2014.

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

**PRICES AND TERMS**

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

# CITY OF KINGSVILLE

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2015

### 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, 2015 was \$.426386 per thousand gallons of water delivered.
- b. Each contract year, the Authority may adjust the handling charge to cover reasonable increases in the Authority's expenses and to accumulate and maintain a reasonable amount of reserve funds, provided that the increase in any one contract year may not exceed 5% of the above stated initial handling charge and that the total reserve funds of the Authority reasonably projected at its maximum during any Fiscal Year shall not exceed \$1.171 million. If the actual or projected reserve exceeds \$1.171 million, the handling charge shall be reduced accordingly for the next contract year.
- c. 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.
- d. 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.
- e. 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.
- f. 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.
- g. At the end of the term of this contract, the City may request a retroactive adjustment in the price of water delivered in the last year of the Contract if the Authority's reserve fund exceeds \$1.171 million on the last day of that last contract year. The request shall be resolved by use of the dispute resolution procedures stated in the contract.

### 2. Cost of Water

The cost of water shall be defined as meaning the actual price per one thousand gallons paid by the Authority to the City of Corpus Christi for water received by the Authority under the Corpus Christi Water Supply Agreement during a service month. It is expected that the cost of water will fluctuate from month to month, resulting in a corresponding fluctuation in the water rate. The water rate ranged from \$2,343657 to \$2.764092.

### 3. Water Supply Contract

The City and STWA signed a new 1 year contract on September 28, 2015 for the 2015-16 contract year.

**CITY OF KINGSVILLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**GUARANTEED PURCHASE**

(A) The City shall purchase a minimum volume of water not to be less than \$350,000 annually unless additional purchases are necessary to supplement the City of Kingsville water requirements. The City purchased \$350,789 and \$343,028 in 2015 and 2014, respectively.

**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 re-insurance. 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 \$183,570 at September 30, 2015 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 2015 and 2014 were:

	Beginning-of Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2014	\$ 146,192	\$ 2,789,002	\$ 2,667,773	\$ 267,421
2015	\$ 267,421	\$ 2,322,115	\$ 2,405,966	\$ 183,570

The liability at year end is equal to three months of paid claims subsequent to September 30, 2015 but that had been incurred prior to that date, and is considered a current liability for reporting purposes.

3. Litigation Tort Claims

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

**CITY OF KINGSVILLE**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*FOR THE YEAR ENDED SEPTEMBER 30, 2015*

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, 2015 is \$2,420,167, based on 36.07% usage (filled) of the landfill through September 30, 2015. It is estimated that an additional \$4,289,146 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 2060. The estimated total current cost for the landfill closure and postclosure care of \$6,709,313 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, 2015. 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 except the Federal and State Grant Funds. As grants are awarded, grant fund budgets are established through budget amendments. The budgets are prepared on a basis consistent generally accepted accounting principles. All annual appropriations lapse at fiscal year end.

R. Prior Period Adjustment

During fiscal year 2015, the City adopted GASB Statement No. 68 for Accounting and Reporting for Pensions. With GASB 68, the City must assume their proportionate share of the Net Pension Liability of the Texas Municipal Retirement System. Adoption of GASB 68 required a prior period adjustment to report the effect of GASB 68 retroactively. The resulting prior period adjustment was a debit of \$1,548,322 to the beginning net position of the governmental activities, and a debit of \$264,486 to the beginning net position of the business-type activities.

S. Subsequent Event

1. Management has reviewed subsequent events and transactions that occurred after the balance sheet date through April 15, 2016 (the date of the Audit Report). The financial statements include all Type I events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management and those charged with governance have determined that there are no non-recognized Type II subsequent events that require additional disclosure.
2. The City issued \$6,740,000 of Certificates of Obligation, Series 2016 on February 15, 2016. The City will receive \$6,849,693.07 after expenditures for debt issuance are paid. The purpose of these bonds is for the design, planning, acquisition, construction, equipping, expansion, repair, renovation, and/or rehabilitation of certain City-owned public property, including (1) park and golf course improvements; (2) downtown revitalization improvements including streets, sidewalks, lighting, and property acquisition; (3) street repairs; (4) improvements to municipal buildings; (5) Public Works department equipment; (6) emergency department vehicles and equipment and (7) payment of contractual obligations for professional services in connection with the issuance of the Certificates.

**CITY OF KINGSVILLE**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*FOR THE YEAR ENDED SEPTEMBER 30, 2015*

The Debt Service for the series 2016 bonds are as follows:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ -	\$ -	\$ -
2017	-	223,477	223,477
2018	250,000	152,950	402,950
2019	615,000	147,950	762,950
2020	820,000	135,650	955,650
2021-2025	3,100,000	436,450	3,536,450
2026-2030	1,110,000	221,850	1,331,850
2031-2035	725,000	89,775	814,775
2036	120,000	4,200	124,200
<b>Totals</b>	<b>\$ 6,740,000</b>	<b>\$ 1,412,302</b>	<b>\$ 8,152,302</b>

The bonds are 25 years payable twice a year with interest at 2.00% to 3.50% with a yield of .80% to 2.8% payable from continuing ad valorem tax levied on all property within the City.

### *Required Supplementary Information*

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

**CITY OF KINGSVILLE**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**EXHIBIT B-1**  
Page 1 of 8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Taxes:</b>				
<i>General Property Taxes:</i>				
<i>Current Taxes</i>	\$ 4,656,811	\$ 4,656,811	\$ 4,623,359	\$ (33,452)
<i>Delinquent taxes</i>	125,000	125,000	113,622	(11,378)
<i>Penalty &amp; Interest</i>	75,000	75,000	92,956	17,956
<i>Late Rendition Fee</i>	6,000	6,000	6,183	183
<i>In Lieu of Tax Payments</i>	106,000	106,000	103,951	(2,049)
<b>Total General Property Taxes</b>	<u>4,968,811</u>	<u>4,968,811</u>	<u>4,940,071</u>	<u>(28,740)</u>
<i>City Sales Tax</i>	<u>4,550,000</u>	<u>4,550,000</u>	<u>4,520,268</u>	<u>(29,732)</u>
<i>Mixed Drink Tax</i>	<u>50,000</u>	<u>50,000</u>	<u>51,917</u>	<u>1,917</u>
<i>Bingo Tax</i>	<u>--</u>	<u>--</u>	<u>5,348</u>	<u>5,348</u>
<i>Business Taxes:</i>				
<i>Electric Franchise Tax</i>	720,000	720,000	736,522	16,522
<i>Telephone Franchise Tax</i>	100,000	100,000	99,018	(982)
<i>Gas Franchise Tax</i>	65,000	65,000	81,965	16,965
<i>Cable T.V. Franchise Tax</i>	82,000	82,000	86,426	4,426
<b>Total Business Taxes</b>	<u>967,000</u>	<u>967,000</u>	<u>1,003,931</u>	<u>36,931</u>
<b>Total Taxes</b>	<u>10,535,811</u>	<u>10,535,811</u>	<u>10,521,535</u>	<u>(14,276)</u>
<b>Permits and Licenses:</b>				
<i>Plumbing Permits</i>	25,000	25,000	18,473	(6,527)
<i>Electric Permits</i>	30,000	30,000	22,982	(7,018)
<i>Building Permits</i>	150,000	150,000	116,538	(33,462)
<i>Moving Permits</i>	800	800	660	(140)
<i>Other Permits</i>	95,550	95,550	65,614	(29,936)
<i>Amusement Licenses</i>	100	100	75	(25)
<i>Beer &amp; Mixed Drink Licenses</i>	8,000	8,000	8,568	568
<i>Electrical Licenses</i>	3,500	3,500	3,245	(255)
<i>Contractor Licenses</i>	30,000	30,000	26,870	(3,130)
<i>Solicitor Licenses</i>	--	--	725	725
<i>Food Handler Licenses</i>	16,000	16,000	16,940	940
<i>Other Licenses</i>	2,500	2,500	905	(1,595)
<b>Total Permits and Licenses</b>	<u>361,450</u>	<u>361,450</u>	<u>281,595</u>	<u>(79,855)</u>
<b>Charges for Services:</b>				
<i>General Service Fees:</i>				
<i>Zoning Fees</i>	3,800	3,800	4,225	425
<i>Platting Fees</i>	4,000	4,000	2,932	(1,068)
<i>Police Accident Reports</i>	3,200	3,200	2,442	(758)
<i>Arrest Fees</i>	15,000	15,000	21,203	6,203
<i>Fire Reports</i>	30	30	--	(30)
<i>Ambulance Service</i>	700,000	700,000	514,071	(185,929)
<i>Park and Recreational Fees</i>	486,000	511,352	283,251	(228,101)
<i>Other Service Fees</i>	21,359	21,359	20,764	(595)
<b>Total General Service Fees</b>	<u>1,233,389</u>	<u>1,258,741</u>	<u>848,888</u>	<u>(409,853)</u>
<i>City/County Services:</i>				
<i>Weed Control</i>	<u>34,000</u>	<u>34,000</u>	<u>28,725</u>	<u>(5,275)</u>



**CITY OF KINGSVILLE**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<i>Sanitation Services:</i>				
<i>Garbage Fees</i>	3,330,500	3,330,500	3,230,505	(99,995)
<i>Landfill Fees</i>	560,000	560,000	608,743	48,743
<i>Demolition Recovery Revenue</i>	10,000	10,000	57,819	47,819
<i>Miscellaneous</i>	48,000	48,000	91,042	43,042
Total Sanitation Services	3,948,500	3,948,500	3,988,109	39,609
Total Charges for Services	5,215,889	5,241,241	4,865,722	(375,519)
<i>Fines and Forfeits:</i>				
<i>Court Fines</i>	699,000	699,000	845,196	146,196
<i>Minor Fines</i>	5,400	5,400	29,022	23,622
<i>Collection of State Taxes</i>	20,000	20,000	23,710	3,710
<i>Other Court Fines</i>	22,100	22,100	24,402	2,302
Total Fines and Forfeits	746,500	746,500	922,330	175,830
Special Assessments	3,000	3,000	--	(3,000)
<i>Interest and Miscellaneous:</i>				
<i>Interest from Investments</i>	22,170	22,170	27,683	5,513
<i>Auction Revenue</i>	10,000	10,000	6,060	(3,940)
<i>Sale of City Publications</i>	850	850	1,676	826
<i>Sale of Recycle Item</i>	12,500	12,500	8,828	(3,672)
<i>Miscellaneous</i>	17,500	17,500	98,576	81,076
Total Interest and Miscellaneous	63,020	63,020	142,823	79,803
Donations	--	200	200	--
Intergovernmental Revenue	585,000	614,177	585,000	(29,177)
<b>Total Revenues</b>	<b>17,510,670</b>	<b>17,565,399</b>	<b>17,319,205</b>	<b>(246,194)</b>
<b>Expenditures:</b>				
<b>City Administration Department</b>				
<i>City Commission:</i>				
<i>Personal Services</i>	83,777	83,177	82,139	1,038
<i>Supplies</i>	2,250	648	530	118
<i>Services</i>	44,450	44,652	39,825	4,827
Total City Commission	130,477	128,477	122,494	5,983
<i>City Manager:</i>				
<i>Personal Services</i>	251,663	230,163	222,714	7,449
<i>Supplies</i>	3,300	3,300	1,626	1,674
<i>Services</i>	45,300	58,800	41,447	17,353
<i>Building Maintenance</i>	--	3,000	7,019	(4,019)
Total City Manager	300,263	295,263	272,806	22,457

**CITY OF KINGSVILLE**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Municipal Building:</b>				
<i>Supplies</i>	1,700	352	351	1
<i>Services</i>	102,200	125,514	130,466	(4,952)
<i>Building Maintenance</i>	30,000	30,850	26,993	3,857
<i>Lease Payments</i>	10,200	6,384	7,673	(1,289)
<b>Total Municipal Building</b>	<b>144,100</b>	<b>163,100</b>	<b>165,483</b>	<b>(2,383)</b>
<b>Risk Management:</b>				
<i>Personal Services</i>	98,728	102,211	102,560	(349)
<i>Supplies</i>	17,922	15,239	9,835	5,404
<i>Services</i>	30,843	30,043	22,333	7,710
<b>Total Risk Management</b>	<b>147,493</b>	<b>147,493</b>	<b>134,728</b>	<b>12,765</b>
<b>City Special:</b>				
<i>Personal Services</i>	29,844	56,791	54,458	2,333
<i>Supplies</i>	1,883	7,302	10,155	(2,853)
<i>Services</i>	614,132	590,560	571,508	19,052
<i>Building Maintenance</i>	450	25,150	30,492	(5,342)
<i>Lease Payments</i>	--	--	2,503	(2,503)
<i>Capital Outlay</i>	3,200,000	3,662,525	1,772,855	1,889,670
<i>Bad Debt</i>	--	--	88,742	(88,742)
<b>Total City Special</b>	<b>3,846,309</b>	<b>4,342,327</b>	<b>2,530,713</b>	<b>1,811,614</b>
<b>Total City Administration Department</b>	<b>4,568,642</b>	<b>5,076,660</b>	<b>3,226,224</b>	<b>1,850,436</b>
<b>Management Services Department</b>				
<b>Personnel:</b>				
<i>Personal Services</i>	138,774	139,629	138,304	1,325
<i>Supplies</i>	5,070	5,446	4,817	629
<i>Services</i>	34,378	33,147	29,195	3,952
<b>Total Personnel</b>	<b>178,222</b>	<b>178,222</b>	<b>172,316</b>	<b>5,906</b>
<b>Municipal Court:</b>				
<i>Personal Services</i>	232,389	243,253	236,913	6,340
<i>Supplies</i>	5,324	5,149	5,011	138
<i>Services</i>	5,264	5,900	5,846	54
<b>Total Municipal Court</b>	<b>242,977</b>	<b>254,302</b>	<b>247,770</b>	<b>6,532</b>
<b>Finance:</b>				
<i>Personal Services</i>	411,618	410,950	405,496	5,454
<i>Supplies</i>	6,100	5,647	5,927	(280)
<i>Services</i>	103,519	126,717	125,108	1,609
<b>Total Finance</b>	<b>521,237</b>	<b>543,313</b>	<b>536,531</b>	<b>6,782</b>

**CITY OF KINGSVILLE**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Purchasing:</b>				
<i>Personal Services</i>	137,101	140,501	138,823	1,678
<i>Supplies</i>	4,900	4,352	3,534	818
<i>Services</i>	15,700	16,248	11,587	4,661
<b>Total Purchasing</b>	<b>157,701</b>	<b>161,101</b>	<b>153,944</b>	<b>7,157</b>
<b>Warrant Enforcement:</b>				
<i>Personal Services</i>	67,893	69,910	69,799	111
<i>Supplies</i>	8,367	4,695	3,765	930
<i>Services</i>	2,800	1,397	1,257	140
<i>Equipment Maintenance</i>	--	3,058	2,862	196
<b>Total Warrant Enforcement</b>	<b>79,060</b>	<b>79,060</b>	<b>77,683</b>	<b>1,377</b>
<b>Computer Operations:</b>				
<i>Personal Services</i>	108,323	113,395	113,215	180
<i>Supplies</i>	57,800	77,553	71,867	5,686
<i>Services</i>	154,300	152,576	136,253	16,323
<i>Equipment Maintenance</i>	2,200	6	--	6
<i>Capital Outlay</i>	15,000	1,732	--	1,732
<b>Total Computer Operations</b>	<b>337,623</b>	<b>345,263</b>	<b>321,335</b>	<b>23,928</b>
<b>Total Management Services Department</b>	<b>1,516,820</b>	<b>1,561,261</b>	<b>1,509,579</b>	<b>51,682</b>
<b>Legal Department</b>				
<i>Personal Services</i>	180,151	188,245	190,782	(2,537)
<i>Supplies</i>	2,075	2,575	1,261	1,314
<i>Services</i>	49,700	41,106	16,822	24,284
<b>Total Legal Department</b>	<b>231,926</b>	<b>231,926</b>	<b>208,865</b>	<b>23,061</b>
<b>Urban Development Department</b>				
<b>Planning:</b>				
<i>Personal Services</i>	159,991	159,991	145,614	14,377
<i>Supplies</i>	1,960	3,190	3,537	(347)
<i>Services</i>	13,435	13,326	8,570	4,756
<i>Building Maintenance</i>	88,500	52,366	--	52,366
<i>Lease Payments</i>	--	255	255	--
<b>Total Planning</b>	<b>263,886</b>	<b>229,128</b>	<b>157,976</b>	<b>71,152</b>
<b>Permits and Licenses:</b>				
<i>Personal Services</i>	163,304	163,304	162,129	1,175
<i>Supplies</i>	6,698	6,098	3,699	2,399
<i>Services</i>	13,445	11,669	6,974	4,695
<i>Equipment Maintenance</i>	750	750	126	624
<i>Lease Payments</i>	3,500	4,500	4,114	386
<b>Total Permits and Licenses</b>	<b>187,697</b>	<b>186,321</b>	<b>177,042</b>	<b>9,279</b>

**CITY OF KINGSVILLE**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Community Appearance:</b>				
<i>Personal Services</i>	288,962	288,962	287,120	1,842
<i>Supplies</i>	18,790	30,272	30,954	(682)
<i>Services</i>	114,032	110,383	74,190	36,193
<i>Equipment Maintenance</i>	5,700	6,896	6,260	636
<i>Building Maintenance</i>	6,500	6,616	6,611	5
<i>Lease Payments</i>	9,500	9,500	4,626	4,874
<i>Capital Outlay</i>	52,007	42,862	24,315	18,547
<b>Total Community Appearance</b>	<b>495,491</b>	<b>495,491</b>	<b>434,076</b>	<b>61,415</b>
<b>Engineering:</b>				
<i>Personal Services</i>	114,495	114,455	113,051	1,404
<i>Supplies</i>	2,825	2,800	1,780	1,020
<i>Services</i>	30,372	30,437	16,903	13,534
<i>Equipment Maintenance</i>	520	520	413	107
<b>Total Engineering</b>	<b>148,212</b>	<b>148,212</b>	<b>132,147</b>	<b>16,065</b>
<b>Total Urban Development Department</b>	<b>1,095,286</b>	<b>1,059,152</b>	<b>901,241</b>	<b>157,911</b>
<b>Police Department</b>				
<i>Personal Services</i>	4,084,180	4,072,731	3,896,153	176,578
<i>Supplies</i>	212,723	186,299	125,595	60,704
<i>Services</i>	419,858	475,816	460,504	15,312
<i>Equipment Maintenance</i>	82,707	77,625	54,626	22,999
<i>Building Maintenance</i>	45,000	45,000	43,188	1,812
<i>Lease Payments</i>	20,000	19,997	12,854	7,143
<i>Capital Outlay</i>	--	1	--	1
<b>Total Police Department</b>	<b>4,864,468</b>	<b>4,877,468</b>	<b>4,592,920</b>	<b>284,548</b>
<b>Fire Department</b>				
<i>Personal Services</i>	2,691,032	2,691,032	2,477,979	213,053
<i>Supplies</i>	202,400	204,796	184,102	20,694
<i>Services</i>	172,960	159,851	184,351	(24,500)
<i>Equipment Maintenance</i>	40,590	54,990	51,664	3,326
<i>Building Maintenance</i>	24,450	24,450	21,611	2,839
<i>Lease Payments</i>	35,235	36,275	35,333	942
<i>Capital Outlay</i>	375,420	194,773	98,610	96,163
<b>Total Fire Department</b>	<b>3,542,087</b>	<b>3,366,167</b>	<b>3,053,650</b>	<b>312,517</b>

**CITY OF KINGSVILLE**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Volunteer Fire Department</b>				
<i>Personal Services</i>	18,003	18,003	15,500	2,503
<i>Supplies</i>	44,000	63,300	57,993	5,307
<i>Services</i>	34,200	19,600	19,340	260
<i>Equipment Maintenance</i>	5,081	2,581	2,168	413
<i>Building Maintenance</i>	7,269	5,269	4,840	429
<b>Total Volunteer Fire Department</b>	<b>108,553</b>	<b>108,753</b>	<b>99,841</b>	<b>8,912</b>
<b>Public Works Department</b>				
<b>Public Works Administration:</b>				
<i>Personal Services</i>	65,587	67,653	67,451	202
<i>Supplies</i>	7,920	6,135	3,684	2,451
<i>Services</i>	45,690	45,951	44,328	1,623
<i>Equipment Maintenance</i>	1,700	2,014	2,014	--
<i>Building Maintenance</i>	23,705	22,505	20,106	2,399
<i>Lease Payments</i>	3,000	3,344	3,867	(523)
<b>Total Public Works Administration</b>	<b>147,602</b>	<b>147,602</b>	<b>141,450</b>	<b>6,152</b>
<b>Garage:</b>				
<i>Personal Services</i>	393,751	393,751	369,543	24,208
<i>Supplies</i>	21,131	21,956	20,087	1,869
<i>Services</i>	9,068	7,024	6,916	108
<i>Equipment Maintenance</i>	3,200	4,419	4,226	193
<b>Total Garage</b>	<b>427,150</b>	<b>427,150</b>	<b>400,772</b>	<b>26,378</b>
<b>Sanitation:</b>				
<i>Personal Services</i>	812,015	812,015	806,418	5,597
<i>Supplies</i>	181,050	180,050	123,101	56,949
<i>Services</i>	23,665	24,762	20,740	4,022
<i>Equipment Maintenance</i>	192,080	183,050	166,018	17,032
<i>Building Maintenance</i>	5,000	5,000	7,865	(2,865)
<i>Capital Outlay</i>	44,008	44,008	41,522	2,486
<i>Bad Debt</i>	25,000	25,000	13,837	11,163
<b>Total Sanitation</b>	<b>1,282,818</b>	<b>1,273,885</b>	<b>1,179,501</b>	<b>94,384</b>
<b>Street:</b>				
<i>Personal Services</i>	876,221	833,988	829,005	4,983
<i>Supplies</i>	103,342	88,793	72,044	16,749
<i>Services</i>	269,953	271,435	282,348	(10,913)
<i>Equipment Maintenance</i>	55,500	142,800	127,218	15,582
<i>Building Maintenance</i>	105,600	73,600	50,247	23,353
<i>Lease Payments</i>	71,000	71,000	70,427	573
<b>Total Street</b>	<b>1,481,616</b>	<b>1,481,616</b>	<b>1,431,289</b>	<b>50,327</b>

**CITY OF KINGSVILLE**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Landfill:</b>				
<i>Personal Services</i>	409,215	409,215	390,922	18,293
<i>Supplies</i>	131,944	115,344	83,651	31,693
<i>Services</i>	188,350	190,748	173,283	17,465
<i>Equipment Maintenance</i>	93,500	106,202	98,637	7,565
<i>Building Maintenance</i>	20,982	11,214	11,210	4
<i>Lease Payments</i>	66,000	66,000	65,242	758
<i>Capital Outlay</i>	318,410	329,678	315,470	14,208
<i>Bad Debt</i>	7,151	7,151	1,306	5,845
<b>Total Landfill</b>	<b>1,235,552</b>	<b>1,235,552</b>	<b>1,139,721</b>	<b>95,831</b>
<b>Recycling Center:</b>				
<i>Personal Services</i>	34,730	36,435	36,204	231
<i>Supplies</i>	1,575	5,070	2,780	2,290
<i>Services</i>	6,200	7,633	5,917	1,716
<i>Equipment Maintenance</i>	1,500	1,500	619	881
<i>Building Maintenance</i>	36,540	40,540	3,443	37,097
<b>Total Recycling Center</b>	<b>80,545</b>	<b>91,178</b>	<b>48,963</b>	<b>42,215</b>
<b>Total Public Works Department</b>	<b>4,655,283</b>	<b>4,656,983</b>	<b>4,341,696</b>	<b>315,287</b>
<b>Health Department</b>				
<i>Personal Services</i>	239,258	239,258	231,982	7,276
<i>Supplies</i>	37,875	49,878	39,844	10,034
<i>Services</i>	39,325	39,070	34,149	4,921
<i>Equipment Maintenance</i>	4,400	4,400	1,805	2,595
<i>Building Maintenance</i>	10,000	9,500	3,321	6,179
<i>Capital Outlay</i>	38,309	27,061	25,666	1,395
<b>Total Health Department</b>	<b>369,167</b>	<b>369,167</b>	<b>336,767</b>	<b>32,400</b>
<b>Parks and Recreation Department</b>				
<i>Personal Services</i>	465,615	465,615	437,206	28,409
<i>Supplies</i>	61,215	57,155	51,609	5,546
<i>Services</i>	175,031	198,234	191,268	6,966
<i>Equipment Maintenance</i>	31,161	16,161	9,342	6,819
<i>Building Maintenance</i>	61,805	69,873	64,177	5,696
<i>Capital Outlay</i>	--	41,941	41,610	331
<b>Total Parks and Recreation Department</b>	<b>794,827</b>	<b>848,979</b>	<b>795,212</b>	<b>53,767</b>

**CITY OF KINGSVILLE**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**EXHIBIT B-1**  
Page 8 of 8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Golf Course</b>				
<i>Personal Services</i>	223,210	252,711	253,090	(379)
<i>Supplies</i>	51,800	32,440	31,489	951
<i>Services</i>	91,800	72,558	48,119	24,439
<i>Equipment Maintenance</i>	14,000	23,137	23,557	(420)
<i>Building Maintenance</i>	50,500	65,641	65,828	(187)
<i>Capital Outlay</i>	--	5,558	--	5,558
<b>Total Golf Course</b>	<b>464,110</b>	<b>494,287</b>	<b>466,640</b>	<b>27,647</b>
<b>Library Department</b>				
<i>Personal Services</i>	198,537	198,537	194,321	4,216
<i>Supplies</i>	39,216	40,901	39,981	920
<i>Services</i>	32,044	26,894	29,948	(3,054)
<i>Equipment Maintenance</i>	5,580	7,220	6,246	974
<i>Building Maintenance</i>	8,500	10,325	49,340	(39,015)
<i>Capital Outlay</i>	75,000	75,000	42,713	32,287
<b>Total Library Department</b>	<b>358,877</b>	<b>358,877</b>	<b>362,549</b>	<b>(3,672)</b>
<b>Total Expenditures</b>	<b>22,570,046</b>	<b>23,009,680</b>	<b>19,895,184</b>	<b>3,114,496</b>
Excess (deficiency) of revenues (under) expenditures	(5,059,376)	(5,444,281)	(2,575,979)	2,868,302
<b>Other financing sources (uses):</b>				
<i>Operating transfers in</i>	3,797,907	4,540,884	1,933,053	(2,607,831)
<i>Operating transfers out</i>	(2,686,205)	(2,961,459)	(364,181)	2,597,278
Total other financing sources (uses)	1,111,702	1,579,425	1,568,872	(10,553)
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(3,947,674)	(3,864,856)	(1,007,107)	2,857,749
Fund balances/equity, October 1	11,526,264	11,526,264	11,526,264	--
Fund balances/equity, September 30	<u>\$ 7,578,590</u>	<u>\$ 7,661,408</u>	<u>\$ 10,519,157</u>	<u>\$ 2,857,749</u>

**CITY OF KINGSVILLE**  
**POLICE FORFEITURE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
<b>Fines and Forfeits:</b>				
<i>Court Fines</i>	\$ 657,700	\$ 657,700	\$ 1,654,613	\$ 996,913
<i>Confiscated Revenue</i>	500,000	500,000	260,763	(239,237)
<i>Minor Fines</i>	14,500	14,500	19,459	4,959
<b>Total Fines and Forfeits</b>	<u>1,172,200</u>	<u>1,172,200</u>	<u>1,934,835</u>	<u>762,635</u>
<b>Interest and Miscellaneous:</b>				
<i>Interest from Investments</i>	3,400	3,400	9,629	6,229
<i>Auction Revenue</i>	40,000	40,000	--	(40,000)
<i>Miscellaneous</i>	100	100	3,900	3,800
<b>Total Interest and Miscellaneous</b>	<u>43,500</u>	<u>43,500</u>	<u>13,529</u>	<u>(29,971)</u>
<b>Total Revenues</b>	<u>1,215,700</u>	<u>1,215,700</u>	<u>1,948,364</u>	<u>732,664</u>
<b>Expenditures:</b>				
<b>Municipal Court:</b>				
<i>Supplies</i>	--	3,000	1,766	1,234
<i>Services</i>	--	11,100	8,770	2,330
<i>Lease Payments</i>	--	6,000	5,548	452
<b>Total Municipal Court</b>	<u>--</u>	<u>20,100</u>	<u>16,084</u>	<u>4,016</u>
<b>Police Department</b>				
<i>Personal Services</i>	110,000	110,000	76,597	33,403
<i>Supplies</i>	35,327	44,295	17,780	26,515
<i>Services</i>	121,605	122,306	69,022	53,284
<i>Equipment Maintenance</i>	--	914	914	--
<i>Capital Outlay</i>	38,181	72,598	45,000	27,598
<b>Total Police Department</b>	<u>305,113</u>	<u>350,113</u>	<u>209,313</u>	<u>140,800</u>
<b>Task Force</b>				
<i>Personal Services</i>	824,017	833,186	806,394	26,792
<i>Supplies</i>	129,854	123,185	89,672	33,513
<i>Services</i>	114,305	110,721	92,762	17,959
<i>Equipment Maintenance</i>	36,250	37,250	21,758	15,492
<i>Building Maintenance</i>	18,000	18,000	11,089	6,911
<i>Lease Payments</i>	17,000	17,000	5,067	11,933
<i>Capital Outlay</i>	51,000	51,000	96,466	(45,466)
<b>Total Task Force</b>	<u>1,190,426</u>	<u>1,190,342</u>	<u>1,123,208</u>	<u>67,134</u>
<b>Total Expenditures</b>	<u>1,495,539</u>	<u>1,560,555</u>	<u>1,348,605</u>	<u>211,950</u>
<b>Excess (deficiency) of revenues (under) expenditures</b>	<u>(279,839)</u>	<u>(344,855)</u>	<u>599,759</u>	<u>944,614</u>



**CITY OF KINGSVILLE**  
**POLICE FORFEITURE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Other financing sources (uses):				
<i>Operating transfers out</i>	(50,084)	(50,084)	(50,000)	84
Total other financing sources (uses)	<u>(50,084)</u>	<u>(50,084)</u>	<u>(50,000)</u>	<u>84</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(329,923)	(394,939)	549,759	944,698
Fund balances/equity, October 1	890,143	890,143	890,143	--
Fund balances/equity, September 30	<u>\$ 560,220</u>	<u>\$ 495,204</u>	<u>\$ 1,439,902</u>	<u>\$ 944,698</u>

**CITY OF KINGSVILLE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FUNDING PROGRESS**  
**TEXAS MUNICIPAL RETIREMENT SYSTEM**  
**YEAR ENDED SEPTEMBER 30, 2015**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/11	\$ 40,246,749	\$ 44,637,193	\$ 4,390,444	90.2%	\$ 9,024,567	48.6%
12/31/12	\$ 42,351,798	\$ 45,514,495	\$ 3,162,697	93.1%	\$ 9,423,578	33.6%
12/31/13	\$ 45,322,614	\$ 50,756,674	\$ 5,434,060	89.3%	\$ 10,054,288	54.0%

Other Post-employment Benefit Plan:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
10/01/09	\$ --	\$ 2,806,136	\$ 2,806,136	--	\$ 7,453,813	37.6%
10/01/11	\$ --	\$ 2,883,303	\$ 2,883,303	--	\$ 8,003,491	36.0%
10/01/13	\$ --	\$ 2,278,181	\$ 2,278,181	--	\$ 8,720,167	26.1%

(Note: Actuarial valuations are completed every two years.)

Texas Emergency Services Retirement Plan:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)(1) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Total Members Covered (c)	UAAL per Member Covered ((b-a)/c)
08/31/10(3)	\$ 64,113,803	\$ 81,264,230	\$ 17,150,427	78.9%	8,644	1,984
08/31/12(2)	\$ 67,987,487	\$ 101,856,042	\$ 33,868,555	66.7%	9,448	3,585
08/31/14	\$ 83,761,038	\$ 109,854,799	\$ 26,093,761	76.2%	9,270	2,815

- (1) The actuarial accrued liability is based upon the entry age actuarial cost method.
- (2) Changes in actuarial assumptions were reflected in this valuation.
- (3) Changes in an actuarial assumption and method were reflected in this valuation.

(Note: Actuarial valuations are completed every two years.)

**CITY OF KINGSVILLE**

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

	<u>Fiscal Year</u>
	<u>2015</u>
<b>Total Pension Liability</b>	
Service cost	\$ 1,277,906
Interest (on the total pension liability)	3,516,450
Changes of benefit terms	--
Difference between expected and actual experience	37,693
Changes in assumptions	--
Benefit payments, including refunds of employee contributions	<u>(2,321,247)</u>
<b>Net Change in Total Pension Liability</b>	<b>2,510,802</b>
<b>Total Pension Liability - Beginning</b>	<b>50,756,674</b>
<b>Total Pension Liability - Ending (A)</b>	<b><u>\$ 53,267,476</u></b>
<b>Plan Fiduciary Net Position</b>	
Contributions - employer	\$ 1,076,141
Contributions - employee	761,677
Net investment income	2,755,154
Benefit payments, including refunds of employee contributions	<u>(2,321,247)</u>
Administrative expense	(28,766)
Other	<u>(2,365)</u>
<b>Net Change in Plan Fiduciary Net Position</b>	<b>2,240,594</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>48,163,604</b>
<b>Plan Fiduciary Net Position - Ending (B)</b>	<b><u>\$ 50,404,198</u></b>
<b>Net Pension Liability - Ending (A-B)</b>	<b><u>\$ 2,863,278</u></b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	<b>94.62%</b>
<b>Covered Employee Payroll</b>	<b>\$ 10,881,102</b>
<b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	<b>26.31%</b>

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

**CITY OF KINGSVILLE**  
**SCHEDULE OF CITY CONTRIBUTIONS**  
**TEXAS MUNICIPAL RETIREMENT SYSTEM**  
**LAST TEN FISCAL YEARS \***

	Fiscal Year	
	2015	2014
Contractually required contribution	\$ 1,069,512	\$ 1,076,141
Contributions in relation to the contractually required contribution	(1,069,512)	(1,076,141)
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>
City's covered-employee payroll	\$ 11,058,778	\$ 10,881,102
Contributions as a percentage of covered-employee payroll	9.67%	9.89%

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

## CITY OF KINGSVILLE

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED SEPTEMBER 30, 2015

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

#### **Texas Emergency Services Retirement System Notes:**

The Information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Actuarial assumptions and methods as of the latest actuarial valuation are as follows:

Valuation Date	August 31, 2014
Actuarial cost method	Entry age
Amortization method	Level dollar, open
Amortization period	30 years
Asset valuation method	Market value smoothed by a 5-year deferred recognition method with a 80%/120% corridor on market value

#### **Actuarial assumptions:**

Investment rate of return\* 7.75% per year, net of investment expenses

Projected salary increases N/A

\*Includes inflation at 3.50%

Cost-of-living adjustments None

#### **Texas Municipal Retirement System**

Valuation Date	Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Payroll, Closed
Remaining amortization period	23 years
Asset valuation method	10 Year smoothed market; 15% soft corridor
Inflation	3%
Salary Increases	3.5% to 12%, including inflation
Investment Rate of Return	7%
Retirement Age	Experience-based table based on rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005-2009.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Other Information	There were no benefit changes during the year.

*Combining Statements and Budget Comparisons  
as Supplementary Information*

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

## CITY OF KINGSVILLE

## COMBINING BALANCE SHEET

## NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2015

	Special Revenue Funds	Capital Projects Fund Capital Improvements Fund	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS			
Assets:			
<i>Cash and cash equivalents</i>	\$ 75	\$ --	\$ 75
<i>Equity in pooled cash and cash equivalents</i>	41,651	444,764	486,415
Receivables ( net of allowances for uncollectibles):			
<i>Accounts</i>	51,211	--	51,211
Due from:			
<i>Other governments</i>	91,958	--	91,958
<i>Inventory, at cost</i>	1,776	--	1,776
Restricted assets:			
<i>Cash and cash equivalents</i>	664,703	67,773	732,476
Total Assets	<u>\$ 851,374</u>	<u>\$ 512,537</u>	<u>\$ 1,363,911</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND EQUITY			
Liabilities:			
<i>Accounts payable</i>	\$ 6,850	\$ 86,857	\$ 93,707
<i>Accrued wages payable</i>	3,489	--	3,489
Due to:			
<i>Other funds</i>	82,510	--	82,510
<i>Other governments</i>	33,368	--	33,368
Total Liabilities	<u>126,217</u>	<u>86,857</u>	<u>213,074</u>
Deferred Inflows of Resources:			
Deferred Revenue	23,714	--	23,714
Total Deferred Inflows of Resources	<u>23,714</u>	<u>--</u>	<u>23,714</u>
Equity:			
Fund balances:			
Restricted:			
<i>Capital outlay</i>	--	425,680	425,680
<i>Tourism</i>	696,103	--	696,103
<i>Federal and state programs</i>	57	--	57
<i>Community Enrichment</i>	2,918	--	2,918
Assigned:			
<i>Drug Awareness</i>	2,365	--	2,365
Total equity	<u>701,443</u>	<u>425,680</u>	<u>1,127,123</u>
Total Liabilities, Deferred Inflows of Resources, and Equity	<u>\$ 851,374</u>	<u>\$ 512,537</u>	<u>\$ 1,363,911</u>

**CITY OF KINGSVILLE**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Special Revenue Funds	Capital Projects Fund Capital Improvements Fund	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenue:			
<i>Taxes</i>	\$ 563,505	\$ --	\$ 563,505
<i>Charges for services</i>	2,537	--	2,537
<i>Interest and miscellaneous</i>	381	2,980	3,361
<i>Donations</i>	4,200	--	4,200
<i>Federal and state grants</i>	362,173	--	362,173
Total revenues	<u>932,796</u>	<u>2,980</u>	<u>935,776</u>
Expenditures:			
Current:			
<i>General government and administration</i>	6,250	--	6,250
<i>Public Safety</i>	365,281	74,420	439,701
<i>Public works</i>	--	893,530	893,530
<i>Tourism</i>	513,596	--	513,596
Total expenditures	<u>885,127</u>	<u>967,950</u>	<u>1,853,077</u>
Excess (deficiency) of revenues (under) expenditures	47,669	(964,970)	(917,301)
Other financing sources (uses):			
<i>Transfers in</i>	9,158	2,773	11,931
<i>Transfers out</i>	(37,083)	(28,450)	(65,533)
Total other financing sources (uses)	<u>(27,925)</u>	<u>(25,677)</u>	<u>(53,602)</u>
Net change in fund balances	19,744	(990,647)	(970,903)
Fund balances/equity, October 1	681,699	1,416,327	2,098,026
Fund balances/equity, September 30	<u>\$ 701,443</u>	<u>\$ 425,680</u>	<u>\$ 1,127,123</u>



**CITY OF KINGSVILLE**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**SEPTEMBER 30, 2015**

	Tourism Fund	Federal Grants
<b>ASSETS</b>		
Assets:		
<i>Cash and cash equivalents</i>	\$ 75	\$ --
<i>Equity in pooled cash and cash equivalents</i>	6,587	13,772
Receivables ( net of allowances for uncollectibles):		
<i>Accounts</i>	51,211	--
Due from:		
<i>Other governments</i>	--	91,958
<i>Inventory, at cost</i>	1,776	--
Restricted assets:		
<i>Cash and cash equivalents</i>	664,703	--
<b>Total Assets</b>	<u>\$ 724,352</u>	<u>\$ 105,730</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND EQUITY</b>		
Liabilities:		
<i>Accounts payable</i>	\$ 6,850	\$ --
<i>Accrued wages payable</i>	3,489	--
Due to:		
<i>Other funds</i>	2,952	79,558
<i>Other governments</i>	14,958	18,410
<b>Total Liabilities</b>	<u>28,249</u>	<u>97,968</u>
Deferred Inflows of Resources:		
Deferred Revenue	--	7,705
<b>Total Deferred Inflows of Resources</b>	<u>--</u>	<u>7,705</u>
Equity:		
Fund balances:		
Restricted:		
<i>Tourism</i>	696,103	--
<i>Federal and state programs</i>	--	57
<i>Community Enrichment</i>	--	--
Assigned:		
<i>Drug Awareness</i>	--	--
<b>Total equity</b>	<u>696,103</u>	<u>57</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Equity</b>	<u>\$ 724,352</u>	<u>\$ 105,730</u>

EXHIBIT C-3

<u>State Grants</u>	<u>Other Special Revenues</u>	<u>Total Nonmajor Special Revenue Funds (See Exhibit C-1)</u>
\$ --	\$ --	\$ 75
16,009	5,283	41,651
--	--	51,211
--	--	91,958
--	--	1,776
--	--	664,703
<u>\$ 16,009</u>	<u>\$ 5,283</u>	<u>\$ 851,374</u>
\$ --	\$ --	\$ 6,850
--	--	3,489
--	--	82,510
--	--	33,368
<u>--</u>	<u>--</u>	<u>126,217</u>
16,009	--	23,714
<u>16,009</u>	<u>--</u>	<u>23,714</u>
--	--	696,103
--	--	57
--	2,918	2,918
--	2,365	2,365
<u>--</u>	<u>5,283</u>	<u>701,443</u>
<u>\$ 16,009</u>	<u>\$ 5,283</u>	<u>\$ 851,374</u>

**CITY OF KINGSVILLE**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Tourism Fund	Federal Grants
Revenue:		
<i>Taxes</i>	\$ 563,505	\$ --
<i>Charges for services</i>	2,537	--
<i>Interest and miscellaneous</i>	381	--
<i>Donations</i>	4,000	--
<i>Federal and state grants</i>	--	349,991
Total revenues	<u>570,423</u>	<u>349,991</u>
Expenditures:		
Current:		
<i>General government and administration</i>	--	--
<i>Public Safety</i>	--	359,149
<i>Tourism</i>	513,596	--
Total expenditures	<u>513,596</u>	<u>359,149</u>
Excess (deficiency) of revenues (under) expenditures	56,827	(9,158)
Other financing sources (uses):		
<i>Transfers in</i>	--	9,158
<i>Transfers out</i>	(35,000)	--
Total other financing sources (uses)	<u>(35,000)</u>	<u>9,158</u>
Net change in fund balances	21,827	--
Fund balances/equity, October 1	674,276	57
Fund balances/equity, September 30	<u>\$ 696,103</u>	<u>\$ 57</u>

EXHIBIT C-4

<u>State Grants</u>	<u>Other Special Revenues</u>	<u>Total Nonmajor Special Revenue Funds (See Exhibit C-2)</u>
\$ --	\$ --	\$ 563,505
--	--	2,537
--	--	381
--	200	4,200
<u>12,182</u>	<u>--</u>	<u>362,173</u>
<u>12,182</u>	<u>200</u>	<u>932,796</u>
6,050	200	6,250
6,132	--	365,281
--	--	513,596
<u>12,182</u>	<u>200</u>	<u>885,127</u>
--	--	47,669
--	--	9,158
(2,083)	--	(37,083)
<u>(2,083)</u>	<u>--</u>	<u>(27,925)</u>
(2,083)	--	19,744
<u>2,083</u>	<u>5,283</u>	<u>681,699</u>
\$ <u><u>--</u></u>	\$ <u><u>5,283</u></u>	\$ <u><u>701,443</u></u>

**CITY OF KINGSVILLE**  
**TOURISM FUND**  
**SPECIAL REVENUE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**EXHIBIT C-5**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
General Property Taxes:				
Hotel/Motel Property Tax	\$ 570,000	\$ 570,000	\$ 563,505	\$ (6,495)
Total General Property Taxes	<u>570,000</u>	<u>570,000</u>	<u>563,505</u>	<u>(6,495)</u>
Charges for Services:				
General Service Fees:				
Park and Recreational Fees	--	--	1,985	1,985
Total General Service Fees	<u>--</u>	<u>--</u>	<u>1,985</u>	<u>1,985</u>
Sanitation Services:				
Miscellaneous	600	600	552	(48)
Total Sanitation Services	<u>600</u>	<u>600</u>	<u>552</u>	<u>(48)</u>
Total Charges for Services	<u>600</u>	<u>600</u>	<u>2,537</u>	<u>1,937</u>
Interest and Miscellaneous:				
Interest from Investments	300	300	362	62
Miscellaneous	200	200	19	(181)
Total Interest and Miscellaneous	<u>500</u>	<u>500</u>	<u>381</u>	<u>(119)</u>
Donations	--	4,000	4,000	--
Total Revenues	<u>571,100</u>	<u>575,100</u>	<u>570,423</u>	<u>(4,677)</u>
Expenditures:				
<b>Tourism Department</b>				
Personal Services	220,881	223,318	223,801	(483)
Supplies	16,184	23,863	18,271	5,592
Services	345,848	359,653	227,234	132,419
Equipment Maintenance	2,300	978	114	864
Building Maintenance	57,840	58,327	6,691	51,636
Lease Payments	7,000	7,914	7,749	165
Capital Outlay	30,000	30,000	29,736	264
Total Tourism Department	<u>680,053</u>	<u>704,053</u>	<u>513,596</u>	<u>190,457</u>
Total Expenditures	<u>680,053</u>	<u>704,053</u>	<u>513,596</u>	<u>190,457</u>
Excess (deficiency) of revenues (under) expenditures	(108,953)	(128,953)	56,827	185,780
Other financing sources (uses):				
Operating transfers out	(35,000)	(35,000)	(35,000)	--
Total other financing sources (uses)	<u>(35,000)</u>	<u>(35,000)</u>	<u>(35,000)</u>	<u>--</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(143,953)	(163,953)	21,827	185,780
Fund balances/equity, October 1	674,276	674,276	674,276	--
Fund balances/equity, September 30	<u>\$ 530,323</u>	<u>\$ 510,323</u>	<u>\$ 696,103</u>	<u>\$ 185,780</u>

**CITY OF KINGSVILLE**  
**FEDERAL GRANTS FUND**  
**SPECIAL REVENUE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

EXHIBIT C-6

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Federal and state grants	\$ 310,074	\$ 310,074	\$ 349,991	\$ 39,917
Total Revenues	310,074	310,074	349,991	39,917
<b>Expenditures:</b>				
<b>Police Department</b>				
<i>Personal Services</i>	121,321	161,321	133,512	27,809
<i>Supplies</i>	36,724	36,724	38,879	(2,155)
<i>Capital Outlay</i>	35,000	35,000	--	35,000
Total Police Department	193,045	233,045	172,391	60,654
<b>Task Force</b>				
<i>Personal Services</i>	52,604	52,604	38,420	14,184
<i>Supplies</i>	31,825	31,741	24,102	7,639
<i>Capital Outlay</i>	32,600	32,684	32,684	--
Total Task Force	117,029	117,029	95,206	21,823
<b>Fire Department</b>				
<i>Supplies</i>	1,000	1,000	809	191
<i>Capital Outlay</i>	91,000	91,000	90,743	257
Total Fire Department	92,000	92,000	91,552	448
Total Expenditures	402,074	442,074	359,149	82,925
Excess (deficiency) of revenues (under) expenditures	(92,000)	(132,000)	(9,158)	122,842
<b>Other financing sources (uses):</b>				
<i>Operating transfers in</i>	--	--	9,158	9,158
Total other financing sources (uses)	--	--	9,158	9,158
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(92,000)	(132,000)	--	132,000
Fund balances/equity, October 1	57	57	57	--
Fund balances/equity, September 30	\$ (91,943)	\$ (131,943)	\$ 57	\$ 132,000

**CITY OF KINGSVILLE**  
**STATE GRANTS FUND**  
**SPECIAL REVENUE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**EXHIBIT C-7**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Federal and state grants	\$ 19,470	\$ 19,470	\$ 12,182	\$ (7,288)
Total Revenues	19,470	19,470	12,182	(7,288)
Expenditures:				
<b>Police Department</b>				
<i>Personal Services</i>	6,976	6,976	3,957	3,019
<i>Services</i>	3,701	3,701	2,175	1,526
Total Police Department	10,677	10,677	6,132	4,545
<b>Fire Department</b>				
<i>Supplies</i>	--	2,094	--	2,094
Total Fire Department	--	2,094	--	2,094
Recycling Center				
<i>Building Maintenance</i>	6,060	6,060	6,050	10
Total Recycling Center	6,060	6,060	6,050	10
Total Expenditures	16,737	18,831	12,182	6,649
Excess (deficiency) of revenues (under) expenditures	2,733	639	--	(639)
Other financing sources (uses):				
<i>Operating transfers out</i>	(3,384)	(1,290)	(2,083)	(793)
Total other financing sources (uses)	(3,384)	(1,290)	(2,083)	(793)
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(651)	(651)	(2,083)	(1,432)
Fund balances/equity, October 1	2,083	2,083	2,083	--
Fund balances/equity, September 30	\$ 1,432	\$ 1,432	\$ --	\$ (1,432)

**CITY OF KINGSVILLE**  
**DEBT SERVICE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**EXHIBIT C-8**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Taxes:				
<i>General Property Taxes:</i>				
<i>Current Taxes</i>	\$ 1,386,986	\$ 1,386,986	\$ 1,316,134	\$ (70,852)
<i>Delinquent taxes</i>	50,000	50,000	36,628	(13,372)
<i>Penalty &amp; Interest</i>	27,000	27,000	31,452	4,452
Total Taxes	<u>1,463,986</u>	<u>1,463,986</u>	<u>1,384,214</u>	<u>(79,772)</u>
Interest and Miscellaneous:				
<i>Interest from Investments</i>	--	--	1,390	1,390
Total Interest and Miscellaneous	<u>--</u>	<u>--</u>	<u>1,390</u>	<u>1,390</u>
Total Revenues	<u>1,463,986</u>	<u>1,463,986</u>	<u>1,385,604</u>	<u>(78,382)</u>
Expenditures:				
<b>Debt Service</b>				
<i>Principal retired</i>	1,505,000	1,505,000	1,425,793	79,207
<i>Interest</i>	304,692	304,692	318,555	(13,863)
<i>Paying agent fees</i>	2,800	2,800	2,800	--
Total Debt Service	<u>1,812,492</u>	<u>1,812,492</u>	<u>1,747,148</u>	<u>65,344</u>
Total Expenditures	<u>1,812,492</u>	<u>1,812,492</u>	<u>1,747,148</u>	<u>65,344</u>
Excess (deficiency) of revenues (under) expenditures	(348,506)	(348,506)	(361,544)	(13,038)
Other financing sources (uses):				
<i>Operating transfers in</i>	352,250	352,250	352,250	--
Total other financing sources (uses)	<u>352,250</u>	<u>352,250</u>	<u>352,250</u>	<u>--</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	3,744	3,744	(9,294)	(13,038)
Fund balances/equity, October 1	588,942	588,942	588,942	--
Fund balances/equity, September 30	<u>\$ 592,686</u>	<u>\$ 592,686</u>	<u>\$ 579,648</u>	<u>\$ (13,038)</u>



**CITY OF KINGSVILLE**  
 CAPITAL IMPROVEMENTS FUND  
 CAPITAL PROJECTS FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

**EXHIBIT C-9**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Interest and Miscellaneous:				
<i>Interest from Investments</i>	\$ 8,256	\$ 8,256	\$ 2,980	\$ (5,276)
Total Interest and Miscellaneous	8,256	8,256	2,980	(5,276)
Total Revenues	8,256	8,256	2,980	(5,276)
Expenditures:				
<b>Police Department</b>				
<i>Supplies</i>	--	8,925	8,925	--
<i>Capital Outlay</i>	75,214	66,289	65,495	794
Total Police Department	75,214	75,214	74,420	794
Sanitation				
<i>Supplies</i>	57,500	57,500	57,234	266
Total Sanitation	57,500	57,500	57,234	266
Street				
<i>Building Maintenance</i>	852,253	852,253	817,163	35,090
Total Street	852,253	852,253	817,163	35,090
Landfill				
<i>Building Maintenance</i>	4,033	4,033	--	4,033
<i>Capital Outlay</i>	19,133	19,133	19,133	--
Total Landfill	23,166	23,166	19,133	4,033
Total Expenditures	1,008,133	1,008,133	967,950	40,183
Excess (deficiency) of revenues (under) expenditures	(999,877)	(999,877)	(964,970)	34,907
Other financing sources (uses):				
<i>Operating transfers in</i>	537	537	2,773	2,236
<i>Operating transfers out</i>	(28,260)	(28,465)	(28,450)	15
Total other financing sources (uses)	(27,723)	(27,928)	(25,677)	2,251
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(1,027,600)	(1,027,805)	(990,647)	37,158
Fund balances/equity, October 1	1,416,327	1,416,327	1,416,327	--
Fund balances/equity, September 30	\$ 388,727	\$ 388,522	\$ 425,680	\$ 37,158

**CITY OF KINGSVILLE**

EXHIBIT C-10

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
YEAR ENDED SEPTEMBER 30, 2015

	Balance October 1, 2015	Additions	Deductions	Balance September 30, 2015
<b>Corporation Court Cash Bond Account Fund</b>				
<b>ASSETS</b>				
Cash & Investments	\$ 67,346	\$ 134,065	\$ 143,829	\$ 57,582
Total Assets	<u>\$ 67,346</u>	<u>\$ 134,065</u>	<u>\$ 143,829</u>	<u>\$ 57,582</u>
<b>LIABILITIES</b>				
Cash Bonds Held	\$ 67,346	\$ 134,065	\$ 143,829	\$ 57,582
Total Liabilities	<u>\$ 67,346</u>	<u>\$ 134,065</u>	<u>\$ 143,829</u>	<u>\$ 57,582</u>

## Statistical Section

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

<u>Contents</u>	<u>Page</u>
<b>Financial Trends</b>	
These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.	114-121
<b>Revenue Capacity</b>	
These schedules contain information to help the reader assess the factors affecting the city's ability to generate its property and sales taxes.	122-130
<b>Debt Capacity</b>	
These schedules present information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future.	131-137
<b>Demographic and Economic Information</b>	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place and to help make comparisons over time with other governments.	138-139
<b>Operating Information</b>	
These schedules contain information about the city's operations and resources to help the reader understand how the city's financial information relates to the services the city provides and the activities it performs.	140-144

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

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

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

**Note:** The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003. The data in this table is extracted from Exhibit A-1.

SCHEDULE 1

		Fiscal Year				
	2010	2009	2008	2007	2006	
\$	7,242,987	\$ 7,229,724	\$ 7,980,938	\$ 7,410,484	\$ 7,190,499	
	911,541	2,946,915	2,727,155	2,649,969	2,314,775	
	<u>5,818,599</u>	<u>5,341,187</u>	<u>3,037,771</u>	<u>2,079,519</u>	<u>1,085,412</u>	
\$	<u>13,973,127</u>	<u>15,517,826</u>	<u>13,745,864</u>	<u>12,139,972</u>	<u>10,590,686</u>	
\$	3,028,078	\$ 1,028,641	\$ 4,376,931	\$ 4,311,656	\$ 4,315,474	
	2,225,545	1,704,129	3,056,231	2,496,143	2,174,298	
	<u>5,843,383</u>	<u>7,191,437</u>	<u>1,229,553</u>	<u>679,366</u>	<u>113,403</u>	
\$	<u>11,097,006</u>	<u>9,924,207</u>	<u>8,662,715</u>	<u>7,487,165</u>	<u>6,603,175</u>	
\$	10,271,065	\$ 8,258,365	\$ 12,357,869	\$ 11,722,140	\$ 11,505,973	
	3,137,086	4,651,044	5,783,386	5,146,112	4,489,073	
	<u>11,661,982</u>	<u>12,532,624</u>	<u>4,267,324</u>	<u>2,758,885</u>	<u>1,198,815</u>	
\$	<u>25,070,133</u>	<u>25,442,033</u>	<u>22,408,579</u>	<u>19,627,137</u>	<u>17,193,861</u>	

**CITY OF KINGSVILLE**  
**CHANGES IN NET POSITION**  
**LAST TEN FISCAL YEARS**

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

SCHEDULE 2

		Fiscal Year							
		2010	2009	2008	2007	2006			
\$	2,853,471	\$	2,481,859	\$	2,438,913	\$	2,569,502	\$	2,303,626
	8,450,026		8,175,281		8,167,213		7,266,533		6,787,270
	2,838,815		2,770,070		2,414,167		2,340,083		2,576,604
	782,399		761,837		731,158		688,378		648,270
	421,233		440,694		421,633		312,153		290,697
	190,913		262,818		292,623		300,810		300,163
	<u>15,536,857</u>		<u>14,892,559</u>		<u>14,465,707</u>		<u>13,477,459</u>		<u>12,906,630</u>
	3,474,155		3,687,376		3,153,345		2,454,389		3,495,064
	2,273,372		2,201,955		2,516,322		2,043,922		1,931,459
	3,201,052		2,692,116		2,020,090		2,031,746		1,334,749
	-		-		-		-		-
	<u>8,948,579</u>		<u>8,581,447</u>		<u>7,689,757</u>		<u>6,530,057</u>		<u>6,761,272</u>
\$	<u>24,485,436</u>	\$	<u>23,474,006</u>	\$	<u>22,155,464</u>	\$	<u>20,007,516</u>	\$	<u>19,667,902</u>
\$	160,225	\$	309,430	\$	284,438	\$	250,769	\$	254,972
	2,476,666		2,981,961		2,980,370		2,637,213		2,191,585
	60,302		661		-		-		-
	20,302		9,117		8,924		5,871		6,776
	422,584		440,694		421,633		312,153		290,697
	486,855		294,364		260,506		168,700		177,828
	-		176,363		30,000		55,609		600,341
	<u>3,626,934</u>		<u>4,212,590</u>		<u>3,985,871</u>		<u>3,430,315</u>		<u>3,522,199</u>
	3,769,784		4,808,714		4,325,645		3,834,915		4,026,953
	3,572,534		3,378,346		3,036,567		2,772,879		2,825,020
	2,708,503		3,510,389		2,958,287		2,519,463		2,578,493
	-		-		650		21,031		28,441
	700		172,469		-		-		-
	-		-		-		-		-
	<u>10,051,521</u>		<u>11,869,918</u>		<u>10,321,149</u>		<u>9,148,288</u>		<u>9,458,907</u>
\$	<u>13,678,455</u>	\$	<u>16,082,508</u>	\$	<u>14,307,020</u>	\$	<u>12,578,603</u>	\$	<u>12,981,106</u>

**CITY OF KINGSVILLE**  
*CHANGES IN NET POSITION*  
*LAST TEN FISCAL YEARS*

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

**Note:** The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.



SCHEDULE 2  
(Continued)

		Fiscal Year							
		2010	2009	2008	2007	2006			
\$	(11,909,923)	\$	(10,679,969)	\$	(10,479,836)	\$	(10,047,144)	\$	(9,384,431)
	<u>1,102,942</u>		<u>3,288,471</u>		<u>2,631,392</u>		<u>2,618,231</u>		<u>2,697,635</u>
\$	<u>(10,806,981)</u>	\$	<u>(7,391,498)</u>	\$	<u>(7,848,444)</u>	\$	<u>(7,428,913)</u>	\$	<u>(6,686,796)</u>
\$	5,467,439	\$	5,251,584	\$	4,835,723	\$	4,147,121	\$	4,012,188
	976,187		989,368		996,518		985,016		1,012,220
	3,699,421		3,872,834		3,891,958		3,784,310		3,795,341
	-		-		-		-		-
	49,591		50,319		49,676		44,886		39,183
	100,000		100,000		100,000		100,000		100,000
	147,868		239,018		506,573		391,675		170,314
	36,672		(23,926)		5,311		693		(30,052)
	<u>1,002,840</u>		<u>1,972,734</u>		<u>1,699,969</u>		<u>2,293,521</u>		<u>1,961,699</u>
	<u>11,480,018</u>		<u>12,451,931</u>		<u>12,085,728</u>		<u>11,747,222</u>		<u>11,060,893</u>
	78,863		29,285		249,258		559,280		603,158
	-		-		(5,130)		-		30,775
	<u>(1,002,838)</u>		<u>(1,972,734)</u>		<u>(1,699,968)</u>		<u>(2,293,522)</u>		<u>(1,961,699)</u>
	<u>(923,975)</u>		<u>(1,943,449)</u>		<u>(1,455,840)</u>		<u>(1,734,242)</u>		<u>(1,327,766)</u>
\$	<u>10,556,043</u>	\$	<u>10,508,482</u>	\$	<u>10,629,888</u>	\$	<u>10,012,980</u>	\$	<u>9,733,127</u>
\$	(429,905)	\$	1,771,962	\$	1,605,892	\$	1,700,078	\$	1,676,642
	<u>178,967</u>		<u>1,345,022</u>		<u>1,175,552</u>		<u>883,989</u>		<u>1,369,869</u>
\$	<u>(250,938)</u>	\$	<u>3,116,984</u>	\$	<u>2,781,444</u>	\$	<u>2,584,067</u>	\$	<u>3,046,511</u>

**CITY OF KINGSVILLE**

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

	Fiscal Year				
	2006	2007	2008	2009	2010
<b>General Fund</b>					
Reserved	\$ 1,035,938	\$ 2,167,647	\$ 1,553,672	\$ 445,405	\$ 279,242
Unreserved	5,936,909	6,695,729	7,643,773	8,209,389	8,441,728
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Unassigned	-	-	-	-	-
<b>Total General Fund</b>	<u>\$ 6,972,847</u>	<u>\$ 8,863,376</u>	<u>\$ 9,197,445</u>	<u>\$ 8,654,794</u>	<u>\$ 8,720,970</u>
<b>All Other Governmental Funds</b>					
Reserved	\$ 9,331	\$ 66,454	\$ 28,416	\$ 8,301	\$ 483
Unreserved, Reported in					
Special Revenue Funds	332,879	793,897	1,521,263	2,187,562	2,434,595
	343,697	363,062	353,284	3,064,926	702,976
	274,014	311,414	355,415	397,850	431,185
Restricted					
Debt Service Funds	-	-	-	-	-
Special Revenue Funds	-	-	-	-	-
Capital Projects Funds	-	-	-	-	-
Unassigned, Reported in					
Special Revenue Funds	-	-	-	-	-
Assigned					
Drug Awareness	-	-	-	-	-
<b>Total All Other Governmental Funds</b>	<u>\$ 959,921</u>	<u>\$ 1,534,827</u>	<u>\$ 2,258,378</u>	<u>\$ 5,658,639</u>	<u>\$ 3,569,239</u>

**Note:** In prior years, landfill was accounted for as a reserve. However, since it is not legally restricted it has been restated in 2006 as unreserved and designated, and 1997 through 2005 have also been restated to reflect this change in reporting.

SCHEDULE 3

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

**CITY OF KINGSVILLE**

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

	Fiscal Year				
	2006	2007	2008	2009	2010
<b>Revenues</b>					
Property Taxes	\$ 4,141,313	\$ 4,266,405	\$ 4,940,897	\$ 5,303,987	\$ 5,268,890
Taxes-Other	5,137,441	5,126,365	5,359,785	5,354,064	5,448,277
Licenses, Fees and Permits	172,814	189,269	210,267	217,657	194,004
Fines and Penalties	1,844,000	2,230,194	2,519,475	2,521,442	1,990,136
Charges for Services	3,211,482	3,225,782	3,585,591	4,017,155	4,106,546
Special Assessment	-	3,966	-	-	19,910
Intergovernmental	174,136	211,535	240,829	463,770	544,351
Investment Earnings/Other	282,200	511,883	628,723	314,091	209,382
Donations	2,890	1,842	-	1,890	2,007
<b>Total Revenues</b>	<b>14,966,276</b>	<b>15,767,241</b>	<b>17,485,567</b>	<b>18,194,056</b>	<b>17,783,503</b>
<b>Expenditures</b>					
General Government	2,398,046	2,673,852	2,461,771	2,675,542	2,998,296
Public Safety	6,703,918	7,411,077	8,848,662	8,176,498	8,251,125
Public Works	3,561,348	3,291,447	3,772,521	6,377,218	6,440,127
City/County	655,411	686,184	710,931	859,333	750,783
Tourism	290,697	312,153	421,633	440,694	420,379
Other	2,532	-	-	53,376	37,237
Capital Outlay	-	-	-	-	-
Debt Service					
Interest	378,281	362,456	374,201	1,760,000	1,590,000
Principal	910,000	975,000	1,270,000	2,156,860	428,796
<b>Total Expenditures</b>	<b>14,900,233</b>	<b>15,712,169</b>	<b>17,859,719</b>	<b>22,499,521</b>	<b>20,916,743</b>
Excess of Revenues over/ (under) Expenditures	66,043	55,072	(374,152)	(4,305,465)	(3,133,240)
<b>Other Financing Sources (uses)</b>					
Gain on Sale of Assets	-	-	-	-	-
Lease Proceeds	-	-	181,772	-	-
Bonds Issued	450,000	1,200,000	-	4,270,000	-
Bond Issuance Costs	-	-	-	(175,273)	-
Bond Issuance Premium	-	-	-	128,181	-
Refunding Bonds Issued	-	-	-	1,890,000	-
Payment to Refunding Bonds	-	-	-	-	-
Escrow Agent	-	-	-	-	-
Transfers In	1,338,041	1,250,000	1,250,000	2,211,690	1,684,912
Transfers Out	(88,041)	-	-	(957,037)	(574,890)
<b>Total Other Financing Sources (uses)</b>	<b>1,700,000</b>	<b>2,450,000</b>	<b>1,431,772</b>	<b>7,367,561</b>	<b>1,110,022</b>
<b>Net Change In Fund Balances</b>	<b>\$ 1,766,043</b>	<b>\$ 2,505,072</b>	<b>\$ 1,057,620</b>	<b>\$ 3,062,096</b>	<b>\$ (2,023,218)</b>
<b>Debt Services as a Percentage of Noncapital Expenditures</b>	<b>8.65%</b>	<b>8.51%</b>	<b>9.21%</b>	<b>17.41%</b>	<b>9.65%</b>

SCHEDULE 4

		Fiscal Year							
		2011	2012	2013	2014	2015			
\$	5,998,518	\$	6,019,795	\$	6,056,227	\$	6,211,394	\$	6,324,292
	6,093,287		5,769,313		5,834,703		6,224,035		6,144,962
	175,386		185,708		228,156		371,219		281,595
	1,975,760		1,367,469		2,193,241		1,766,230		2,857,165
	4,245,457		4,453,626		4,417,144		4,448,868		4,868,259
	45,192		15,725		9,965		2,571		-
	548,805		326,628		393,927		300,723		947,173
	273,989		178,110		372,414		176,663		161,103
	220		295,794		399		2,000		4,400
	<u>19,356,614</u>		<u>18,612,168</u>		<u>19,506,176</u>		<u>19,503,703</u>		<u>21,588,949</u>
	3,519,126		3,406,264		3,971,730		4,053,694		5,785,059
	9,470,845		9,221,523		9,198,397		9,875,981		9,518,633
	4,360,930		5,447,175		5,343,531		6,559,831		5,318,410
	813,991		773,413		768,239		771,719		1,961,168
	484,470		389,081		401,893		480,742		513,596
	37,053		17,187		35,230		53,888		2,800
	-		-		-		-		-
	291,020		536,062		469,062		377,700		318,555
	<u>1,453,000</u>		<u>1,266,933</u>		<u>1,417,329</u>		<u>1,452,714</u>		<u>1,425,793</u>
	<u>20,430,435</u>		<u>21,057,638</u>		<u>21,605,411</u>		<u>23,626,269</u>		<u>24,844,014</u>
	<u>(1,073,821)</u>		<u>(2,445,470)</u>		<u>(2,099,235)</u>		<u>(4,122,566)</u>		<u>(3,255,065)</u>
	11,000		58,500		23,000		38,000		-
	-		-		414,191		458,350		-
	5,385,040		-		965,000		-		-
	-		-		-		-		-
	80,361		-		58,408		-		-
	-		-		1,260,000		-		-
	-		-		(1,247,918)		-		-
	1,682,936		1,677,920		1,880,045		2,767,926		2,297,234
	<u>(432,936)</u>		<u>(427,920)</u>		<u>(441,587)</u>		<u>(1,517,925)</u>		<u>(479,714)</u>
	<u>6,726,401</u>		<u>1,308,500</u>		<u>2,911,139</u>		<u>1,746,351</u>		<u>1,817,520</u>
\$	<u>5,652,580</u>	\$	<u>(1,136,970)</u>	\$	<u>811,904</u>	\$	<u>(2,376,215)</u>	\$	<u>(1,437,545)</u>
	8.54%		8.56%		8.73%		7.75%		7.02%

**CITY OF KINGSVILLE**

SCHEDULE 5

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

Fiscal Year	Real Property	Mineral Property	Personal Property	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value
2006	\$ 518,890,658	\$ 24,066,085	\$ 70,375,100	\$ 65,948,903	\$ 547,382,940	0.71000	\$ 613,331,843
2007	560,137,513	29,501,037	79,767,230	70,371,329	599,034,451	0.68544	669,405,780
2008	575,350,800	31,069,213	78,941,550	68,941,277	616,420,286	0.76780	685,361,563
2009	600,156,971	28,662,138	76,930,280	66,981,930	638,767,459	0.80187	705,749,389
2010	629,910,921	31,453,548	76,203,240	66,282,243	671,285,466	0.80187	737,567,709
2011	649,713,780	31,463,010	70,658,350	69,436,322	682,398,818	0.84220	751,835,140
2012	660,216,670	24,266,424	72,655,450	73,884,909	683,253,635	0.84220	757,138,544
2013	664,122,931	23,606,860	80,127,290	74,423,849	693,433,232	0.84220	767,857,081
2014	676,002,957	26,907,000	88,736,830	77,398,392	714,248,395	0.84220	791,646,787
2015	694,469,813	26,395,108	95,315,110	87,266,366	728,913,665	0.84220	816,180,031

Source: Kleberg County Tax Assessor Office

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

**CITY OF KINGSVILLE**

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

SCHEDULE 6

Fiscal Year	City Direct Rates			Overlapping Rates		
	Basic Rate	General Obligation Debt Service	Total Direct Rate	School District	County	STWA
2006	0.45633	0.25367	0.71000	1.60032	0.60779	0.05516
2007	0.46453	0.22091	0.68544	1.45303	0.57100	0.05471
2008	0.50040	0.26740	0.76780	1.40529	0.64640	0.05688
2009	0.54154	0.26033	0.80187	1.33925	0.67530	0.05590
2010	0.56672	0.23515	0.80187	1.32165	0.67546	0.05731
2011	0.62543	0.21677	0.84220	1.35520	0.69546	0.06189
2012	0.63752	0.20468	0.84220	1.46380	0.75100	0.06189
2013	0.66395	0.17825	0.84220	1.49410	0.74481	0.06189
2014	0.65404	0.18816	0.84220	1.51890	0.74481	0.08511
2015	0.65558	0.18662	0.84220	1.51890	0.74481	0.85409

Source: Kleberg County Tax Assessor Office

**CITY OF KINGSVILLE**  
**PRINCIPAL PROPERTY TAX PAYERS,**  
**CURRENT YEAR AND NINE YEARS AGO**

SCHEDULE 7

Taxpayer	2015			2006		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
AEP Texas Central Company	\$ 16,031,650	1	2.20%	\$ 15,266,080	1	2.79%
Wal-Mart Stores Texas, LLC US 00442	9,177,840	2	1.26%			
King Ranch Saddle Shop Inc.	8,117,000	3	1.11%			
NLP Kingsville Ventures LLC	7,090,550	4	0.97%			
Javelina Station LP	7,051,610	5	0.97%			
HBC Holding LTD	6,991,310	6	0.96%			
Eddie Yaklin Ford Lincoln Mercury LTD	6,201,560	7	0.85%	5,125,790	6	0.94%
Neessen Chevrolet Inc.	5,528,800	8	0.76%			
Wal-Mart Stores Inc #01-0442	5,408,590	9	0.74%	5,998,740	4	1.10%
Kingsville Two	5,051,820	10	0.69%	5,179,540	5	0.95%
Wal-Mart Stores East LP #01-0442				7,350,850	2	1.34%
Collegiate Kingsville Partners LP				7,025,900	3	1.28%
Southwestern Bell Telephone Co.				4,785,260	7	0.87%
HEB Grocery Inc.				4,559,460	8	0.83%
Kingsville Square LTD				3,663,800	9	0.67%
Yaklin, Eddie L				3,577,490	10	0.65%
<b>Total</b>	<b>\$ 76,650,730</b>		<b>10.52%</b>	<b>\$ 62,532,910</b>		<b>11.42%</b>

Source: Kleberg County Appraisal District



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

SCHEDULE B

Fiscal Year Ended September 30,	Taxes Levied for the Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2006	\$ 3,886,219	\$ 3,726,279	95.9%	\$ 143,160	\$ 3,869,439	99.57%
2007	4,136,029	3,911,104	94.6%	185,398	4,096,502	99.04%
2008	4,734,428	4,530,260	95.7%	158,758	4,689,018	99.04%
2009	5,207,851	4,990,889	95.8%	167,229	5,158,118	99.05%
2010	5,385,014	5,174,338	96.1%	162,987	5,337,325	99.11%
2011	5,759,638	5,557,746	96.5%	140,595	5,698,341	98.94%
2012	5,751,687	5,564,076	96.7%	121,941	5,686,017	98.86%
2013	5,831,373	5,618,741	96.4%	114,341	5,733,082	98.31%
2014	5,987,424	5,791,937	96.7%	76,370	5,868,307	98.01%
2015	6,145,880	5,939,500	96.6%	-	5,939,500	96.64%

Source: Kleberg County Tax Assessor Office

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

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

	Fiscal Year				
	2006	2007	2008	2009	2010
Building Materials, Hardware, etc.	\$ 19,277	\$ 20,422	\$ 22,706	\$ 21,737	\$ 22,382
General Merchandise	48,006	48,275	50,463	47,022	45,818
Food Stores	12,052	13,915	15,702	16,560	16,567
Automotive Dealers and Gasoline	18,875	18,190	19,162	19,592	20,459
Apparel and Accessory Stores	4,597	4,207	3,775	4,570	4,620
Home Furniture, Furnishing, and Equipment	3,223	4,252	860	2,647	-
Eating and Drinking Places	30,359	32,427	36,009	35,596	37,506
All Other Outlets	16,028	17,996	18,062	14,785	14,447
<b>Total</b>	<b>\$ <u>152,417</u></b>	<b>\$ <u>159,684</u></b>	<b>\$ <u>166,739</u></b>	<b>\$ <u>162,509</u></b>	<b>\$ <u>161,799</u></b>
City Direct Sales Tax Rate	1.5%	1.5%	1.5%	1.5%	1.5%

**Source:** Texas Comptroller of Public Accounts

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

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

SCHEDULE 9

Fiscal Year					
	2011	2012	2013	2014	2015
\$	23,997	\$ 24,742	\$ 25,717	\$ 26,377	\$ 28,114
	45,585	46,642	46,063	47,472	48,493
	17,093	17,751	19,363	20,521	21,273
	21,096	23,282	22,359	22,701	23,225
	4,943	5,662	6,161	6,089	5,388
	693	2,497	5,663	5,795	5,439
	40,727	43,511	44,846	46,716	48,222
	15,306	17,576	18,356	17,483	12,843
	<u>169,440</u>	<u>181,663</u>	<u>188,528</u>	<u>193,154</u>	<u>192,997</u>
	1.5%	1.5%	1.5%	1.5%	1.5%

**CITY OF KINGSVILLE**

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

SCHEDULE 10

<u>Fiscal Years</u>	<u>City Property Tax Relief</u>	<u>City Sales Tax</u>	<u>Kleberg County Property Tax Relief</u>	<u>State Sales Tax</u>
2006	1.00%	0.50%	0.50%	6.25%
2007	1.00%	0.50%	0.50%	6.25%
2008	1.00%	0.50%	0.50%	6.25%
2009	1.00%	0.50%	0.50%	6.25%
2010	1.00%	0.50%	0.50%	6.25%
2011	1.00%	0.50%	0.50%	6.25%
2012	1.00%	0.50%	0.50%	6.25%
2013	0.50%	1.00%	0.50%	6.25%
2014	0.50%	1.00%	0.50%	6.25%
2015	0.50%	1.00%	0.50%	6.25%

**Source:** Texas Comptroller of Public Accounts

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

**CITY OF KINGSVILLE**

*RATIOS OF OUTSTANDING DEBT BY TYPE,  
LAST TEN FISCAL YEARS*

Fiscal Year	Governmental Activities			Business-Type Activities	
	General Obligation Bonds	Tax Note	Capital Leases	Water Revenue Bonds	Certificates of Obligation
2006	\$ 7,273,000	\$ -	\$ -	\$ 990,000	\$ 13,897,000
2007	7,403,000	-	-	845,000	13,612,000
2008	6,524,208	-	181,772	695,000	12,935,792
2009	6,293,192	-	159,036	540,000	15,421,808
2010	5,335,990	-	135,299	370,000	14,484,007
2011	9,556,290	-	110,518	190,000	18,503,710
2012	8,977,194	-	84,647	-	17,467,552
2013	9,182,245	-	57,637	-	20,416,799
2014	8,332,813	-	417,362	-	19,110,710
2015	7,502,881	-	327,194	-	17,323,616

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

<u>Capital Lease</u>	<u>Total Primary Government</u>	<u>Percentage of Personal Income</u>	<u>Per Capita</u>
\$ -	\$ 22,160,000	3.83%	\$ 835.22
-	21,860,000	3.53%	817.10
-	20,336,772	3.05%	760.54
-	22,414,036	2.79%	797.79
-	20,325,296	3.08%	723.29
-	28,360,518	2.38%	1,077.00
-	26,529,393	3.73%	1,004.25
354,930	29,656,681	3.80%	1,114.95
299,882	28,160,767	3.72%	1,070.26
243,255	25,396,946	3.46%	957.33

**CITY OF KINGSVILLE****RATIOS OF GENERAL BONDED DEBT OUTSTANDING,  
LAST TEN FISCAL YEARS**

SCHEDULE 12

Fiscal Year	<u>General Bonded Debt Outstanding</u>		Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds			
2006	\$	7,273,000	1.1900%	\$ 274.12
2007		7,403,000	1.1100%	276.72
2008		6,524,208	0.9500%	243.60
2009		6,293,192	0.8900%	234.72
2010		5,335,990	0.7200%	203.56
2011		9,556,290	1.3980%	362.90
2012		8,977,194	1.1857%	339.83
2013		9,182,245	1.1958%	345.21
2014		8,332,813	1.0526%	316.69
2015		7,502,881	0.9193%	282.82

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

**CITY OF KINGSVILLE**

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
AS OF SEPTEMBER 30, 2015

SCHEDULE 13

	<u>Net Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Governmental Unit			
Debt Repaid With Property Taxes			
Kingsville ISD	\$ 71,982,833	100%	\$ 71,982,833
Kleberg County	4,765,000	50%	<u>2,382,500</u>
Subtotal, Overlapping Debt			74,365,333
City Direct Debt, Bonds			7,502,881
Capital Leases			<u>417,362</u>
Total Direct and Overlapping Debt			<u>\$ 82,285,576</u>

**Sources:** Taxable value data used to estimated applicable percentages provided by the County Property Appraiser. Debt outstanding data provided by each governmental unit.

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



**CITY OF KINGSVILLE**

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

	Fiscal Year				
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Debt Limit	\$ 136,836,546	\$ 150,649,270	\$ 163,120,473	\$ 162,365,819	\$ 184,391,927
Total Net Debt Applicable to Limit	<u>9,315,986</u>	<u>7,091,586</u>	<u>6,168,793</u>	<u>5,895,349</u>	<u>4,904,805</u>
Legal Debt Margin	\$ <u>127,520,560</u>	\$ <u>143,557,684</u>	\$ <u>156,951,680</u>	\$ <u>156,470,470</u>	\$ <u>179,487,122</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	6.81%	4.71%	3.78%	3.63%	2.66%

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

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

Assessed Value		\$	<u>816,180,031</u>
Debt Limit (25% of assessed value)			<u>204,045,008</u>
Debt Applicable to Limit:			
General Obligation Bonds	\$	7,394,537	
Less: Amount Set Aside for Repayment of General Obligation Debt		<u>579,648</u>	
Total Net Debt Applicable to Limit			<u>6,814,889</u>
Legal Debt Margin	\$		<u>197,230,119</u>

**CITY OF KINGSVILLE**  
**PLEDGED-REVENUE COVERAGE,**  
**LAST TEN FISCAL YEARS**  
**(DOLLARS IN THOUSANDS)**

SCHEDULE 15

Waste Water Revenue Bonds and Certificates of Obligation Bonds (a)						
Fiscal Year	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2006	\$ 6,605,466	\$ 3,482,212	\$ 3,123,254	\$ 505,000	\$ 583,460	2.87
2007	6,375,409	3,329,444	3,045,965	525,000	556,922	2.82
2008	7,285,503	3,820,260	3,465,243	435,000	480,813	3.78
2009	8,193,448	4,253,942	3,939,506	455,000	521,378	4.03
2010	6,500,945	4,012,820	2,488,125	475,000	503,192	2.54
2011	7,880,275	4,406,943	3,473,332	487,000	601,778	3.19
2012	8,376,945	4,987,855	3,389,090	683,067	620,735	2.60
2013	8,824,532	4,956,345	3,868,187	832,670	601,948	2.70
2014	9,078,218	5,465,760	3,612,458	997,285	806,694	2.00
2015	8,186,271	5,462,815	2,723,456	1,159,208	448,536	1.69

Sanitation C. O. Bonds Series 2001 (b), 2007, and 2009						
Fiscal Year	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2006	\$ 2,799,958	\$ 1,784,879	\$ 1,015,079	\$ 325,000	\$ 87,048	2.46
2007	2,851,654	1,487,099	1,364,555	335,000	75,023	3.33
2008	3,036,568	1,936,988	1,099,580	391,209	80,436	2.33
2009	3,510,389	1,840,539	1,669,850	808,000	62,241	1.92
2010	3,572,534	2,408,876	1,163,658	632,801	163,422	1.46
2011	3,642,049	2,669,749	972,300	288,256	144,941	2.24
2012	3,815,313	2,417,443	1,397,870	609,892	101,135	1.97
2013	3,303,720	2,136,838	1,166,882	594,848	86,903	1.71
2014	3,776,750	2,289,592	1,487,158	613,474	68,481	2.18
2015	3,915,060	2,216,623	1,698,437	602,808	46,460	2.62

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

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

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

**CITY OF KINGSVILLE**  
 DEMOGRAPHIC AND ECONOMIC STATISTICS,  
 LAST TEN CALENDAR YEARS

SCHEDULE 16

Calendar Year	Population	Personal Income (thousands of dollars)	Per Capita Personal Income	Median Age	Education Level in Years of Schooling	School Enrollment	Unemployment Rate
2006	26,532	578,636	21,809	28.4	N/A	4,246	4.2%
2007	26,753	619,025	24,761	27.9	N/A	4,156	4.4%
2008	26,782	619,952	26,740	27.8	N/A	4,026	4.5%
2009	26,812	625,497	28,095	29.2	N/A	3,999	6.4%
2010	26,213	626,305	28,101	27.9	N/A	3,729	6.7%
2011	26,333	675,409	32,936	27.6	N/A	3,533	6.5%
2012	26,417	710,675	35,788	27.4	N/A	3,821	4.8%
2013	26,599	780,392	38,058	27.7	N/A	4,014	4.9%
2014	26,312	756,396	37,334	27.2	N/A	3,406	3.6%
2015	26,529	733,792	36,500	31.4	N/A	3,427	6.2%

\* Provided by Kingsville Economic Development Center

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

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

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

**CITY OF KINGSVILLE**  
 TOP TEN EMPLOYERS,  
 CURRENT YEAR AND NINE YEARS AGO

SCHEDULE 17

Employer	2015			2006		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Texas A&M - Kingsville	1,953	1	14.86%	1,201	2	8.73%
Naval Air Station	1,502	2	11.43%	1,710	1	12.43%
Celanese	650	3	4.95%	342	6	2.49%
Christus Spohn Kleberg Hospital	600	4	4.57%	375	4	2.72%
Kingsville I.S.D.	539	5	4.10%	694	3	5.04%
HEB Grocery	410	6	3.12%	198	10	1.44%
King Ranch	376	7	2.86%	313	7	2.27%
Wal-Mart	350	8	2.66%	362	5	2.63%
City of Kingsville	305	9	2.32%	252	8	1.83%
Border Patrol	288	10	2.19%			
Brock-Jacobs (Formerly Mundy Corp.)	249			206	9	1.50%
<b>Total</b>	<b>\$ 7,222</b>		<b>53.06%</b>	<b>\$ 5,653</b>		<b>41.08%</b>

<b>Source:</b> Workforce Solutions	Labor Force	13,994
of Coast	Employment	13,142
Greater Kingsville EDC	Unemployment	852
	Rate	6.1%

2006 Information from '05-06 CAFR

**CITY OF KINGSVILLE**

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

*SCHEDULE 18*

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
City Commission	5	5	5	5	5	5	5	5	5	5
General Government	37	33	33	27	33	29	33	35	38	34
Fire	30	33	33	33	31	32	31	32	30	33
Health	12	11	12	12	12	12	12	10	10	10
Library	10	8	8	8	8	9	9	6	9	9
Police	67	63	60	63	62	64	64	65	60	65
Public Works	99	97	96	97	94	95	94	94	94	94
Task Force	12	11	12	10	10	12	12	11	11	11
Parks Dept.										9
Golf Course										6
<b>Total</b>	<u>272</u>	<u>261</u>	<u>259</u>	<u>255</u>	<u>255</u>	<u>258</u>	<u>260</u>	<u>258</u>	<u>257</u>	<u>276</u>

**Source:** City of Kingsville

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

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

Function/Program	Fiscal Year				
	2006	2007	2008	2009	2010
<b>General Government</b>					
Building Permits Issued	2,523	2,355	2,301	2,349	1,997
Building Inspections Conducted	1,337	1,477	1,934	1,575	1,324
<b>Police</b>					
Physical Arrest	1,791	2,208	1,829	1,955	1,999
Parking Violations	70	158	111	78	39
Traffic Violations	4,334	5,561	3,796	3,066	3,416
<b>Fire</b>					
Emergency Responses	1,973	2,108	2,159	2,831	2,990
Fire Extinguishers	424	438	521	546	600
Inspections	234	300	409	412	480
<b>Refuse Collections</b>					
Refuse Collected (tons per day; 365)	76	76	82	82	127
Recyclables Collected (tons per day; 365)		1	1	1	1
<b>Other Public Works</b>					
Street Resurfacing (miles)	3	6	4	3	3
Potholes Repaired	2,000	1,900	2,900	4,900	4,900
<b>Parks and Recreation</b>					
Athletic Field Permits Issued	-	-	-	-	-
Community Center Admissions	-	-	-	-	-
<b>Library</b>					
Volumes in Collection	63,086	65,306	66,015	64,749	65,013
Total Volumes Borrowed	53,209	56,446	50,526	48,643	49,012
<b>Health</b>					
Environmental Health	17,670	17,153	5,028	1,770	1,742
Consumer Health	1,854	2,222	2,440	2,519	2,464
Weed Control	3,224	2,575	2,527	2,401	2,569
Animal Control	7,925	7,484	10,956	8,535	6,748
<b>Water</b>					
New Connections	45	99	50	31	25
Water Main Breaks	537	780	445	608	556
Average Daily Consumption (thousands of gallons)	3,579	3,059	3,447	3,836	3,076
Peak Daily Consumption (thousands of gallons)	4,955	4,462	4,778	5,300	5,451
<b>Wastewater</b>					
Average Daily Sewer Treatment (thousands of gallons)	2,000	2,000	1,700	2,100	2,200

**Sources:** Various City Departments

SCHEDULE 19

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



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

Function/Program	Fiscal Year				
	2006	2007	2008	2009	2010
Police					
Stations	1	1	1	1	1
Patrol Units	53	45	43	47	48
Fire Stations	2	2	2	2	2
Refuse Collections					
Collection Trucks	18	18	18	20	16
Other Public Works					
Street (miles)	106	106	106	113	121
Highway (miles)					
Streetlights	554	554	554	569	569
Traffic Signals	4	4	4	4	4
Parks and Recreation					
Acreage	195	195	195	195	195
Playgrounds	9	9	9	9	9
Baseball/Softball Diamonds	12	12	12	12	12
Soccer/Football Fields	12	12	12	12	12
Community Centers	2	2	2	2	2
Water					
Water Mains (miles)	116	116	116	116	117
Fire Hydrants	692	692	696	705	801
Storage Capacity (thousands of gallons)	9,679	9,679	9,764	9,764	9,764
Wastewater					
Sanitary Sewers (miles)	95	95	96	96	97
Storm Sewers (miles)	16	16	16	16	16
Treatment Capacity (thousand of gallons)	4,000	4,000	4,000	4,000	4,000

Sources: Various City Departments

SCHEDULE 20

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

### *Other Supplementary Information*

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

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

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Independent Auditor's Report on Internal Control over Financial Reporting and  
On Compliance and Other Matters Based on an Audit of Financial Statements  
Performed In Accordance With *Government Auditing Standards*

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

Members of the City Council:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Kingsville, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise City of Kingsville's basic financial statements, and have issued our report thereon dated April 15, 2016.

### Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2015-1 to be a material weakness.



PRIVATE COMPANIES PRACTICE SECTION. AICPA DIVISION FOR CPA FIRMS

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Kingsville's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item(s) 2015-2 and 2015-3.

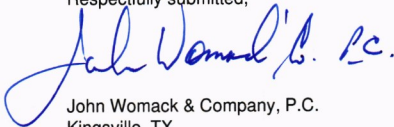
## City of Kingsville's Response to Findings

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

## Purpose of this Report

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

Respectfully submitted,

A handwritten signature in blue ink that reads "John Womack, P.C." with a stylized flourish at the end.

John Womack & Company, P.C.  
Kingsville, TX  
April 15, 2016

**CITY OF KINGSVILLE**  
*SCHEDULE OF FINDINGS AND QUESTIONED COSTS*  
*FOR THE YEAR ENDED SEPTEMBER 30, 2015*

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued:	<u>Unmodified</u>		
Internal control over financial reporting:			
One or more material weaknesses identified?	<u>  X  </u> Yes	<u>    </u> No	
One or more significant deficiencies identified that are not considered to be material weaknesses?	<u>    </u> Yes	<u>  X  </u> None Reported	
Noncompliance material to financial statements noted?	<u>    </u> Yes	<u>  X  </u> No	

2. Federal Awards

A Single Audit was not required in the current year.

B. Financial Statement Findings

**2015-1 Internal Control - Reconciliaiton of Asset and Liability Accounts**

Condition:

The City has not reconciled certain asset and liability accounts on a timely basis during the year.

Criteria:

Asset and liability accounts should be reconciled timely and all related journal entries made on a timely basis.

Cause:

Over the past several years, there have been continual changes and turnover in the finance/accounting department which has resulted in continual training in personnel. Current personnel are still in training in certain areas.

Effect:

The effect is the possibility of inaccuracy in monthly reporting, and, potentially, an inability to recognize fraud or other inaccuracies in a timely manner.

Recommendation:

We recommend that the City implement procedures to ensure that personnel are provided proper training, asset and liability accounts are reconciled, and all related journal entries posted on a timely basis.

Client Response/Corrective Action:

The City concurs with this finding and has made substantial improvements in this area. The Finance Department is now fully staffed adn all funds have been delegated to specific employees. New procedures have been created to ensure assets and liabilities are reconciled quarterly and reviewed by the Finance Director.

## **CITY OF KINGSVILLE**

### *SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED SEPTEMBER 30, 2015*

#### **2015-2 State Compliance - Hotel/Motel Tax Expenditures**

**Condition:**

The City has partially implemented procedures for a questionnaire to help provide feedback on the economic impact that events held in Kingsville bring to the City. Certain expenditures of the Tourism Fund should be supported by surveys that indicate the events held actually were increasing tourism and the local hotel industry. The City also did not reach the 15% of hotel/motel tax expenditures to be expended on advertising according to state law, and spent more than the 15% cap for hotel/motel tax expenditures related to promoting arts and culture.

**Criteria:**

State law requires the use of questionnaire materials for research purposes to support the use of local hotel occupancy tax revenues. In addition, the state law sets requirements and limitations for the expenditure of those funds.

**Effect:**

Without the research material required, the City cannot adequately support expenditure of its local hotel occupancy tax revenue. This material would better predict the economic impact of events held in Kingsville, and would assist the City in determining future revenues and expenditures associated with these events. Also, spending outside of the requirements set by the state is a violation of state law.

**Recommendation:**

We recommend that policies and procedures surrounding the questionnaire that was developed be put in place in order to gain the necessary feedback to make future decisions and properly support the expenditures made by the City in the Tourism Fund. We also recommend that the City review expenditures of those funds on a timely basis to ensure that those expenditures are made in accordance with state law.

**Client Response/Corrective Action:**

The City concurs with this finding. Specific limits on expenditures will be part of the budget development process to confirm expenditures follow state guidelines. The City will continue to expand the questionnaire program to include all recipients of hotel/motel tax revenues that fund special events and programs.

#### **2015-3 State Compliance - Bidding**

**Condition:**

The City did not perform proper bidding procedures for services from a vendor which totaled more than \$50,000.

**Criteria:**

For purchases of goods or services greater than or equal to \$50,000, the City must perform bid procedures as required by the State of Texas.

**Effect:**

The effect of this non-compliance is a violation of state laws, and the possibility of excess expenditures for goods and services provided.

**Recommendation:**

We recommend that the City review their policies and procedures over bidding, and implement such policies and procedures necessary to ensure full compliance with State bidding laws.

**CITY OF KINGSVILLE**

*SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015*

Client Response/Corrective Action:

The City concurs with this finding and in fiscal year 2015-16 the Purchasing Department has created a report to identify any vendor which is approaching the amount which would require bidding. The Purchasing Department has identified those areas where they were not in compliance and is in the process of performing proper bid procedures for those goods and services.

C. Federal Award Findings and Questioned Costs

NONE



**CITY OF KINGSVILLE**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Finding/Recommendation	Current Status	Management's Explanation If Not Implemented
<p><b>2014-1 Internal Control - Reconciliation of Asset and Liability Accounts</b></p> <p>Condition:  The City has not reconciled certain asset and liability accounts, primarily long term debt and self insurance accounts, on a timely basis during the year.</p> <p>Criteria:  Asset and liability accounts should be reconciled timely and all related journal entries made on a timely basis.</p> <p>Cause:  Over the past several years, there have been continual changes and turnover in the finance/accounting department which has resulted in continual training in personnel. This trend continued with the turnover in the Finance Director position as well as the creation of an Accounting Supervisor position in Fiscal Year 2013.</p> <p>Effect:  The effect is the possibility of inaccuracy in monthly reporting, and, potentially, an inability to recognize fraud or other inaccuracies in a timely manner.</p> <p>Recommendation:  We recommend that the City implement procedures to ensure that personnel are provided proper training, asset and liability accounts are reconciled, and all related journal entries posted on a timely basis.</p> <p>Client Response/Corrective Action:  The City concurs with this finding, and has made substantial improvements in this area. There are still accounts that need attention and will be handled in FY 14-15. The City has taken an aggressive strategy in attracting and retaining the financial personnel necessary. Additional training is being provided in order to improve the necessary knowledge and skills. FY 14-15 starts with the Finance Department fully staffed with systems in place to complete the reconciliation of all liabilities and asset accounts.</p>	<p>Partially Implemented</p>	<p>The City has made substantial improvements in this area. The Finance Department is now fully staffed and all funds have been delegated to specific employees. New procedures have been created to ensure assets and liabilities are reconciled quarterly and reviewed by the Finance Director.</p>

**CITY OF KINGSVILLE**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Finding/Recommendation	Current Status	Management's Explanation If Not Implemented
<p><b>2014-2 Internal Control - Purchase Orders</b></p> <p>Condition:            The City, on several occasions, has issued purchase orders after goods and services have already been purchased. The purchase orders vary from a few days to approximately a month after ordering or purchasing the goods or services.</p> <p>Criteria:            Approved purchase orders should be issued prior to the purchase of goods or services.</p> <p>Cause:            Controls and procedures are not in place that ensure proper purchase order procedures.</p> <p>Effect:            The effect of weak purchase order procedures is a possible circumvention of the approval process and of the budgeting process. This can potentially lead to fraud or budget overruns.</p> <p>Recommendation:            We recommend that policies and procedures be reviewed and improved where necessary in order to ensure proper purchase order procedures.</p> <p>Client Response:            The City concurs with this finding and Finance is working with Purchasing and all departments to initiate procedures that require all purchase orders to be created when goods and services are ordered. Many departments were waiting to receive the invoice before creating the purchase order and in FY 14-15, this practice has been stopped. All purchases that require purchase orders are being processed properly.</p>	<p>Implemented</p>	<p>N/A</p>
<p><b>2014-3 State Compliance - Economic Surveys</b></p> <p>Condition:            The City has not developed a questionnaire to help provide feedback on the economic impact that events held in Kingsville bring to the City. Certain expenditures of the Tourism Fund should be supported by surveys that indicate the events held actually were increasing tourism and the local hotel industry.</p>	<p>Partially Implemented</p>	<p>The City will continue to expand the questionnaire program to include all recipients of hotel/motel tax revenues that fund special events and programs</p>

**CITY OF KINGSVILLE**  
*SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS*  
*FOR THE YEAR ENDED SEPTEMBER 30, 2015*

Finding/Recommendation	Current Status	Management's Explanation If Not Implemented
<p>Criteria:            State law requires the use of questionnaire materials for research purposes to support the use of local hotel occupancy tax revenues.</p> <p>Effect:            Without the research material required, the City cannot adequately support expenditure of its local hotel occupancy tax revenue. This material would better predict the economic impact of events held in Kingsville, and would assist the City in determining future revenues and expenditures associated with these events.</p> <p>Recommendation:            We recommend a questionnaire be developed and put in place at the hotels throughout the City to gain the necessary feedback to make future decisions and properly support the expenditures made by the City in the Tourism Fund.</p> <p>Client Response/Corrective Action:            The City agrees with this finding and in FY 14-15 the Tourism Department created and distributed a survey to all hotels within the city limits. The survey remains at each hotel location lobby and is picked up weekly to create a report. The survey asks how many nights the stay was, if the accommodations were what they expected, and the reason why they came to our historic city, if they would return, and how they heard of Kingsville.</p>	<p>Implemented</p>	<p>N/A</p>
<p><b>2014-4 State Compliance - Public Funds Investment Act</b></p> <p>Condition:            Quarterly Investment Reports were not always presented to the Commission on a quarterly basis.</p> <p>Criteria:            The Public Funds Investment Act requires that the Investment Officer present Investment Reports on a quarterly basis to the Commission for approval.</p> <p>Cause:            Turnover in the Finance Director (Investment Officer) position and other relevant accounting department positions.</p>	<p>Implemented</p>	<p>N/A</p>

**CITY OF KINGSVILLE**

*SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015*

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
<p>Effect: Noncompliance with the Public Funds Investment Act could result in uninformed investment decisions by the Commission.</p> <p>Recommendation: We recommend that policies and procedures are developed to ensure that quarterly reports are presented to the Commission on a timely basis.</p> <p>Client Response: The City concurs with this finding and in FY 14-15 all Investment Reports have been completed and presented on time and will continue to be filed as required.</p>		

**CITY OF KINGSVILLE**  
**CORRECTIVE ACTION PLAN**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**2015-1 Internal Control – Reconciliation of Asset and Liability Accounts**

The City concurs with this finding and has made substantial improvements in this area. The Finance Department is now fully staffed and all funds have been delegated to specific employees. New procedures have been created to ensure assets and liabilities are reconciled quarterly and reviewed by the Finance Director.

**2015-2 State Compliance – Hotel/Motel Tax Expenditures**

The City concurs with this finding. Specific limits on expenditures will be part of the budget development process to confirm expenditures follow state guidelines. The City will continue to expand the questionnaire program to include all recipients of hotel/motel tax revenues that fund special events and programs.

**2015-3 State Compliance – Bidding**

The City concurs with this finding and in fiscal year 2015-16 the Purchasing Department has created a report to identify any vendor which is approaching the amount which would require bidding. The Purchasing Department has identified those areas where they were not in compliance and is in the process of performing proper bid procedures for those goods and services.