



City of Kingsville, Texas

Comprehensive Annual Financial Report



City of Kingsville New City Hall – July 2016

KINGSVILLE CITY HALL 2016			
CITY MANAGER			
THOMAS R. PUGH	2016 - PRESENT		
EDNA E. LOPEZ	2014 - 2015		
AL GARCIA	2012 - 2013		
CITY CLERK			
KARL A. PETER, JR.	2016 - PRESENT		
CHARLES E. NELSON	2014 - 2015		
FRANKY J. LARSON	2012 - 2013		
CITY ATTORNEY			
DEBRA M. BOWEN	2016 - PRESENT		
EDUARDO L. GONZALEZ	2014 - 2015		
CITY ENGINEER			
RENEE L. BOWEN & ASSOCIATES, INC.	2016 - PRESENT		
ADRIAN G. GARCIA	2014 - 2015		
ADRIAN INC.	2012 - 2013		

For the Year Ended September 30, 2016

www.cityofkingsville.com

Comprehensive Annual Financial Report

September 30, 2016

CITY OF KINGSVILLE, TEXAS

City Commission

(for the fiscal year ended September 30, 2016)

Sam R. Fugate	Mayor
Edna Lopez	Mayor Pro-Tem
Alfonso Garcia	Commissioner
Arturo Pecos	Commissioner
Noel Pena	Commissioner

City Manager

Jesus A. Garza

Prepared By:

Department of Finance

Deborah Balli, CPA, CGFO - Director of Finance
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David Bodiford - Accounting Supervisor

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 For The Year Ended September 30, 2016

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P.O. BOX 1458 - KINGSVILLE, TEXAS 78364

April 20, 2017

Dear Honorable Mayor, Members of City Commission, and Citizens of King'sville:

The Comprehensive Annual Financial Report of the City of King'sville, Texas (City) for the fiscal year ended September 30, 2016, 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 King'sville for fiscal year ended September 30, 2016, 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 King'sville's financial statements for the fiscal year ended September 30, 2016, 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 King'sville'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 Kingsville Police Department is comprised of 50 sworn peace officers performing varied and multiple tasks, serving a population of 26,000. We are located on US Highway 77, soon to be Interstate 69. The department is made up of four divisions with some split into bureaus.

The Administration Division consists of the Chief of Police, Administrative Assistant, Office of Professional Standards Sergeant, Warrants Officer and Training Officer. The Chief of Police is responsible for directing all activities of the department. This department is accomplished through written and oral orders as well as by personal leadership. Written orders take the form of general orders, standard operating procedures and other directives as needed. The Office of Professional Standards Sergeant investigates incidents and possible suspicions of misconduct or criminal behavior involving police officers. The Warrants Officer apprehends persons with outstanding city warrants and delivers those persons before the court or to jail as necessary. The Training Officer is responsible for conducting all in-service training for police employees, as well

as coordinating the field training officer program, insuring that all officers are up to date on Texas Commission on Law Enforcement Training for the training cycle.

The Uniform Patrol Division makes up the largest portion of the department with 31 officers. The division is headed by a Lieutenant, who is the Commander of the division as well as three patrol shifts, which consist of four Sergeants, three Corporals and 22 patrol officers. Their duties include vehicle and bicycle patrol, criminal enforcement, traffic enforcement, and accident investigation, as well as community outreach.

The Criminal Investigations Bureau within the Support Services Division is manned by eight Investigators who are responsible for investigations and coordination of the Crime Stoppers Program. The Street Level Operations Team consisting of a Corporal and two Criminal Investigators is also part of the Criminal Investigations Bureau. Their responsibilities include the investigation of narcotics offenses as well as targeted criminal interdiction within our city limits. Rounding out the CIB is the Crime Scene Technician, who is responsible for the proper photographing, gathering, processing, cataloging, storage and if necessary submission to an accredited laboratory for further processing if necessary.

The Communications Bureau consist of 10 telecommunications personnel, 4 lead dispatchers and the Communications Supervisor who are responsible for the communications demands of our department. In the near future communications for Public Safety, which includes the Police Department as well as the Fire Department, will be provided by these same personnel.

The departments Special Weapons and Tactics "SWAT" unit consist of a Commander, two team leaders, 8 operators, a sniper and several hostage negotiators. In 2007 the Texas Tactical Police Officers Association awarded the team with a Unit Citation. Our SWAT unit still remains the only unit in the state that has received a "Unit Citation."

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

The City's Fire Department operates two fire stations, and provides fire protection, advanced life support emergency medical services, transport, fire inspections, fire investigations, and emergency management for the City of Kingsville. The Department staffs 2 fire engines, 2 MICU ambulances, and cross staffs a variety of other apparatus depending on the emergency utilizing a minimum of 7 full time personnel each day and augmented by volunteer firefighters when available. The above mentioned services are provided by 30 professional firefighters, 25 volunteer firefighters, and 3 support staff. Of the 30 professional firefighters, currently there are 13 certified EMT Paramedics, 5 EMT Intermediates, and 10 EMT Basics and in hopes of filling the remaining 2 department vacancies soon.

In addition, plans are in motion to increase overall full time professional staffing by raising the minimum to 8 full time personnel each day and applying for a Staffing for Adequate Fire & Emergency (SAFER) Grant in efforts to meet our overall

minimum staffing goal of 10 full time professional fire personnel on-duty each day in FY2018.

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.

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

The City of Kingsville and Kleberg County own and maintain extensive recreational facilities, which include 631 acres of parks and playgrounds, one swimming pool, 12 baseball and softball diamonds, 12 multi-purpose fields, 2 cricket pads, one recreational center, one BBQ hut, and an 18-hole golf course that is located at LE Ramey park. City of Kingsville, in the last several years, has also developed a new community Xeriscape Garden and Pavilion area in the downtown area which is being incorporated into the Parks Department inventory.

Environmental health, Food Services, 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, 2016, 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) a decrease in building permit fees and (4) an increase in sales taxes. 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 7.3% for September, 2016 compared to 4.8% for Texas and 4.9% for the nation. Future Job growth for the City fell below the National average and was projected at 19.68% compared to 37.98% nationally for this same time period. Compared to the rest of the country, Kingsville's cost of living is 13% lower than the U.S. average. The median home cost in Kingsville is \$131,875 with a 27.05% appreciation rate over the last 10 years. Median household income is \$36,500 which has grown by 32.13% since 2000.

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 FY16 the Planning and Development Services Department saw an increase in construction in the city of Kingsville. The City has also seen its commercial construction permits stay steady.

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.

The HM King High School renovation and adaptive re-use made tremendous progress in Fiscal Year 2016 with City departments moving in July 2016. 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 committed an additional \$3.8 million. Additional work continues to renovate the Cottage Building on the City Hall Complex site and completion is estimated for end of May 2017.

Economic Development

The City continues to partner with Kleberg County, the Greater Kingsville Economic Development Council (EDC), Texas A&M University-Kingsville (TAMUK), Workforce Solutions of the Coastal Bend and Coastal Bend College in creating quality jobs and programs toward achieving optimal economic stability and diversification. Major initiatives tied to economic development are being collaborated 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 partners have developed a data-driven strategy to increase commercial investment in the city through targeted retail development recruitment.

The City also continues to support our local economic partners most notably the Texas A&M University Kingsville, The Rangel College of Pharmacy and Naval Air Station-Kingsville. The City in partnership with the EDC continues to monitor and support the missions of our important industries. In conjunction with this, we continually work to bring diverse industry that can relate and or equally capitalize on the current industries/services that are currently located in Kingsville.

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.

The EDC is exploring ways to capitalize on growth related to industrial development in the Port of Corpus Christi. The EDC will continue to look at ways to attract development that is tied to that growth to the geographic area and industrial sector.

Current Construction Projects

- 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 Estates” 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.
- Hobby Lobby in the Southgate Mall is expected to open the summer of 2017.

Future Construction Projects

- Lakeview Villa, a 20 townhome subdivision is scheduled to be complete by May 2017.
- I-69 highway improvement project
- La Quinta Hotel – construction has started on a 72 room hotel located north of the Hampton Inn. They anticipate completion by summer 2017.
- Heritage Mixed Use Development, will have 10 commercial units on the bottom and 20 residential units on the top and should be completed for occupancy by the fall of 2017.
- The Cottage Building on the City Hall Complex site is scheduled to be complete by end of May 2017.
- The City has also issued a contract to have the Pump House renovated. This is one of the oldest city buildings owned, housing the equipment which has pumped water to the community for quite a while. Once renovated, it will provide restrooms for those citizens who are using the Pavilion for an event like the

Farmers Market. It will also display an old fire engine that the City still owns and provide storage and work space for the Kingsville Volunteer Fire Department.

- Plans have been submitted for the building of a Marriott Towne Suite hotel.

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 2016 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.

Budget Program

The Government Finance Officers Association (GFOA) awarded a Distinguished Budget Presentation Award to the City of Kingsville for its Budget document for the fiscal year ended September 30, 2015. This was the first year that the City submitted and received this prestigious award. This award is valid for a period of one year only.

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, 2015 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 our City Manager, Jesus Garza for his continued guidance and support.

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

Respectfully submitted,

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**

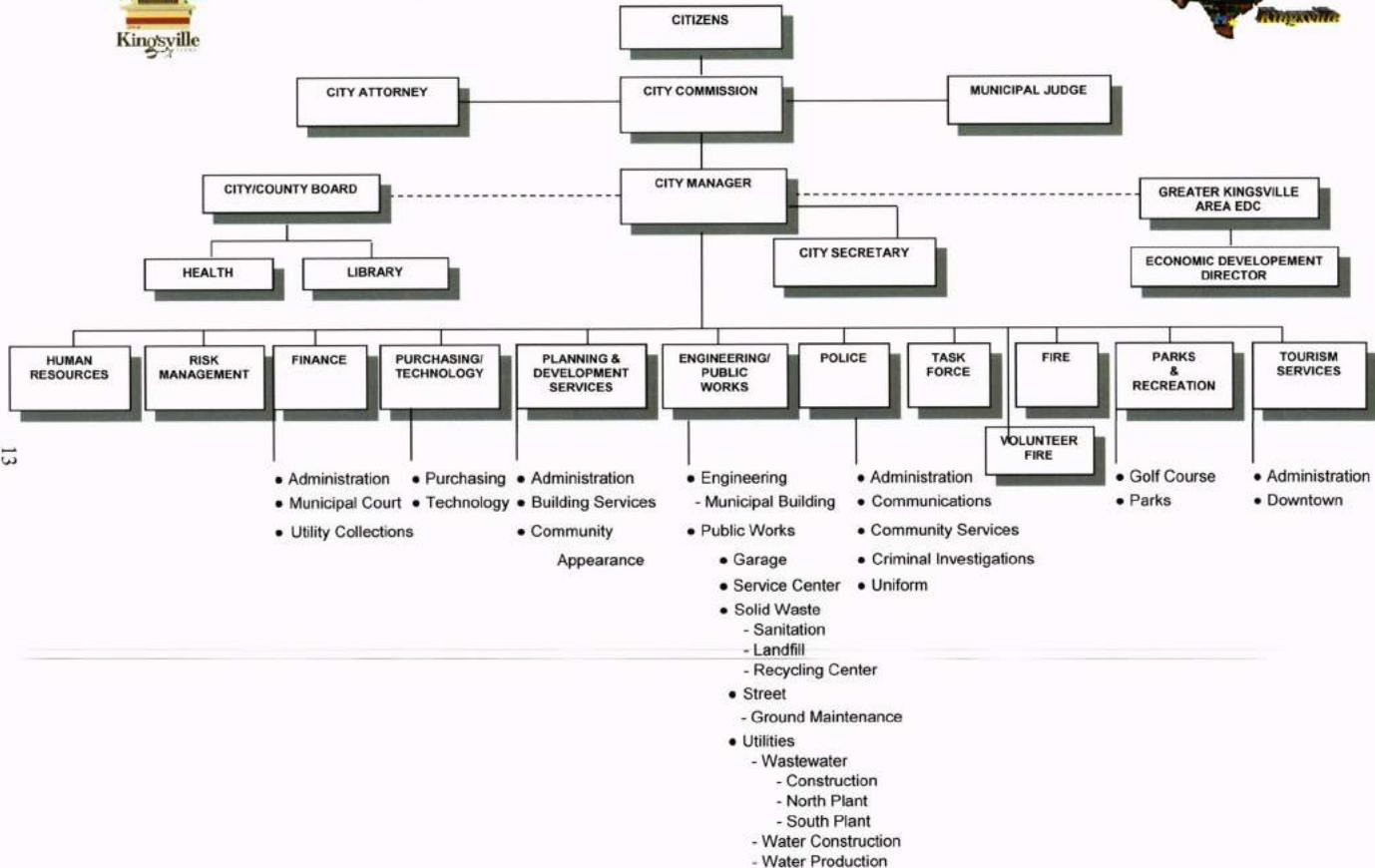
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2015

Executive Director/CEO



CITY OF KINGSVILLE ORGANIZATIONAL CHART



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

JOHN L. WOMACK, CPA
MARGARET KELLY, CPA

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

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kingsville ("the City") as of and for the year ended September 30, 2016, 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.



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, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, schedule of funding progress for other post employment benefits, budgetary comparison information, 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 March 24, 2017 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 blue ink that reads "John Womack, C. P.C." with a stylized flourish at the end.

John Womack & Company, P.C.
Kingsville, Texas
March 24, 2017

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, 2016. 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 \$30.5 million.
- The fund balance of the General Fund decreased from \$10.5 million to \$10.4 million. This represents a .71% decrease from the prior year's fund balance, and furthermore, represents 50.40% of the \$20.7 million in expenditures. The General Fund's Unassigned Fund Balance was \$7.1 million, or 34.5% of general fund expenditures.
- Total assets, were \$71.9 million; total liabilities were \$44.6 million.
- The ratio of total assets to total liabilities for governmental activities was 1.57 times; for business-type activities the ratio was 1.66 times.
- The quick ratio (current assets to current liabilities) was 5.02 times for governmental activities and 4.57 times for business-type activities.
- Total net position was \$30.5 million, which was an increase from \$29.5 million for the prior year, or about 3.5%. Governmental activities' net position increased by 3.72%, while business-type activities' net position increased by 3.26%.

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

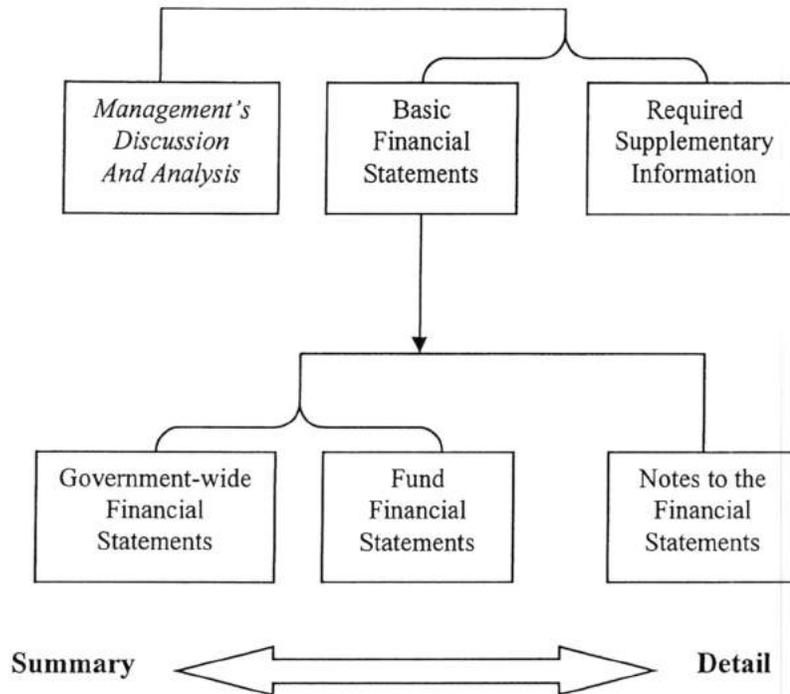


Figure A-1 shows how the required parts of this annual financial report are arranged and relate to one another. In addition to these required elements, a section with combining statements that provides details about the non-major governmental funds and internal service funds is included.

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, 2016, the net position totaled \$30.5 million, over \$1 million more than the prior year. The composition of this net position is \$16.1 million for governmental activities and \$14.4 million for business-type activities, which is comprised primarily of the Combined Utility System.

A large portion of the City's net position, 45.0%, 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 0.7% of its net position set aside for the retirement of debt. Approximately 31.3% 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, 2016 and 2015
(in thousands of dollars)

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current & other assets	\$ 21,596	\$ 18,113	\$ 13,864	\$ 15,255	\$ 35,460	\$ 33,368
Capital assets	15,461	14,416	21,015	21,226	36,476	35,642
Total assets	37,057	32,529	34,879	36,481	71,936	69,171
Deferred Outflows of Resources	3,389	1,106	579	189	3,968	1,295
Long-term liabilities	19,323	11,246	17,968	18,887	37,291	30,133
Other liabilities	4,304	6,564	3,033	3,850	7,337	10,414
Total liabilities	23,627	17,810	21,001	22,737	44,628	38,967
Deferred Inflows of Resources	700	284	71	-	771	19
Net Investment in capital assets	8,385	9,979	5,337	3,659	13,722	8,699
Restricted	2,691	3,214	3,784	5,607	6,475	10,914
Unrestricted	5,043	2,348	5,265	4,667	10,308	10,572
Total net position	\$ 16,119	\$ 15,541	\$ 14,386	\$ 13,933	\$ 30,505	\$ 30,185

TABLE A-1: Governmental-Type Activities

Current & Other Assets increased \$3.5 million from \$18.1 million in FY15 to \$21.6 million in FY16, or 19.23%. 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 \$1.0 million from \$14.4 million in FY15, to \$15.5 million in FY16, or 7.24%. Other liabilities decreased \$2.3 million from \$6.6 million in FY15 to \$4.3 million in FY16 or 34.43%. This was due to decreases in customer deposits and accounts payable.

As a result of accurately reflecting the restrictions on fund balances, Restricted Net Position decreased by \$523 thousand from \$3.2 million in FY15 to \$2.7 million in FY16 as follows:

(\$168,891)	decreased	Federal and State programs
\$66,539	increased	Debt Service
(\$520,865)	decreased	Capital projects
\$1,475	increased	Municipal Court Building Security funds
\$215,027	increased	Law Enforcement
\$5,591	increased	Municipal Court Technology fund
(\$119,217)	decreased	Tourism funds
(\$2,918)	decreased	Other purposes

Conversely, Unrestricted Net Position increased \$2.7 million from \$2.3 million in FY15 to \$5.0 million in FY16 or 114.77%.

TABLE A-1: Business-Type Activities

The Combined Utility System's net position was \$14.4 million, which is 47.2% of total net position and is \$454 thousand more than the prior year. The Combined Utility System contributed all of the total unrestricted business-type net position.

Current & Other Assets decreased \$1.4 million from \$15.3 million in FY15 to \$13.9 million in FY16 or 9.12%. Restricted Cash is down from \$5.3 million in FY15 to \$4.1 million in FY16 due to the completion of capital projects. Capital assets net of accumulated depreciation decreased \$211 thousand from \$21.2 million in FY15 to \$21.0 million in FY16, or 0.99%, due to equipment and vehicle retirements, auction sales and annual straight-line depreciation costs.

Long-term liabilities decreased \$919 thousand from \$18.9 million in FY15 to \$18.0 million in FY16 or 4.87%. Net investment in capital assets increased \$1.7 million from \$3.7 million in FY15 to \$5.3 million in FY16 or 45.88% due to completed capital projects.

Restricted net position decreased \$1.8 million from \$5.6 million in FY15 to \$3.8 million in FY15 or 32.51%.

Capital projects decreased \$1.8 million from \$5.6 million in FY15 to \$3.8 million in FY16 or 32.51%.

Unrestricted net position increased \$598 thousand from \$4.7 million in FY15 to \$5.3 million in FY16 or 12.81%.

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, 2016 and 2015
(in thousands of dollars)**

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenue:						
Program revenue:						
Charges for services	\$ 5,009	\$ 4,091	\$ 12,240	\$ 12,101	\$ 17,249	\$ 16,192
Operating grants & contributions	1071	947	112	-	1183	947
Capital grants & contributions	-	-	-	-	-	-
General revenues:						
Property taxes	6,525	6,348	-	-	6,525	\$6,348
Sales taxes	4,599	4,521	-	-	4,599	\$4,521
Other taxes	1,563	1,625	-	-	1,563	\$1,625
Investment earnings	252	128	103	46	355	174
Insurance Settlement	1,606	-	-	-	1606	-
Other	24	21	-	-	24	21
Total revenues	20,649	17,681	12,455	12,147	33,104	29,828
Expenses:						
General government	5,114	3,996	-	-	5,114	3,996
Public safety	10,415	9,205	-	-	10,415	9,205
Public works	3,322	3,307	-	-	3,322	3,307
Health & other public services	2,109	1,861	-	-	2,109	1,861
Tourism	534	490	-	-	534	490
Interest on long-term debt	415	256	-	-	415	256
Water and wastewater	-	-	7,570	6,906	7,570	6,906
Solid waste	-	-	2,594	2,706	2,594	2,706
Total expenses	21,909	19,115	10,164	9,612	32,073	28,727
Increase in net position before transfers	(1,260)	(1,434)	2,291	2,535	1,031	1,101
Transfers	1,838	4,442	(1,838)	(4,442)	-	-
Increase (decrease) in net position	578	3,008	453	(1,907)	1,031	1,101
Net position, beginning	15,541	14,081	13,933	16,104	29,474	30,185
Prior period adjustment	-	(1,548)	-	(264)	-	(1,812)
Total net position	\$ 16,119	\$ 15,541	\$ 14,386	\$ 13,933	\$ 30,505	\$ 29,474

TABLE A-2: Governmental Activities

As shown in Table A-2, revenues were split between governmental activities and business-type activities at 62.38% and 37.62%, respectively. Expenses for each were 68.31% and 31.69%. Net position increased 3.72% from the prior period for governmental activities, increased 3.25% for business-type activities, and increased 3.5% overall.

The cost of all *governmental* activities for the fiscal year 2016 was \$21.9 million. However, the amount that taxpayers paid for these services through City taxes and business fees was \$12.7 million.

Some of the cost was paid by:

- Those who directly benefited from the programs or \$5.0 million, and
- Other governments and organizations that subsidized certain programs with grants and contributions was \$1 million.
- Charges for services comprised 22.28% of governmental activities' revenues including transfers in and 98.27% of business-type activities' revenues without including transfers out.
- Taxes contributed 56.42% of governmental activities' revenues including transfers. Investment earnings, with interest rates, generated 1.22% and 0.83% of governmental activities revenues and business-type activities, respectively.
- Public Safety (including Police, Fire, Emergency Management, Inspections and Municipal Court) expenses accounted for 47.54% of governmental activities' expenses and 15.16% of governmental activities' expenses were for Public Works.
- Public Safety required the largest net amount of public funds after deducting program revenue, grants, and contributions. The total subsidy was \$6.6 million.
- General government comprises 23.34% of all governmental activities' expenses.

Charges for services revenue increased \$918 thousand from \$4.1 million in FY15 to \$5.0 million in FY16 or 22.44%. General revenue sales tax increased \$78 thousand from \$4.52 million in FY15 to \$4.60 million in FY16 or 1.73%. In FY16, the City received \$27 thousand in one-time comptroller audit adjustments.

General Revenues for Other Revenues increased from \$21 thousand in FY15 to \$24 thousand in FY16.

General government expenses increased \$1.1 million from \$4.0 million in FY15 to \$5.1 million in FY16 or 27.98%. Public Safety expenses increased \$1.2 million from \$9.2 million in FY15 to \$10.4 million in FY16 or 13.15%. Public Works expenses increased \$15 thousand from \$3.31 million in FY15 to \$3.32 million in FY16 or 0.45%.

The decrease in net position before transfers declined \$174 thousand from a \$1.4 million deficit in FY15 to a \$1.3 million deficit in FY16. Transfers decreased \$2.6 million from \$4.4 million in FY15 to \$1.8 million in FY16 or 58.62%.

TABLE A-2: Business-Type Activities

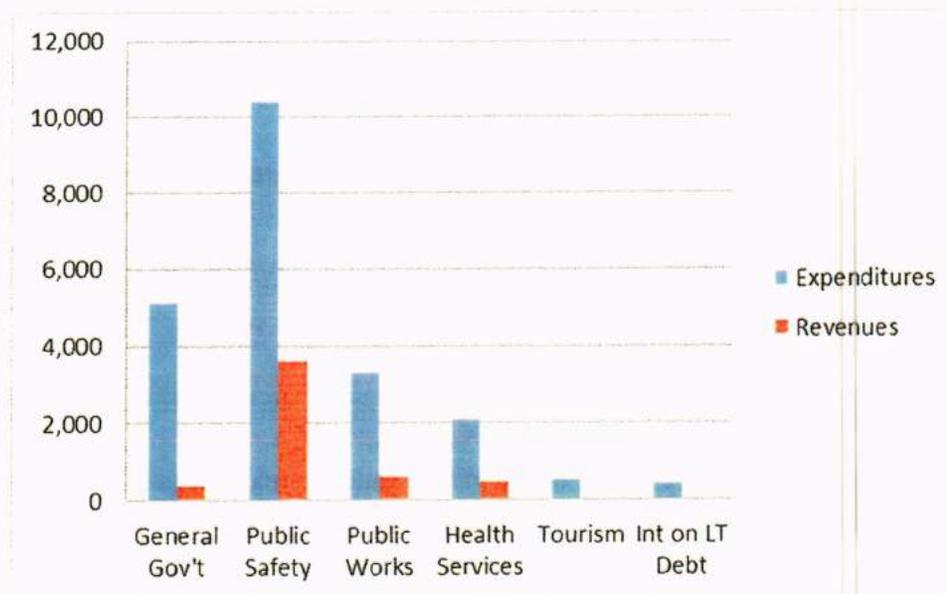
Charges for services revenue increased \$139 thousand from \$12.1 million in FY15 to \$12.2 million in FY16 or 1.15%. Water and Wastewater rates remained at FY15 rates.

The increase in net position before transfers decreased \$244 thousand from \$2.5 million in FY15 to \$2.3 in FY16 or 9.63%. Transfers Out decreased \$2.6 million from \$4.4 million in FY15 to \$1.8 million in FY16 or 58.62%. Fund balance is being used as designed in the Water and Waste Water Rate Model, but the decision was made to not increase utility rates as suggested due to the fact that the City had built up additional reserves above the required 25% of fund balance. Even though the rate model called for a gradual increase in rates, the City chose not to increase water and wastewater rates in FY16.

Solid Waste expenses decreased \$112 thousand from \$2.7 million in FY15 to \$2.6 million in FY16. Water and waste water expenses increased \$664 thousand from \$6.9 million in FY15 to \$7.6 million in FY16 or 9.61%.

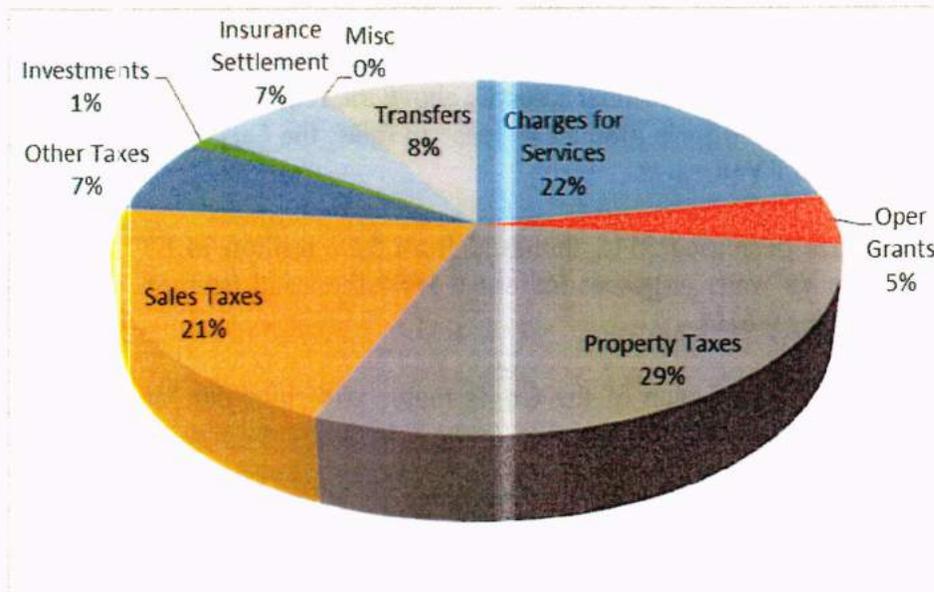
Graph 1 presents the cost of each of the City’s major governmental functions, as well as the associated program revenues.

**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 74.48% of the expenses generated for business-type activities, with solid waste accounting for an additional 25.52%. The Utilities System had operating revenues of \$8.2 million, up by \$196 thousand, and operating income of \$688 thousand down by \$368 thousand. Operating income before transfers was \$804 thousand down \$299 thousand. The major causes of these results were:

- Water revenues were up by \$239 thousand, or 5.29% more than the preceding year.
- Wastewater fund revenues were down by \$42 thousand
- The operating expenses increased by \$644 thousand, primarily due to increased services, increased depreciation and amortization costs, but decreased maintenance.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds

- Total assets of the General Fund decreased \$1.1 million from \$13.6 million to \$12.5 million between FY15 and FY16. Most of this overall decrease in total assets is from an increase of \$2.6 in the Equity in Pooled Cash and Cash Equivalents, a decrease in Cash and Cash Equivalents of \$1.9 million, and a decrease in Restricted Cash and Cash equivalents of \$2.4 million over FY15.
- Deferred Revenues for FY16 decreased \$514 thousand. Total liabilities of the General Fund decreased by \$535 thousand to approximately \$1.5 million, a 25.70% decrease. The majority of the decrease is attributed to a \$445 thousand decrease in Current Accounts Payable. This brings the ratio of total assets to total liabilities to 6.02 times in 2016, up from 4.36 ratio in 2015.
- Starting on page 84, 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 expenditures over revenues before other financing sources.
- The General Fund Unassigned Fund balance increased \$1.8 million in FY16 to \$7.1 million from \$5.3 million in FY15. The Committed Fund Balance for Landfill Closure/Post Closure increased by \$2 thousand and decreased \$2 million for Capital Outlay. Overall Fund Balance decreased \$74 thousand from \$10.5 million in FY15 to \$10.4 million in FY16.

Police Forfeiture Funds

- Total assets of the Police Forfeiture Fund decreased almost \$1.9 million from \$4.8 million to \$2.9 million between FY15 and FY16. Most of this overall decrease in total assets is from a decrease in Restricted Cash and Cash Equivalents of \$2.3 million as compared to FY15. The City of Kingsville Task Force operations were transferred to the County in July 2016 and all cash on hand and liabilities were transferred.
- Total liabilities of the Police Forfeiture Fund decreased by \$2.2 million from \$3.3 million in FY15 to approximately \$1.2 million in FY16. This brings the quick ratio (current assets to current liabilities) to 2.46 times in FY16 from 1.43 times in FY15. As stated above, with the transfer of the Task Force to the County, all liabilities including unsettled seizures, transferred over to the County. Year-end unsettled seizures remain from current City of Kingsville Police department seizures. Unsettled seizures pending were \$936 thousand down \$2.3 million, and Due to Other Funds and Governments were up \$166 thousand at September 30, 2016.
- The Police Forfeiture Fund revenues increased \$444 thousand or 22.77%, from \$1.9 million in FY15 to \$2.4 million in FY16. Chapter 59 seizure and resulting awards were up as prior revenues seized are being settled. Even though the Task Force was transferred to the County, the City of Kingsville Police Department will continue to work the Interstate 69 corridor within the City's jurisdiction. Police Forfeiture Fund expenditures saw an increase of \$457 thousand from \$1.3 million in FY15 to \$1.8 million in FY16.
- The Police Forfeiture Fund Restricted Fund Balance increased by \$286 thousand from \$1.4 million in FY15 to \$1.7 million in FY16.

Debt Service Fund

- The Debt Service Fund Balance increased \$39 thousand from \$580 thousand in FY15 to \$619 thousand in FY16. This was an increase of 6.79% from FY15 to FY16. 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 \$209 thousand from \$1.4 million to \$1.2 million between FY15 and FY16. Equity in Pooled Cash and Cash equivalents was \$462 thousand less, with Restricted Cash and Cash equivalents decreasing \$66 thousand. Accounts Receivable decreased \$8 thousand and Due From Other Funds and Governments increased \$327 thousand between FY15 and FY16.
- Total liabilities of the Other Governmental Funds increased by \$382 thousand to approximately \$619 thousand, a 161.26% increase. The majority of the increase is attributed to a \$455 thousand increase in Due to Other Funds and Governments.

Budgetary Results of the General Fund

Revenues

Per page 85, General Fund taxes and business fee revenues were \$10.7 million, which was \$89 thousand or 0.83% below the final budget. Ad Valorem Delinquent revenues were \$14 thousand or 11.37% below budget and penalty and interest was \$14 thousand, or 14.69%, below budget respectively. The City usually budgets these estimated revenues low to adjust for possible anomalies that might occur in the collection process. Sales Tax Revenue was \$49 thousand or 1.08% above budget. Franchise revenue was \$4 thousand or 0.37% lower than the final budget. These variances are the result of conservative budgeting and changes in the local economy resulting from decreasing activity in the Oil and Gas industry.

Fines and Forfeitures revenue was less than the Final Budget for FY16 by \$214 thousand, or 21.93%. In FY16, there was \$230 thousand more budgeted for Fines revenue than in FY15.

Total Charges for Sanitation Services revenues were \$219 thousand or 5.36% less than the final budget. Sanitation Services Garbage Fees revenue were lower than the final budget by \$173 thousand, or 5.09% of the Final Budget for FY16. Sanitation Services Landfill Fees revenue were less than the final budget by \$40 thousand or about 6.38% for FY16. 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 outlays than anticipated.

Community Appearance Services expenditures were lower than the final budget by \$24 thousand. The reason for less than budgeted expenditures was due to decreases in professional services and building maintenance.

Fire Department total expenditures were lower than the final budget by \$582 thousand. Of this amount, \$87 thousand is related to Personal Services expenditures for the Fire Department, or about 3.39% of the Fire Department Personal Services final budget. Capital Outlays were budgeted at \$455 thousand with \$0 spent as the equipment was not purchased in FY 16. Police Department total expenditures were also lower than the final budget by \$262 thousand. Of this amount, \$138 thousand is related to Personal Services expenditures for the Police Department, or about 3.27% of the Police Department Personal Services final budget. In FY16, both of these departments' Personal Services expenditures 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 \$313 thousand or 15.73%. The majority of this came from lower maintenance expenditures. Of this amount, \$7 thousand is from Equipment Maintenance, or 32.72% of the final Equipment Maintenance budget and \$238 thousand from Building Maintenance, or 36.29% of the Building Maintenance final budget.

Landfill Department Total expenditures were lower than the final budget by \$1.9 million or 63.22%. The majority of this came from a \$276 thousand variance in Services, and \$1.6 million in Capital Outlays.

General Fund total revenues were \$847 thousand, or 4.52% below the final budget. The General Fund expenditures came in at \$6.1 million, or 22.83% below the final budget. Actual Expenditures exceeded Revenues by \$2.9 million.

Budget Amendments of the General Fund

The General Fund revenues budget was amended by \$524,308 from the following sources:

Child Safety Fund Reports revenue was amended by \$8,000 as this was a new revenue and was not included when the budget was adopted.

The Parks and Recreation fees were amended by \$23,578 from summer programs and the cost of running the softball league and swim team program.

The Street Maintenance Fee revenue was not in place when the budget was adopted as it was approved to become effective January 1, 2016. The budget was amended by \$536,000.

Donations are never budgeted as this type of revenue is not an anticipated source of revenue. This revenue was amended by \$1,730.

Federal and state grants revenue budget was amended by reducing it by \$45,000 due to a grant being anticipated that was not going to be received.

The General Funds expenditures budget was amended by \$5,030,174 from the following sources:

The City Administration Department budget was amended by \$1,507,425. Included in this overall department is:

- City Commission budget which was amended by \$2,000 to cover increase in membership and dues
- Municipal Building budget was amended by (\$3,938) due to a decrease in communications
- City Special budget was amended \$1,653,453 for increases in postage, additional expenditures for the new City Hall which include minor equipment, property insurance, utilities and operating lease. There were also additional expenditures for several inter-local agreements for the Hazard Mitigation Plan, Texas Department of Transportation for work on I-69 and assistance with a grant for improvements at the airport. The City also received a \$49,792 refund on a Texas Department of Transportation project which was used to cover additional expenditures for new City Hall. This refund was not included in the original adopted budget. One of the City owned buildings was damaged by the storm in May 2016 and the insurance claim received was \$1,023,350.56 which was the majority of the amended budget.
- The Risk Management budget was amended (\$144,080). At the time the budget was adopted, Risk Management was part of the City Administration Department, but was later consolidated with Personnel which is in the Management Services Department.

The Management Services Department budget was amended by \$153,201. Included in this overall department is:

- Personnel which was amended \$124,214 because of the Risk Management consolidation
- The Finance department which is comprised of the Finance, Municipal Court and Warrant Enforcement divisions. Municipal Court was amended (\$7,807) due to reductions in personnel expenditures due to staff changes and the reduction covered the increases in Finance Administration and Warrant Enforcement; Finance was amended \$4,848 for additional audit fees and equipment needed for the move into the new City Hall; Warrant Enforcement was amended \$2,959 for additional overtime expenditures
- Purchasing was amended \$9,121 to cover additional group health insurance costs due to a change in personnel

The Urban Development Department budget was amended (\$45,001). Included in this overall department is:

- Planning was amended (\$50,001) for a Texas Main Street grant that needed to be moved to a separate grant fund.
- Community Appearance was amended by \$5,000 for additional overtime and equipment maintenance

The Police department budget was amended \$32,560; \$10,610 was for the purchase of a radio tower generator \$13,450 for siren repairs due to the storm damage. The department also

received an \$8,000 donation to purchase safety vests and a \$500 donation for the purchase of medical kits.

The Fire department was amended \$500 for a donation to be used for employee recognition supplies.

The Public Works Department was amended \$2,684,079. Included in this overall department is:

- Public Works Administration was amended \$18,437.
- Sanitation was amended (\$15,121)
- Street was amended \$524,863 due to the new street maintenance fee adopted to begin January 2016.
- Landfill was amended \$2,155,900 of which was for the landfill expansion for sector 4.

The Parks and Recreation Department budget was amended \$695,411 which included \$641,082 of additional capital projects due to the damage to the park system by a major storm in May 2016. The remaining \$54,329 was due to additional equipment maintenance and donations received for summer recreation programs.

The Golf Course Department budget was amended \$2,000 for a donation made to purchase chemicals.

Operating transfers in were amended \$238,824 due to additional software purchases, creation of new funds and the close out of smaller funds no longer being used.

Operating transfers out were amended \$162,870. The City of Kingsville experienced a major storm in May 2016 and additional transfers occurred to cover expenditures from the storm.

Additional information on the City's Original Budget to Final Budget and Final Budget to Actual can be found on Exhibit B-1, pages 84-91.

Non-major Governmental Funds

Four special revenue funds comprise this portion of the financial statements. Total assets for the combined funds were \$1.2 million, total liabilities were \$619 thousand, and total fund balances were \$537 thousand, with \$2 thousand in Assigned Fund Balance and \$535 thousand in Restricted Fund Balance.

The Tourism Fund makes up 49.57% of the revenues of the special revenue funds. The main source of funding for the Tourism Fund is from Hotel/Motel Occupancy Taxes. Another significant portion, 50.34%, 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, 2016 and 2015
(In thousands of dollars)**

	Governmental Activities			Business-type Activities		
	2016	2015	% Change FY 15-16	2016	2015	% Change FY 15-16
Land	\$ 470	\$ 470	0.00%	\$ 402	\$ 402	0.00%
Building & improvements	5,456	2,129	156.27%	15,836	14,147	11.94%
Equipment	902	823	9.60%	2,698	2,936	-8.11%
Vehicles	1,733	2,267	-23.56%	1,316	1,588	-17.13%
Road network	6,742	6,968	-3.24%	-	-	0.00%
Construction in progress	158	1,759	-91.02%	763	2,153	-64.56%
Total	\$ 15,461	\$ 14,416	7.25%	\$ 21,015	\$ 21,226	-0.99%

As shown in Table A-3, at September 30, 2016, the City had invested \$93.3 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 decreased \$1.6 million from \$1.8 million in FY15 to \$158 thousand in FY16 with the completion of projects funded with Certificate of Obligations.

TABLE A-3: Business-type Activities

Building and improvements increased \$1.6 million from \$14.1 million in FY15 to \$15.8 million in FY16, or 11.94%. Equipment decreased \$238 thousand from \$2.9 million in FY15 to \$2.7 million in FY16, or 8.11%. Construction in progress decreased \$1.4 million from \$2.2 million in FY15 to \$763 thousand in FY16, or 64.57% indicating new construction projects were completed.

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, 2016 and 2015
(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Certificates of obligation	\$ 12,442	\$ 6,405	\$ 7,778	\$ 8,836	\$ 20,220	\$ 15,241
Limited tax refunding bonds	850	990	7,425	8,170	8,275	9,160
Premium on bonds payable	296	108	290	318	586	426
Capital Leases	273	327	185	243	458	570
Other post-employment benefits	1,243	1,173	331	312	1,574	1,485
Total debt	15,104	9,003	16,009	17,879	31,113	26,882
Net pension liability	4,773	2,446	815	418	5,588	2,864
Compensated absences	946	928	76	70	1,022	998
Landfill closure cost	-	-	2,550	2,420	2,550	2,420
Total long-term debt	\$ 20,823	\$ 12,377	\$ 19,450	\$ 20,787	\$ 40,273	\$ 33,164

Table A-4 indicates that total long-term debt increased by \$7.11 million from FY15 to FY16 or 21.4%. Of that, landfill closure costs increased \$130 thousand or 5.37%, while compensated absences increased 2.4%. Total debt outstanding at fiscal year-end was \$40.3 million, from \$26.9 million for the prior year.

In addition, there were overall reductions of \$2.6 million in certificates of obligation bonds and revenue bonds (Combined Utility System) through scheduled principal payments. Governmental Activities' certificate of obligations had a \$6.74 million debt increase and the Business-type activities had a reduction of \$1.8 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 68-71 of the Notes to the Financial Statements.

Ad Valorem Taxes

The FY15 tax rates were \$0.65567 for the General Fund and \$0.18653 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 \$12.5 million each year based on the assessed value of \$755,688,639. 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 2016. 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.

Total Revenues and Expenditures adopted budget for FY16-17 are \$36,978,986 and \$46,900,740, respectively. The \$9.9 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 FY17 General Fund Budget contains a projected operating surplus of \$301 thousand over the required minimum of \$4.7 million.

The net deficits for FY16 and FY17 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.

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

FY17 expenditures for personnel services are proposed to increase \$79 thousand or .47% from estimated actual expenditures of \$16,876,882 in FY16 to \$16,956,384 of budgeted expenditures in FY17. This increase is attributed to a net change in budgeted positions and associated costs.

Capital Outlays

City staff capital outlay requests for FY17 totaled \$2,260,616; of which \$886,075 was approved. The capital outlay items approved promotes employee efficiency, effectiveness, and safety and is a combination of large and small items. It includes:

- \$21,733 for the restoration and preservation of minutes – Phase 1
- \$5,000 for an additional timeclock hand scanner for Parks
- \$75,000 for a Tourism website revamp
- \$11,190 for a commercial Ztrac mower for the Community Appearance department
- \$35,928 for replacement of the AC and heating system for Police Department
- \$90,000 for a new recreation tracking software
- \$4,928 for the north boundary fence at the Landfill
- \$24,250 for the overhaul of the Wastewater backup blower
- \$30,960 for the recondition of two Wastewater grit pumps and motors
- \$24,000 to replace service bodies on Water Construction trucks
- \$63,744 for the purchase of a lowboy trailer for Water Production
- \$27,161 for a new vehicle for the additional meter technician
- \$16,011 for repairs to the Wastewater lift station pump
- \$400,000 for a grant funded fire engine (carryover project)
- \$44,900 for the purchase of fifty (50) 8 yard front end load dumpsters
- \$11,270 for the purchase of a 5 spray head water system for the Landfill water truck

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
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Kingsville, Texas 78364
(361) 595-8009 (phone) (361) 595-8035 (fax)
Or visit our web site at: www.cityofkingsville.com

CITY OF KINGSVILLE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

EXHIBIT A-1

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 5,107,580	\$ 5,553,615	\$ 10,661,195
Equity in pooled cash and cash equivalents	3,694,678	2,562,307	6,256,985
Receivables (net of allowances for uncollectibles):			
Taxes	1,572,387	--	1,572,387
Accounts	623,883	1,399,391	2,023,274
Accrued interest	1,218	1,337	2,555
Internal balances	172,241	(172,241)	--
Due from other governments	535,395	74,112	609,507
Inventory, at cost	254,008	276,757	530,765
Restricted assets:			
Cash and cash equivalents	9,443,842	4,120,797	13,564,639
Equity in pooled cash and cash equivalents	190,733	--	190,733
Accounts	--	48,102	48,102
Long-term assets:			
Land and construction in progress	627,815	1,164,382	1,792,197
Capital assets, net of related depreciation	14,832,777	19,850,587	34,683,364
Total Assets	<u>37,056,557</u>	<u>34,879,146</u>	<u>71,935,703</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflow related to pensions	3,389,478	578,999	3,968,477
Total Deferred Outflows of resources	<u>3,389,478</u>	<u>578,999</u>	<u>3,968,477</u>
LIABILITIES			
Accounts payable	1,071,892	514,633	1,586,525
Accrued wages payable	400,469	76,742	477,211
Payable from restricted assets:			
Retainage payable	--	6,646	6,646
Accrued interest payable	133,079	66,896	199,975
Customer deposits	935,853	814,575	1,750,428
Due to:			
Other governments	262,408	70,619	333,027
Others	488	--	488
Liabilities due within one year:			
Accumulated unpaid compensated absences	576,680	38,500	615,180
Leases payable	67,133	59,929	127,062
Contractual obligations payable	855,962	1,384,038	2,240,000
Liabilities due beyond one year:			
Accumulated unpaid compensated absences	369,727	37,635	407,362
Leases payable	206,072	125,071	331,143
Accrued other post-employment benefits	1,242,622	331,099	1,573,721
Contractual obligations payable	12,732,296	14,108,728	26,841,024
Net pension liability	4,772,596	815,266	5,587,862
Landfill closure costs	--	2,550,059	2,550,059
Total Liabilities	<u>23,627,277</u>	<u>21,000,436</u>	<u>44,627,713</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	417,365	71,295	488,660
Deferred inflows of resources related to claims	251,651	--	251,651
Other Deferred inflows of resources	30,794	--	30,794
Total Deferred Inflows of Resources	<u>699,810</u>	<u>71,295</u>	<u>771,105</u>
NET POSITION:			
Net Investment in Capital Assets	8,385,155	5,337,203	13,722,358
Restricted For:			
Federal and state programs	(45,407)	--	(45,407)
Debt service	208,442	--	208,442
Capital projects	30,659	3,783,641	3,814,300
Municipal court security	88,889	--	88,889
Law enforcement	1,743,871	--	1,743,871
Municipal court technology	58,115	--	58,115
Tourism	606,621	--	606,621
Unrestricted	5,042,603	5,265,570	10,308,173
Total Net Position	<u>\$ 16,118,948</u>	<u>\$ 14,386,414</u>	<u>\$ 30,505,362</u>

The accompanying notes are an integral part of this statement.

CITY OF KINGSVILLE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government			
General government and administration	\$ 5,114,441	\$ 342,476	\$ --
Public safety	10,415,086	3,596,477	171,955
Public works	3,321,641	601,700	--
City/County	2,108,847	467,315	897,294
Tourism	533,758	935	1,755
Interest on long-term debt	415,124	--	--
Total Government Activities	<u>21,908,897</u>	<u>5,008,903</u>	<u>1,071,004</u>
Business-type Activities:			
Water Improvement	4,576,376	4,748,558	111,987
Stormwater	253	226,086	--
Solid waste	2,594,497	3,856,298	--
Wastewater	2,992,974	3,409,252	--
Total Business-type Activities	<u>10,164,100</u>	<u>12,240,194</u>	<u>111,987</u>
Total Primary Government	<u>\$ 32,072,997</u>	<u>\$ 17,249,097</u>	<u>\$ 1,182,991</u>

General Revenues:
 Property taxes
 Sales taxes
 Franchise taxes
 Bingo taxes
 Alcoholic beverage taxes
 Hotel/Motel taxes
 Unrestricted investment earnings
 Insurance settlement
 Miscellaneous income
 Transfers
 Total General Revenues and Transfers
 Change in Net Position
 Net Position - Beginning
 Net Position - Ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (4,771,965)		\$ (4,771,965)
(6,646,654)		(6,646,654)
(2,719,941)		(2,719,941)
(744,238)		(744,238)
(531,068)		(531,068)
(415,124)		(415,124)
<u>(15,828,990)</u>		<u>(15,828,990)</u>
--	\$ 284,169	284,169
--	225,833	225,833
--	1,261,801	1,261,801
--	416,278	416,278
<u>--</u>	<u>2,188,081</u>	<u>2,188,081</u>
<u>(15,828,990)</u>	<u>2,188,081</u>	<u>(13,640,909)</u>
6,525,348	--	6,525,348
4,599,145	--	4,599,145
996,256	--	996,256
4,721	--	4,721
51,211	--	51,211
510,673	--	510,673
251,491	103,258	354,749
1,605,908	--	1,605,908
24,320	--	24,320
1,837,694	(1,837,694)	--
<u>16,406,767</u>	<u>(1,734,436)</u>	<u>14,672,331</u>
577,777	453,645	1,031,422
15,541,171	13,932,769	29,473,940
<u>\$ 16,118,948</u>	<u>\$ 14,386,414</u>	<u>\$ 30,505,362</u>

CITY OF KINGSVILLE

BALANCE SHEET - GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2016

	General Fund	Police Forfeiture Fund
	<u> </u>	<u> </u>
ASSETS		
Assets:		
Cash and cash equivalents	\$ 3,533,239	\$ 1,917,338
Equity in pooled cash and cash equivalents	4,578,757	--
Receivables (net of allowances for uncollectibles):		
Taxes	1,438,164	--
Accounts	920,086	--
Assessments	62,620	--
Accrued interest	1,212	--
Due from:		
Other funds	862,309	--
Other governments	104,039	11,839
Inventory, at cost	252,475	--
Restricted assets:		
Cash and cash equivalents	633,808	935,853
Equity in pooled cash and cash equivalents	88,889	42,083
Accounts	48,102	--
Total Assets	<u>\$ 12,523,700</u>	<u>\$ 2,907,113</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND EQUITY		
Liabilities:		
Accounts payable	\$ 758,996	\$ 630
Accrued wages payable	392,922	--
Payable from restricted assets:		
Customer deposits	--	935,853
Due to:		
Other funds	203,689	244,479
Other governments	189,621	--
Others	488	--
Total Liabilities	<u>1,545,716</u>	<u>1,180,962</u>
Deferred Inflows of Resources:		
Deferred revenue	533,091	--
Total Deferred Inflows of Resources	<u>533,091</u>	<u>--</u>
Equity:		
Fund balances:		
Nonspendable:		
Inventory	252,475	--
Restricted:		
Debt service	--	--
Capital outlay	8,511	--
Municipal court building security	88,889	--
Municipal court technology	--	41,563
Law enforcement	--	1,684,588
Tourism	--	--
Federal and state programs	--	--
Committed:		
Landfill	2,479,993	--
Sanitation capital outlay	464,311	--
Capital outlay	1,239	--
Assigned:		
Drug awareness	--	--
Unassigned:	7,149,475	--
Total Equity	<u>10,444,893</u>	<u>1,726,151</u>
Total Liabilities, Deferred Inflows of Resources, and Equity	<u>\$ 12,523,700</u>	<u>\$ 2,907,113</u>

The accompanying notes are an integral part of this statement.

Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ --	\$ --	\$ 75	\$ 5,450,652
--	--	24,719	4,603,476
134,223	--	--	1,572,387
--	--	42,716	962,802
--	--	--	62,620
--	--	--	1,212
141,949	--	--	1,004,258
--	--	419,517	535,395
--	--	1,533	254,008
492,403	6,793,108	666,713	9,521,885
--	--	--	130,972
--	--	--	48,102
<u>\$ 768,575</u>	<u>\$ 6,793,108</u>	<u>\$ 1,155,273</u>	<u>\$ 24,147,769</u>
\$ --	\$ 161,262	\$ 9,643	\$ 930,531
--	--	7,547	400,469
--	--	--	935,853
15,358	122,273	497,869	1,083,668
--	--	72,787	262,408
--	--	--	488
<u>15,358</u>	<u>283,535</u>	<u>587,846</u>	<u>3,613,417</u>
134,223	--	30,794	698,108
<u>134,223</u>	<u>--</u>	<u>30,794</u>	<u>698,108</u>
--	--	--	252,475
618,994	--	--	618,994
--	6,509,573	--	6,518,084
--	--	--	88,889
--	--	--	41,563
--	--	--	1,684,588
--	--	579,675	579,675
--	--	(45,407)	(45,407)
--	--	--	2,479,993
--	--	--	464,311
--	--	--	1,239
--	--	2,365	2,365
--	--	--	7,149,475
<u>618,994</u>	<u>6,509,573</u>	<u>536,633</u>	<u>19,836,244</u>
<u>\$ 768,575</u>	<u>\$ 6,793,108</u>	<u>\$ 1,155,273</u>	<u>\$ 24,147,769</u>

CITY OF KINGSVILLE

*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2016*

Total fund balances - governmental funds balance sheet	\$ 19,836,244
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.	15,460,592
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	537,130
The assets and liabilities of internal service funds are included in governmental activities in the SNP.	893,871
Payables for bond principal which are not due in the current period are not reported in the funds.	(13,588,258)
Payables for capital leases which are not due in the current period are not reported in the funds.	(273,205)
Payables for bond interest which are not due in the current period are not reported in the funds.	(133,079)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(946,406)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.	(1,242,622)
Assessments receivable unavailable to pay for current period expenditures are deferred in the funds.	67,563
Solid waste assets & liabilities are included in the general fund but are in business activities in the SNP	(2,692,399)
Recognition of the City's proportionate share of the net pension liability is not reported in the funds.	(4,772,596)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(417,365)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	<u>3,389,478</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 16,118,948</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, 2016

	General Fund	Police Forfeiture Fund
Revenue:		
Taxes	\$ 10,714,098	\$ --
Licenses and permits	262,275	--
Charges for services	5,416,650	21
Fines and forfeitures	762,077	2,237,595
Interest and miscellaneous	155,792	154,354
Donations	1,730	--
Intergovernmental revenue	550,000	--
Federal and state grants	--	--
Total Revenues	<u>17,862,622</u>	<u>2,391,970</u>
Expenditures:		
Current:		
General government and administration	6,701,486	25,739
Public safety	7,711,182	1,779,983
Public works	4,467,950	--
City/County	1,844,949	--
Tourism	--	--
Debt service:		
Principal retired	--	--
Interest	--	--
Paying agent fees	--	--
Total Expenditures	<u>20,725,567</u>	<u>1,805,722</u>
Excess (deficiency) of revenues (under) expenditures	(2,862,945)	586,248
Other Financing Sources (Uses):		
Transfers in	1,578,138	--
Transfers out	(405,761)	(300,000)
Insurance settlement	1,605,908	--
Bond issuance premium	--	--
Issuance of debt	--	--
Lease proceeds	10,396	--
Total Other Financing Sources (Uses)	<u>2,788,681</u>	<u>(300,000)</u>
Net Change in Fund Balances	(74,264)	286,248
Fund Balances/Equity, October 1	10,519,157	1,439,903
Fund Balances/Equity, September 30	<u>\$ 10,444,893</u>	<u>\$ 1,726,151</u>

The accompanying notes are an integral part of this statement.

Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ 1,413,159	\$ --	\$ 510,470	\$ 12,637,727
--	--	--	262,275
--	--	1,137	5,417,808
--	--	--	2,999,672
18,518	73,758	575	402,997
--	--	--	1,730
--	--	--	550,000
--	--	521,004	521,004
<u>1,431,677</u>	<u>73,758</u>	<u>1,033,186</u>	<u>22,793,213</u>
--	225,601	66,425	7,019,251
--	44,551	190,568	9,726,284
--	526,072	230,638	5,224,660
--	285,060	90,002	2,220,011
--	--	553,609	553,609
1,463,485	--	--	1,463,485
278,696	--	--	278,696
2,800	89,000	--	91,800
<u>1,744,981</u>	<u>1,170,284</u>	<u>1,131,242</u>	<u>26,577,796</u>
(313,304)	(1,096,526)	(98,056)	(3,784,583)
352,650	291,946	11,165	2,233,899
--	(50,220)	(77,918)	(833,899)
--	--	--	1,605,908
--	198,693	--	198,693
--	6,740,000	--	6,740,000
--	--	--	10,396
<u>352,650</u>	<u>7,180,419</u>	<u>(66,753)</u>	<u>9,954,997</u>
39,346	6,083,893	(164,809)	6,170,414
579,648	425,680	701,442	13,665,830
<u>\$ 618,994</u>	<u>\$ 6,509,573</u>	<u>\$ 536,633</u>	<u>\$ 19,836,244</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, 2016*

Net change in fund balances - total governmental funds	\$ 6,170,414
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	2,366,549
The depreciation of capital assets used in governmental activities is not reported in the funds.	(1,019,656)
Trade-in or disposal of capital assets decrease net position in the SOA but not in the funds.	(302,540)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	49,424
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	842,052
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	64,384
(Increase) decrease in accrued interest from beginning of period to end of period.	(75,686)
The net revenue (expense) of internal service funds is reported with governmental activities.	263,609
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(18,236)
Expenses not requiring the use of current financial resources are not reported as expenditures in the funds.	(69,308)
Solid waste activities are included in the general fund but are included in business activities in the SOA.	(350,399)
Certain assessment revenues are deferred in the funds. This is the change in these amounts this year.	67,563
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	(6,740,000)
Bond premiums are reported in the funds but not in the SOA.	(198,693)
Proceeds of leases do not provide revenue in the SOA, but are reported as current resources in the funds.	(10,396)
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	(461,304)
	<u>577,777</u>
Change in net position of governmental activities - Statement of Activities	\$ <u>577,777</u>

The accompanying notes are an integral part of this statement.

CITY OF KINGSVILLE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2016

	Enterprise Fund	Nonmajor Internal Service Fund
	Utility Fund	Insurance Fund
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,525,107	\$ 909,210
Equity in pooled cash and cash equivalents	2,597,488	143,100
Receivables (net of allowances for uncollectibles):		
Accounts	999,450	61,023
Accrued interest	1,337	6
Due from:		
Other funds	15,358	251,651
Other governments	74,112	--
Inventory, at cost	276,757	--
Restricted assets - noncurrent:		
Cash and cash equivalents	3,793,398	--
Total current assets	<u>11,283,007</u>	<u>1,364,990</u>
Noncurrent assets:		
Capital assets:		
Land	181,743	--
Utility plant	41,580,482	--
Equipment	3,639,344	--
Vehicles	2,335,622	--
Construction in progress	95,003	--
Total capital assets	47,832,194	--
Less accumulated depreciation	(31,098,583)	--
Net capital assets	16,733,611	--
Total noncurrent assets	16,733,611	--
Total Assets	<u>28,016,618</u>	<u>1,364,990</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflow related to pensions	578,999	--
Total Deferred Outflows of Resources	<u>\$ 578,999</u>	<u>\$ --</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 395,176	\$ 217,730
Accrued wages payable	76,742	--
Due to:		
Other funds	187,599	--
Other governments	70,619	--
Accumulated unpaid compensated absences	38,500	--
Current liabilities payable from restricted assets:		
Retainage payable	6,646	--
Accrued interest payable	65,551	--
Contractual obligations payable	1,259,202	--
Customer deposits	814,575	--
Total current liabilities	<u>2,914,610</u>	<u>217,730</u>
Long-term liabilities, net of current portion:		
Accumulated unpaid compensated absences	37,635	--
Accrued other post-employment benefits	233,563	--
Contractual obligations payable	13,877,268	--
Net pension liability	815,266	--
Total long-term liabilities, net of current portion	14,963,732	--
Total Liabilities	<u>17,878,342</u>	<u>217,730</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflow related to pensions	71,295	--
Deferred inflow related to claims	--	251,651
Total Deferred Inflows of Resources	<u>71,295</u>	<u>251,651</u>
NET POSITION		
Invested in capital assets, net of related debt	1,597,141	--
Restricted for:		
Self insurance	--	895,609
Capital outlay	3,783,641	--
Unrestricted	5,265,198	--
Total Net Position	<u>\$ 10,645,980</u>	<u>\$ 895,609</u>

The accompanying notes are an integral part of this statement.

CITY OF KINGSVILLE

EXHIBIT A-7R

*RECONCILIATION OF THE PROPRIETARY FUND STATEMENT OF NET POSITION
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
SEPTEMBER 30, 2016*

Utility Fund Net Position - Proprietary Funds Statement of Net Position \$ 10,645,980

Amounts reported for business-type activities in the statement of net position are different because:

Solid Waste is a business-type activity that is included in the general fund. Assets and liabilities relating to Solid Waste are included in business-type activities in the government-wide statement of net position 3,697,231

Assets and liabilities of certain internal service funds are included in business type activities in the SNP. 43,203

Net Position of Business-type Activities - Statement of Net Position \$ 14,386,414

CITY OF KINGSVILLE

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Enterprise Fund	Nonmajor Internal Service Fund
	Utility Fund	Insurance Fund
OPERATING REVENUES:		
Water	\$ 4,748,558	\$ --
Other income	31,176	2,422
Wastewater	3,635,338	--
Insurance premiums	--	3,482,549
Total Operating Revenues	<u>8,415,072</u>	<u>3,484,971</u>
OPERATING EXPENSES:		
Personal services	2,537,638	--
Supplies	370,642	--
Services	1,486,169	3,221,362
Maintenance	1,295,152	--
Water supply contract	348,392	--
Uncollectable accounts	23,821	--
Depreciation and amortization	1,100,794	--
Total Operating Expenses	<u>7,162,608</u>	<u>3,221,362</u>
Operating Income (Loss)	<u>1,252,464</u>	<u>263,609</u>
NON-OPERATING REVENUES (EXPENSES):		
Interest	46,252	--
Gain or loss on sale of property	15,000	--
Federal grants	111,987	--
Interest and fiscal agent charge	(406,995)	--
Total Non-operating Revenues (Expenses)	<u>(233,756)</u>	<u>--</u>
Net Income (Loss) before Transfers	<u>1,018,708</u>	<u>263,609</u>
TRANSFERS IN (OUT):		
To General Fund	(1,400,000)	--
Total Transfers In (Out)	<u>(1,400,000)</u>	<u>--</u>
Net Income (Loss)	(381,292)	263,609
Net Position, October 1	11,027,273	632,000
Net Position, September 30	<u>\$ 10,645,981</u>	<u>\$ 895,609</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, 2016*

Change in net position - utility fund \$ (381,292)

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. 834,937

Change in net position of Business-type activities - statement of activities \$ 453,645

CITY OF KINGSVILLE

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Utility Fund	Internal Service Fund
Cash Flows from Operating Activities:		
Cash received from customers	\$ 8,789,118	\$ --
Cash receipts (payments) for interfund services provided and used	--	3,484,971
Cash payments to employees for services	(2,413,033)	--
Cash payments to other suppliers for goods and services	(3,994,401)	(3,179,438)
Net Cash Provided (Used) by Operating Activities	<u>2,381,684</u>	<u>305,533</u>
Cash Flows from Non-capital Financing Activities:		
Proceeds (payments) from (for) interfund borrowings	53,591	47,780
Proceeds from federal operating grant	37,875	--
Transfers to other funds	(1,400,000)	--
Net Cash Provided (Used) by Non-capital Financing Activities	<u>(1,308,534)</u>	<u>47,780</u>
Cash Flows from Capital and Related Financing Activities:		
Principal and interest paid	(1,608,616)	--
Proceeds from the disposition of assets	15,000	--
Acquisition or construction of capital assets	(952,910)	--
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>(2,546,526)</u>	<u>--</u>
Cash Flows from Investing Activities:		
Interest and dividends on investments	50,989	--
Net Cash Provided (Used) for Investing Activities	<u>50,989</u>	<u>--</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,422,387)	353,313
Cash and Cash Equivalents at Beginning of Year	11,338,380	698,997
Cash and Cash Equivalents at End of Year	<u>\$ 9,915,993</u>	<u>\$ 1,052,310</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ 1,252,463	\$ 263,609
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation	1,100,795	--
Provision for uncollectible accounts	23,821	--
Change in Assets and Liabilities:		
Decrease (increase) in receivables	338,894	16,396
Decrease (increase) in inventories	2,912	--
Increase (decrease) in accounts payable	(375,801)	34,160
Increase (decrease) in deferred inflows	71,295	(8,632)
Increase (decrease) in accrued wages payable	26,978	--
Increase (decrease) in accrued other employment and post employment benefits	12,447	--
Increase (decrease) in net pension liability	397,518	--
Increase (decrease) in deferred outflow related to pension	(390,012)	--
Increase (decrease) in due to other governments	14,448	--
Increase (decrease) in accumulated compensated absences	6,380	--
Increase (decrease) in retainage payable	(135,606)	--
Increase (decrease) in customer deposits	35,152	--
Total Adjustments	<u>1,129,221</u>	<u>41,924</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,381,684</u>	<u>\$ 305,533</u>

The accompanying notes are an integral part of this statement.

CITY OF KINGSVILLE

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

SEPTEMBER 30, 2016

	Pension Trust Fund	Agency Fund
	Deferred Compensation Plan	Court Cash Bond Account
ASSETS		
Assets:		
Cash and cash equivalents	\$ --	\$ 94,102
Investments	1,154,590	--
Receivables (net of allowances for uncollectibles):		
Participant loans	66,374	--
Total Assets	<u>\$ 1,220,964</u>	<u>\$ 94,102</u>
LIABILITIES AND EQUITY		
Liabilities:		
Payable from restricted assets:		
Customer deposits	\$ --	\$ 94,102
Total Liabilities	<u>--</u>	<u>94,102</u>
Net Position:		
Held in trust for deferred compensation benefits	1,220,964	--
Total Net Position	<u>1,220,964</u>	<u>--</u>
Total Liabilities and Net Position	<u>\$ 1,220,964</u>	<u>\$ 94,102</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, 2016

	Deferred Compensation Plan
Additions:	
Employee contributions	\$ 81,193
Earnings on investments	79,574
Total Additions	<u>160,767</u>
Deductions:	
Payment of benefits	109,320
Administrative fees	8,743
Total Deductions	<u>118,063</u>
Change in Net Position	42,704
Net Position-Beginning of the Year	<u>1,178,260</u>
Net Position-End of the Year	<u><u>\$ 1,220,964</u></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, 2016

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, 2016.

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, 2016.

b. Discretely Presented Component Unit

The City did not have a Discretely Presented Component Unit at September 30, 2016.

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, 2016

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.

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.

CITY OF KINGSVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2016

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.

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.

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

3. Implementation of New Standards

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

GASB Statement No. 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 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. 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.

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 implementation of Statement No. 79 will have no impact on the City as the City already records its participating investment pool, TexPool, at amortized cost and does not have any restrictions or limitations that require notation in the financial statements.

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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. 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. 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.

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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.

GASB Statement No. 81, Irrevocable Split-Interest Agreements, will improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. It can be created through trusts - or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements - in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. The government must also recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests and recognize revenue when the resources become applicable to the reporting period. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016 and should be applied retroactively. The City will implement this Statement in fiscal year 2018.

GASB Statement No. 82, Pension Issues - an amendment of GASB Statements No. 67, 68 and No. 73, will address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and 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. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement is effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. The City will implement the required components in this Statement in fiscal year 2017 and 2018.

GASB Statement No. 83, Certain Asset Retirement Obligations, addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of an internal event that obligates a government to perform asset retirement activities. This Statement requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred. This Statement requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The City will implement this Statement in fiscal year 2019.

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NOTES TO THE FINANCIAL STATEMENTS

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GASB Statement No. 84, Fiduciary Activities establishes criteria for identifying fiduciary activities for all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The City will implement this Statement in fiscal year 2020.

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

4. Financial Statement Amounts

a. Equity in Pooled Cash and Cash Equivalents

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

b. Real Property and Sales Taxes

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

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

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

In order to obtain approval of its general obligation bonds by the Attorney General of the State, a satisfactory showing of adequate taxing power must be made. As a general rule, the Attorney General will not approve new bonds if this will make the net debt exceed twenty-five percent of the assessed value. The 2015 tax rate was \$.84220 of which \$.65557 was distributed to the General Fund and \$.18663 was applied to the Debt Service Fund 67. Using the twenty-five percent rule, the City's legal margin is \$200,449,605.

CITY OF KINGSVILLE

*NOTES TO THE FINANCIAL STATEMENTS
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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:

<u>Taxpayer Name</u>	<u>Nature of Operations</u>	<u>Assessed Valuation</u>	<u>% of Total Taxable Valuation</u>
AEP Texas Central Company	Electric Utility	16,031,650	2.12%
Wal-Mart Stores Texas, LLC US00442	Retail	9,177,840	1.21%
King Ranch Saddle Shop Inc.	Retail	8,117,000	1.07%
NLP Kingsville Ventures	Apartments	7,090,550	0.94%
Javelina Station LP	Apartments	7,051,610	0.93%
HBC Holding LTD	Apartments	6,991,310	0.93%
Eddie Yaklin Ford Lincoln Mercury LTD	Auto Dealership	6,201,560	0.82%
Neessen Chevrolet Inc.	Auto Dealership	5,528,800	0.73%
Wal-Mart Stores Inc #01-0442	Retail	5,408,590	0.72%
Kingsville Two	Apartments	5,051,820	0.67%

c. Inventory

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

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

d. Use of Estimates

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

e. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets 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

CITY OF KINGSVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2016

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 2016.

f. Receivable and Payable Balances

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

g. Deferred Inflows and Outflows

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

Deferred outflows of resources in the Statement of Net Position totaled \$3,968,477, of which \$3,389,478 is in governmental activities and \$578,999 in business-type activities.

There were deferred inflows of resources in the Statement of Net Position related to pensions of \$488,660. There were deferred inflows of resources in the Statement of Net Position of \$771,105, of which \$251,651 was for insurance premiums received in advance and \$30,794 in grant proceeds received in advance. Deferred outflows of resources in the Statement of Net Position Internal Service Funds was \$251,651 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 \$667,314 and grant proceeds received in advance were \$30,794.

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.

CITY OF KINGSVILLE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2016

i. Long-term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing resources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures in the governmental funds, bond discounts and issuance costs are treated as period costs in the year issued. Bond issuance costs are shown as an "other financing use."

j. Pension Plans

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

k. Fund Equity

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

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

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

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

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).

CITY OF KINGSVILLE

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FOR THE YEAR ENDED SEPTEMBER 30, 2016

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

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

Assigned Fund Balance - represents amounts which the City intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Board of Commissioners or by an official or body to which the Board of Commissioners delegates the authority. This authority is per City Charter, Article IV, Section 10 which states "The Commission shall enact all ordinances and resolutions, and adopt all regulations and constitute the legislative and governing body of the City. The Commission shall have the power to appoint the City Judge, the City Manager, and City Attorney. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey 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, 2016, met their minimum requirements.

Spending Prioritization in Using Available Resources:

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

I. Accumulated Unpaid Compensated Absences

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

CITY OF KINGSVILLE
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m. Interfund Activity

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

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

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

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

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

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

C. Deposits and Investments

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

Cash and Investments

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

CITY OF KINGSVILLE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2016

1. Cash & Cash Equivalents

At September 30, 2016, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$30,767,654 and the bank balance was \$30,820,683. The City's cash deposits at April 5, 2016 and during the year ended September 30, 2016, 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)	\$ 18,099,054	\$ 18,099,054

CITY OF KINGSVILLE
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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	\$ 5,569,404	\$ -	\$ 2,332,297	\$ 106,681	\$ 8,008,382
Taxes - Property	645,305	223,705	-	-	869,010
Taxes - Franchise & Sales	1,051,235	-	-	-	1,051,235
Special Assessments	62,620	-	-	-	62,620
Gross Receivables	<u>7,328,564</u>	<u>223,705</u>	<u>2,332,297</u>	<u>106,681</u>	<u>9,991,247</u>
Less: Allowance for uncollectable	<u>(5,266,263)</u>	<u>(89,736)</u>	<u>(932,906)</u>	<u>(58,579)</u>	<u>(6,347,484)</u>
Net total receivable	<u>\$ 2,062,301</u>	<u>\$ 133,969</u>	<u>\$ 1,399,391</u>	<u>\$ 48,102</u>	<u>\$ 3,643,763</u>

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

E. Capital Assets

Capital asset activity for the year ended September 30, 2016, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<i>Governmental activities:</i>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 469,540	\$ -	\$ -	\$ 469,540
Construction in progress	1,759,130	158,275	(1,759,130)	158,275
Total capital assets not being depreciated	<u>2,228,670</u>	<u>158,275</u>	<u>(1,759,130)</u>	<u>627,815</u>
<i>Capital assets being depreciated:</i>				
Road network	19,244,996	-	-	19,244,996
Buildings and improvements	4,471,646	3,415,439	-	7,887,085
Equipment	4,190,248	492,682	(91,147)	4,591,783
Vehicles	6,151,330	59,283	(697,451)	5,513,162
Total capital assets being depreciated	<u>34,058,220</u>	<u>3,967,404</u>	<u>(788,598)</u>	<u>37,237,026</u>
Less accumulated depreciation for:				
Road network	(12,277,298)	(225,676)	-	(12,502,974)
Buildings and improvements	(2,342,026)	(89,490)	-	(2,431,516)
Equipment	(3,367,049)	(383,986)	60,876	(3,690,159)
Vehicles	(3,884,276)	(320,505)	425,182	(3,779,599)
Total accumulated depreciation	<u>(21,870,649)</u>	<u>(1,019,657)</u>	<u>486,058</u>	<u>(22,404,248)</u>
Total capital assets being depreciated, net	<u>12,187,571</u>	<u>2,947,747</u>	<u>(302,540)</u>	<u>14,832,778</u>
Governmental activities capital assets, net	<u>\$ 14,416,241</u>	<u>\$ 3,106,022</u>	<u>\$ (2,061,670)</u>	<u>\$ 15,460,593</u>
	Beginning Balances	Increases	Decreases	Ending Balances
<i>Business-type activities:</i>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 401,743	\$ -	\$ -	\$ 401,743
Construction in progress	2,152,601	349,671	(1,739,633)	762,639
Total capital assets not being depreciated	<u>2,554,344</u>	<u>349,671</u>	<u>(1,739,633)</u>	<u>1,164,382</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	41,223,698	2,448,433	-	43,672,131
Equipment	5,423,938	273,398	(151,186)	5,546,150
Vehicles	5,098,851	-	(67,271)	5,031,580
Total capital assets being depreciated	<u>51,746,487</u>	<u>2,721,831</u>	<u>(218,457)</u>	<u>54,249,861</u>
Less accumulated depreciation for:				
Buildings and improvements	(27,076,644)	(759,338)	-	(27,835,982)
Equipment	(2,488,047)	(511,521)	151,186	(2,848,382)
Vehicles	(3,510,568)	(271,614)	67,271	(3,714,911)
Total accumulated depreciation	<u>(33,075,259)</u>	<u>(1,542,473)</u>	<u>218,457</u>	<u>(34,399,275)</u>
Total capital assets being depreciated, net	<u>18,671,228</u>	<u>1,179,358</u>	<u>-</u>	<u>19,850,586</u>
Business-type activities capital assets, net	<u>\$ 21,225,572</u>	<u>\$ 1,529,029</u>	<u>\$ (1,739,633)</u>	<u>\$ 21,014,968</u>

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Governmental depreciation was charged to functions as follows:

General Government	\$ 99,786
Public Safety	416,290
Public Works	484,335
City/County	<u>19,246</u>
	<u>\$ 1,019,657</u>

Business-type depreciation was charged to functions as follows:

Water	\$ 341,245
Wastewater	759,549
Solid Waste	<u>441,679</u>
	<u>\$ 1,542,473</u>

F. Interfund Balances and Activity

1. Due To and From Other Funds

Balances due to and due from other funds at September 30, 2016, consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Capital Projects Fund	\$ 122,273	Short-term loans
General Fund	Police Forfeiture Fund	244,479	Short-term loans
General Fund	Other Governmental Funds	495,557	Short-term loans
Debt Service Fund	Utility Fund	141,949	Short-term loans
	Subtotal	<u>1,004,258</u>	
Utility Fund	Debt Service Fund	15,358	
Internal Service Fund	General Fund	203,689	Short-term loans
Internal Service Fund	Utility Fund	45,650	Short-term loans
Internal Service Fund	Other Governmental Funds	2,312	Short-term loans
	Subtotal	<u>267,009</u>	
	Total	<u>\$ 1,271,267</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, 2016, consisted of the following:

<u>Transfers To</u>	<u>Transfers From</u>	<u>Amount</u>	<u>Reason</u>
General Fund	Capital Projects Fund	\$ 50,220	Supplement other funds sources
General Fund	Other Governmental Fund	77,918	Supplement other funds sources
General Fund	Utility Fund	1,400,000	Supplement other funds sources
General Fund	Police Forfeiture Fund	50,000	Supplement other funds sources
	Subtotal:	<u>1,578,138</u>	
Debt Service Fund	General Fund	352,650	Supplement other funds sources
Capital Projects Fund	Police Forfeiture Fund	250,000	Supplement other funds sources
Capital Projects Fund	General Fund	41,946	Supplement other funds sources
Other Governmental Fund	General Fund	11,165	Supplement other funds sources
	Subtotal:	<u>655,761</u>	
	Total	<u>\$ 2,233,899</u>	

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

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, 2016, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Certificates of obligation	\$ 6,404,537	\$ 6,740,000	\$ 702,052	\$ 12,442,485	\$ 765,962
Limited Tax Refunding Bond	990,000		140,000	850,000	90,000
Premium on Bonds Payable	108,344	198,693	11,264	295,773	-
Capital leases	327,194	10,396	64,384	273,206	67,133
Total long-term debt	<u>7,830,075</u>	<u>6,949,089</u>	<u>917,700</u>	<u>13,861,464</u>	<u>923,095</u>
Net pension liability	2,445,530	2,327,066	-	4,772,596	-
Accumulated compensated absences*	928,170	699,093	680,857	946,406	576,680
Other post-employment benefits	1,173,315	69,308	-	1,242,623	-
Governmental activity Total long-term debt	<u>\$ 12,377,090</u>	<u>\$ 10,044,556</u>	<u>\$ 1,598,557</u>	<u>\$ 20,823,089</u>	<u>\$ 1,499,775</u>
Business-type activities:					
Certificates of obligation	\$ 8,835,463	\$ -	\$ 1,057,948	\$ 7,777,515	\$ 624,038
Limited Tax Refunding Bond	8,170,000	-	745,000	7,425,000	760,000
Premium on Bonds Payable	318,154	-	27,902	290,256	-
Capital leases	243,254	-	58,255	184,999	59,928
Total long-term debt	<u>17,566,871</u>	<u>-</u>	<u>1,889,105</u>	<u>15,677,770</u>	<u>1,443,966</u>
Net pension liability	417,748	397,518	-	815,266	-
Landfill closure cost	2,420,167	129,892	-	2,550,059	-
Other post-employment benefits	312,368	18,731	-	331,099	-
Accumulated compensated absences*	69,755	61,618	55,238	76,135	38,500
Business-type activities Long-term liabilities	<u>\$ 20,786,909</u>	<u>\$ 607,759</u>	<u>\$ 1,944,343</u>	<u>\$ 19,450,329</u>	<u>\$ 1,482,466</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

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
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	2016	2015
Certificates of obligation payable:		
\$10,000,000 Certificates of Obligation, Series 2011 for General Improvements; paid in annual installments of \$670,000 to \$525,000 through 8/1/2032, with interest at 2.0% to 4.6% (53.8504% General Fund and 46.1496% Utility Fund).	7,630,000	8,175,000
\$9,040,000 Limited Tax Refunding Bonds Series 2014 due in annual installments of \$760,000 to \$895,000 through September 30, 2025, with interest at 2.0% to 2.5% (100% Utility Fund)	7,425,000	8,170,000
\$1,200,000 Public Property Financial Contractual Obligation Series 2007 for General Improvements; due in a final installment of \$90,000, through August 1, 2017; interest at 4.11%. General Fund 64.1667%, Utility Fund 35.8333%).	90,000	180,000
\$4,270,000 Certificates of Obligation Series 2009 for Capital Outlay; due in annual installments of \$110,000 to \$55,000 through February 1, 2021; interest at 3.00% to 3.85%. (General Fund 15.831%, Utility Fund 84.169%).	385,000	1,085,000
\$1,890,000 General Obligation Refunding Series 2009; due in annual installments of \$250,000 to \$260,000 through February 1, 2018; interest at 2.25% to 3.75%. (100% General Fund).	510,000	750,000
\$5,230,000 Certificates of Obligation Series 2013, for Capital Outlay and General Improvements, due in annual installments of \$190,000 to \$360,000 through September 2023; interest at 2.0% to 3.0% (18.45% to General Fund and 81.55% to Utility Fund).	4,865,000	5,050,000
\$1,260,000 Limited Tax Refunding Bonds, Series 2013, for Capital Outlay and General Improvements, due in annual installments of \$170,000 to \$105,000 through September 2023; interest at 2.0% (100% General Fund)	850,000	990,000
\$6,740,000 C.O. Series 2016, for Capital Outlay and General Improvements, due in annual installments of \$250,000 to \$845,000 through August 1, 2036; interest at 2.0% to 3.5% (100% General Fund)	6,740,000	-
Total Certificates of Obligation Payable	\$ 28,495,000	\$ 24,400,000

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

2. Debt Service Requirements

Debt service requirements on long-term debt at September 30, 2016, are as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 855,962	\$ 446,705	\$ 1,302,667
2018	1,027,843	349,758	1,377,601
2019	1,055,630	327,348	1,382,978
2020	1,180,646	300,442	1,481,088
2021	1,218,724	272,638	1,491,362
2022-2026	4,189,709	966,991	5,156,700
2027-2031	2,651,257	480,838	3,132,095
2032-2036	1,112,715	85,630	1,198,344
Totals	<u>\$ 13,292,485</u>	<u>\$ 3,230,351</u>	<u>\$ 16,522,836</u>

<u>Year Ending September 30,</u>	<u>Business-type Activities</u>		
	<u>Certificates of Obligation</u>		<u>Revenue Bonds</u>
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	1,256,276	290,949	1,547,226
2022-2026	5,575,291	995,009	6,570,300
2027-2031	2,383,743	401,677	2,785,420
2032-2033	802,285	36,495	838,781
Totals	<u>\$ 15,202,515</u>	<u>\$ 3,187,378</u>	<u>\$ 18,389,893</u>

The City also may be contingently liable for rebates to the Federal government associated with interest earned on proceeds of tax exempt bonds issued. Based on regulations of the Tax Reform Act of 1986, the rebate would not be made until five years from the bond issuance date and may be liquidated through lower interest earnings in future years. For the fiscal year ended September 30, 2016, the City has no arbitrage liability.

3. Advance Refunding of Debt : There is no outstanding Refunded Debt as of 9/30/16

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
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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, 2016, as follows:

<u>Year Ending September 30:</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	(1)
2017	\$ 74,364	\$ 65,242	
2018	74,364	65,242	
2019	71,739	65,242	
2020	70,427	-	
Total Minimum Rentals	<u>290,894</u>	<u>195,726</u>	
Less: Amount representing interest	<u>17,689</u>	<u>10,727</u>	
Present value of net minimum lease payments	<u>\$ 273,205</u>	<u>\$ 184,999</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.tMrs.com.

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

2. Benefits Provided

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven 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.

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
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Employees covered by benefit terms:

At the December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	150
Inactive employees entitled to but not yet receiving benefits	143
Active employees	276
Total covered employees	<u>569</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 9.59% and 9.37% in calendar years 2015 and 2016, respectively. The City's contributions to TMRS for the year ended September 30, 2016 were \$1,056,924, and were equal to the required contributions.

4. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2015, 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, 2015 actuarial valuation was determined using the following actuarial assumptions:

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

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

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

CITY OF KINGSVILLE
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The long-term expected rate of return on pension plan investments is 6.5%. 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 6.5%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

	Increase (Decrease)		
	\$ Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Changes in Net Pension Liability			
Balance at 12/31/2014	\$ 53,267,476	\$ 50,404,198	\$ 2,863,278
Changes for the year			
Service cost	1,478,821	-	1,478,821
Interest	3,700,688	-	3,700,688
Change of benefit terms	-	-	--
Difference between expected and actual experience	(652,092)	-	(652,092)
Changes of assumptions	70,021	-	70,021
Contributions - employer	-	1,067,110	(1,067,110)
Contributions - employee	-	778,913	(778,913)
Net investment income	-	74,370	(74,370)
Benefit payments, including refunds of employee contributions	(2,279,840)	(2,279,840)	--
Administrative expense	-	(45,302)	45,302
Other changes	-	(2,237)	2,237
Net changes	\$ 2,317,598	\$ (406,986)	\$ 2,724,584
Balance at 12/31/2015	\$ 55,585,074	\$ 49,997,212	\$ 5,587,862

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
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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 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate.

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
City's net pension liability	\$ 13,750,620	\$ 5,587,862	\$ (1,059,862)

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.

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

For the year ended September 30, 2016, the City recognized pension expense of \$1,597,028.

Schedule of Pension Expense

Total Service Cost	\$ 1,478,821
Interest on the Total Pension Liability	3,700,688
Current Period Benefit Changes	-
Employee Contributions (Reduction of Expense)	(778,913)
Projected Earnings on Plan Investments (Reduction of Expense)	(3,528,294)
Administrative Expense	45,302
Other Changes in Fiduciary Net Position	2,237
Recognition of Current Year Outflow (Inflow) of Resources - Liabilities	(145,883)
Recognition of Current Year Outflow (Inflow) of Resources - Assets	690,785
Amortization of Prior Year Outflows (Inflows) of Resources - Liabilities	9,025
Amortization of Prior Year Outflows (Inflows) of Resources - Assets	123,260
Total Pension Expense	<u>\$ 1,597,028</u>

At September 30, 2016, 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	\$ 19,643	\$ 488,660
Changes in actuarial assumptions	\$ 52,472	\$ --
Difference between projected and actual investment earnings	\$ 3,132,916	\$ --
Contributions subsequent to the measurement date	\$ 763,446	
Total	<u>\$ 3,968,477</u>	<u>\$ 488,660</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 established and administered by the State of Texas to provide Pension benefits for emergency services personnel who serve without significant monetary remuneration.

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

2. Annual Required Contributions-City

The employer annual pension cost of \$5,472 for fiscal year ended August 31, 2016 was equal to the required and actual contributions and the City has no future liability. Three-year information is as follows:

	2014	2015	2016
Annual Required Contribution	\$ 7,916	\$ 9,436	\$ 5,472
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 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, 2016 consist of the following:

AmCent Gr Inv	\$ 7,477	NW Inv Dest Aggr Svc	32,515
AmCent Val Inv	29,983	NW Inv Dest Cnsrv Svc	5,906
Drey S P 500 Indx	11,102	NW Inv Dest Mod Aggr Svc	19,326
Fed US GovtSec 2 5 Yr Inst	1,502	NW Inv Dest Mod Cnsrv Svc	5,619
Fid Contra	71,646	NW Inv Dest Mod Svc	20,135
Fixed Assets	16,207	NW LgCap Gr	24,426
Invsco Gr Inc A	12,323	NW MDCAP MKT INDX A	9,258
Invsco Intl Gr R5	32,511	NW Mny Mkt Prm	201
JPM MidCap Value A	9,851	NW S P 500 Indx Inst Svc	17,443
MFS Intl Val R3	32,799	NW Sm Co Gr Inst Svc	18,973
NW BD INDX A	4,296	NW US SmCap Val Inst Svc	15,420
NW Dest 2015 Inst Svc	967	Nationwide Fixed Account	579,310
NW Dest 2025 Inst Svc	4,122	NeuBer Genesis Tr	22,121
NW Dest 2030 Inst Svc	22,336	NeuBer Soc Resp Inv	19,621
NW Dest 2040 Inst Svc	2,995	Opp Gibi A	25,838
NW Dest 2045 Inst Svc	349	PIMCO Ttl Rtn A	2,961
NW Dest 2050 Inst Svc	146	TRowePr Gr Stk Adv	5,595
NW Fd Inst Svc	26,041	W&R Advisor High Income Y	19,465
NW HM Bd Inst Svc	11,347	WFA Disc Admn	11,877
NW INTL INDX A	583	Total	<u>1,154,590</u>

CITY OF KINGSVILLE

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

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, 2015 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, 2016, a total of 8 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.

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 2014, 2015 and 2016	FYE 2014	FYE 2015	FYE 2016
Normal Cost	\$ 74,115	\$ 80,452	\$ 67,913
Minimum Amortization of UAL	81,392	88,351	82,207
Interest Adjustment to Year-end	5,443	5,908	5,254
Annual Required Contribution	160,950	174,711	155,374
ARC Adjustment	(43,930)	(48,125)	(53,078)
Interest Adjustment to Net OPEB Obligation	43,036	47,146	51,999
OPEB Cost	160,056	173,732	154,295
Contributions Made	(42,647)	(35,074)	(66,254)
Increase in Net OPEB Obligation	117,409	138,658	88,041
Net OPEB Obligation - beginning of year	1,229,615	1,347,023	1,485,681
Net OPEB Obligation - end of year	\$ 1,347,024	\$ 1,485,681	\$ 1,573,722

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
09/30/14	\$160,056	26.65%	\$1,347,024
09/30/15	\$173,732	20.20%	\$1,485,681
09/30/16	\$154,284	42.90%	\$1,573,722

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Funded Status and Funding Progress

The funded Status of the plan as of September 30, 2015, was as follows:

Actuarial Valuation Date	10/01/2015
Actuarial Value of Assets	\$ -
Actuarial Accrued Liability	\$ 2,300,985
Unfunded Actuarial Liability	\$ 2,300,985
Funded Ratio	-
Annualized Covered Payroll	\$ 9,527,663
Ratio of Unfunded Actuarial Liability to Annual Covered Payroll	24.2%
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.

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, 2015
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	7.5% initial rate, 5.0% ultimate rate, 10 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, 2016.

CITY OF KINGSVILLE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2016

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, 2016 for the following funds:

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

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

\$2,318,183 addition to revenues and other financing sources comprised mainly of:

\$5,950 in Parks and Recreation - Donation revenue to the Parks and Recreation Department

\$536,000 in Streets - Revenue from the Street Maintenance Fee adopted on November 23, 2015, effective January 1, 2016.

\$49,792 in Fund Transfers - To transfer TxDOT refund to be used for City Hall Complex Improvements.

\$8,000 in Police - Child Safety Fund revenues from Municipal Court Fees.

\$5,499 in Parks and Recreation - Donation revenue to the Parks and Recreation Department.

\$100,000 in Non-Departmental - Transfer revenue to create Disaster Response Recovery Fund.

\$22,821 in Non-Departmental - Transfer revenue to close out Fund 096 - Insurance Claim Recovery Fund.

\$23,405 in Non-Departmental - Transfer revenue to close out Fund 099 - Disaster Response Recovery Fund.

(\$45,000) in Planning - To State Grant Revenues to Fund 079 - Texas Capital Main Street Fund.

\$1,662,233 in Non-Departmental - Insurance Claim proceeds from May 31, 2016 storm event.

\$25,000 in Non-Departmental - Transfer revenue from Fund 071 - FEMA Assistance.

\$4,562,640 addition to expenditures and other financing uses comprised mainly of:

\$29,392 in City Special - To include TxDOT agreement to contribute right of way funds for US-77/I-69.

\$5,950 in Parks and Recreation - For recreational programs provided by parks donations.

\$536,000 in Streets - For Street and Bridge expenditures provided by the Street Maintenance Fee.

\$49,792 in City Special - For City Hall complex improvements.

(\$144,080) in Risk Management - To transfer the Risk Management department under the Personnel (Human Resources) department.

\$144,080 in Personnel - To transfer the Risk Management department under the Personnel (Human Resources) department.

CITY OF KINGSVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2016

\$8,000 in Police-Admin - For traffic safety vests and portable traffic control devices from Municipal Court Fees that are used for programs that enhance public safety or security.

\$40,000 in Parks - For Coliseum Assessment and Master Site Plan.

\$5,499 in Parks and Recreation - For machinery and equipment provided by parks donations.

\$2,106,900 in Landfill - Landfill expansion for Phase II on the landfill permit amendment through TCEQ and construction and engineering for Sector 4.

(\$10,000) in Parks and Recreation - To transfer matching recreational program funds to Texas Parks and Wildlife Community Outdoor Outreach grant fund.

\$13,249 in Fund Transfers - To transfer matching recreational program funds to Texas Parks & Wildlife Community Outdoor Outreach grant fund.

\$50,000 in Fund Transfers - To transfer funds to create a Disaster Response Recovery Fund.

\$5,000 in Community Appearance - For storm debris collection.

\$7,300 in Service Center - For generator equipment.

\$40,000 in Sanitation - For overtime due to increased activity and debris removal from the May 31, 2016 storm event.

\$10,610 in Police Communicaitons - For the purchase and installation of a generator for the radio tower site.

\$6,000 in Parks and Recreation - For salaries and related expenses to extend the Parks and Recreation Brookshire Pool season.

\$13,450 in Police Communications - For siren repairs due to storm damage from the May 31, 2016 weather event.

(\$50,000) in Planning - To transfer Grounds and Permanent Fixtures funds to Fund 079-Texas Capital Main Street Fund.

\$5,000 in Fund Transfers - To transfer grant match to Fund 079-Texas Capital Main Street Fund.

(\$9,121) in Sanitation - To transfer excess group health insurance funds.

\$9,121 in Purchasing - To transfer excess group health insurance funds.

\$6,250 in Fund Transfers - To transfer to Fund 071-FEMA Assistance.

\$549,017 in City Special - For emergency clean up services after the storm event provided by insurance claim funds.

\$474,314 in City Special - For building repairs to City owned property after the storm event provided by insurance claim funds.

\$641,082 in Parks - for repairs to Park buildings after the storm event provided by insurance claim funds.

\$22,821 in Non Departmental - To transfer excess funds to Fund 001-General Fund.

\$23,405 in Non Departmental - Transfer to close out Fund 099-Disaster Response Recovery Fund.

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

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, 2016, the liability for accrued vacation leave and accrued sick leave is approximately \$994,305. The amount applicable to the General Fund and Enterprise Fund of \$946,406 and \$76,135, 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, 2016.

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, 2016

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, 2016 was \$.426386 per thousand gallons of water delivered.
- b. The adjustment in the handling charge may exceed an increase of 5% in any contract year if the Authority obtains prior written approval of customers representing in the aggregate not less than 75% of the water purchased from the Authority during its preceding Fiscal Year.
- c. Notice of a change in handling charge shall be delivered to the City on or before the 10th day of August of each contract year. The notice shall state the amount of the new charge and the reason and calculations for the adjustment. The new handling charge shall be effective commencing at the beginning of the next contract year.
- d. The City may object to the handling charge for any contract year after the initial year by delivering to the Authority a notice stating the nature of the City's objection to the Charge. The objection shall be resolved by following the dispute resolution procedures established in the contract. If the dispute is not resolved by the beginning of the subject contract year, the City shall pay at the new rate until the dispute is resolved. The handling charge determined through the dispute resolution procedure shall be effective as the beginning of that contract year unless otherwise agreed by the parties.
- e. Any change in the handling charge, by agreement, dispute resolution, or otherwise shall apply to all customers of the Authority, in accordance with the contract.

2. Cost of Water

The cost of water shall be defined as meaning the actual price per one thousand gallons paid by the Authority to the City of Corpus Christi for water received by the Authority under the Corpus Christi Water Supply Agreement during a service month. It is expected that the cost of water will fluctuate from month to month, resulting in a corresponding fluctuation in the water rate. The water rate ranged from \$.2303288 to \$.2729674.

3. Water Supply Contract

The City and STWA signed a new 1 year contract on September 26, 2016 for the 2016-17 contract year.

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 \$348,392 and \$350,789 in 2016 and 2015, respectfully.

N. Risk Management

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

CITY OF KINGSVILLE

*NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016*

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 \$217,730 at September 30, 2016 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 2016 and 2015 were:

	Beginning-of Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2015	\$ 267,421	\$ 2,322,115	\$ 2,405,966	183,570
2016	\$ 183,570	\$ 2,617,116	\$ 2,582,956	217,730

The liability at year end is equal to three months of paid claims subsequent to September 30, 2016 but that had been incurred prior to that date, and is considered a current liability for reporting purposes.

3. Litigation Tort Claims

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

O. Closure and Postclosure Care Cost

State and federal laws and regulations require that the City place a final cover on its landfill when closed and perform maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, expense provisions and related liabilities are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure costs is based on the amount of the landfill used during the year. The amount of the liability is based on what it would cost to have all such closure and postclosure care performed in the current year, and is assigned to periods based on cumulative landfill use. The estimated liability for landfill closure and postclosure care costs recorded in the business-type activities at September 30, 2016 is \$2,550,059, based on 37.52% usage (filled) of the landfill through September 30, 2016. It is estimated that an additional \$4,246,475 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 \$6,796,534 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, 2016. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

CITY OF KINGSVILLE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2016

P. Segment Information for Enterprise Funds

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

Q. Non-Budgeted Funds

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

R. Subsequent Event

1. Management has reviewed subsequent events and transactions that occurred after the balance sheet date through March 24, 2017 (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 I subsequent events that require additional disclosure.

CITY OF KINGSVILLE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2016

EXHIBIT B-1
Page 1 of 8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Taxes:				
General Property Taxes:				
Current taxes	\$ 4,855,728	\$ 4,855,728	\$ 4,760,797	\$ (94,931)
Delinquent taxes	125,000	125,000	110,793	(14,207)
Penalty and interest	95,000	95,000	81,048	(13,952)
Late rendition fee	6,000	6,000	4,429	(1,571)
In lieu of tax payments	106,000	106,000	105,698	(302)
Total General Property Taxes	5,187,728	5,187,728	5,062,765	(124,963)
City Sales Tax	4,550,000	4,550,000	4,599,145	49,145
Mixed Drink Tax	60,000	60,000	51,211	(8,789)
Bingo Tax	5,500	5,500	4,721	(779)
Business Taxes:				
Electric franchise tax	720,000	720,000	744,716	24,716
Telephone franchise tax	110,000	110,000	90,000	(20,000)
Gas franchise tax	85,000	85,000	70,114	(14,886)
Cable T.V. franchise tax	85,000	85,000	91,426	6,426
Total Business Taxes	1,000,000	1,000,000	996,256	(3,744)
Total Taxes	10,803,228	10,803,228	10,714,098	(89,130)
Permits and Licenses:				
Plumbing permits	18,000	18,000	22,575	4,575
Electric permits	25,000	25,000	34,356	9,356
Building permits	100,000	100,000	84,825	(15,175)
Moving permits	600	600	495	(105)
Other permits	73,650	73,650	50,605	(23,045)
Amusement licenses	100	100	45	(55)
Beer and mixed drink licenses	7,200	7,200	6,850	(350)
Electrical licenses	3,000	3,000	4,802	1,802
Contractor licenses	28,000	28,000	29,475	1,475
Solicitor licenses	725	725	605	(120)
Food handler licenses	18,600	18,600	27,417	8,817
Other licenses	2,100	2,100	225	(1,875)
Total Permits and Licenses	276,975	276,975	262,275	(14,700)
Charges for Services:				
General Service Fees:				
Zoning fees	3,500	3,500	3,750	250
Platting fees	3,300	3,300	664	(2,636)
Police accident reports	3,000	3,000	1,603	(1,397)
Arrest fees	23,000	23,000	16,877	(6,123)
Child safety fund reports	--	8,000	8,000	--
Fire reports	30	30	--	(30)
Ambulance service	529,000	529,000	477,088	(51,912)
Park and recreational fees	370,755	394,333	359,893	(34,440)
Street maintenance fees	--	536,000	601,700	65,700
Other service fees	21,387	21,387	21,386	(1)
Total General Service Fees	953,972	1,521,550	1,490,961	(30,589)

CITY OF KINGSVILLE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2016

EXHIBIT B-1
Page 2 of 8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
City/County Services:				
Demolition recovery revenue	45,000	45,000	21,107	(23,893)
Weed control	24,000	24,000	41,342	17,342
Total City/County Services	69,000	69,000	62,449	(6,551)
Sanitation Services:				
Garbage fees	3,403,600	3,403,600	3,230,511	(173,089)
Landfill fees	623,000	623,000	583,230	(39,770)
Miscellaneous	55,400	55,400	49,499	(5,901)
Total Sanitation Services	4,082,000	4,082,000	3,863,240	(218,760)
Total Charges for Services	5,104,972	5,672,550	5,416,650	(255,900)
Fines and Forfeits:				
Court fines	896,000	896,000	699,142	(196,858)
Minor fines	31,500	31,500	19,750	(11,750)
Collection of state taxes	26,000	26,000	18,911	(7,089)
Other court fines	22,700	22,700	24,274	1,574
Total Fines and Forfeits	976,200	976,200	762,077	(214,123)
Interest and Miscellaneous:				
Interest from investments	25,784	25,784	40,233	14,449
Auction revenue	--	--	43,215	43,215
Sale of city publications	1,210	1,210	1,735	525
Sale of recycle item	12,000	12,000	2,508	(9,492)
Miscellaneous	30,400	30,400	68,101	37,701
Total Interest and Miscellaneous	69,394	69,394	155,792	86,398
Donations	--	1,730	1,730	--
Intergovernmental Revenue	550,000	550,000	550,000	--
Federal and State Grants	404,100	359,100	--	(359,100)
Total Revenues	18,184,869	18,709,177	17,862,622	(846,555)
Expenditures:				
City Administration Department				
City Commission:				
Personal services	79,733	78,333	73,991	4,342
Supplies	1,200	1,654	1,654	--
Services	40,677	43,623	33,419	10,204
Total City Commission	121,610	123,610	109,064	14,546

CITY OF KINGSVILLE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
City Manager:				
Personal services	254,271	231,371	226,010	5,361
Supplies	3,300	7,342	5,973	1,369
Services	17,620	36,478	31,289	5,189
Total City Manager	275,191	275,191	263,272	11,919
Municipal Building:				
Personal services	22,518	22,518	10,206	12,312
Supplies	600	718	718	--
Services	174,838	168,962	113,965	54,997
Building maintenance	25,000	29,600	29,460	140
Lease payments	10,200	7,411	1,521	5,890
Total Municipal Building	233,156	229,208	155,870	73,338
Risk Management:				
Personal services	114,616	--	--	--
Supplies	10,000	--	--	--
Services	19,464	--	--	--
Total Risk Management	144,080	--	--	--
City Special:				
Personal services	221,440	206,858	206,855	3
Supplies	900	133,874	145,774	(11,900)
Services	575,995	1,709,948	1,254,446	455,502
Building maintenance	17,450	504	5,184	(4,680)
Lease payments	--	13,610	16,364	(2,754)
Capital outlay	2,787,234	3,191,679	1,877,383	1,314,296
Total City Special	3,603,019	5,256,472	3,506,006	1,750,466
Total City Administration Department	4,377,056	5,884,481	4,034,212	1,850,269
Management Services Department				
Personnel:				
Personal services	140,130	255,641	249,953	5,688
Supplies	5,070	18,140	16,174	1,966
Services	35,195	50,694	39,367	11,327
Total Personnel	180,395	324,475	305,494	18,981
Municipal Court:				
Personal services	246,909	240,721	230,385	10,336
Supplies	7,130	6,006	5,324	682
Services	7,696	7,201	5,158	2,043
Total Municipal Court	261,735	253,928	240,867	13,061

CITY OF KINGSVILLE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2016

EXHIBIT B-1
Page 4 of 8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Finance:				
Personal services	409,569	408,357	407,520	837
Supplies	6,100	15,155	10,643	4,512
Services	116,605	113,610	113,164	446
Total Finance	532,274	537,122	531,327	5,795
Purchasing:				
Personal services	138,794	147,915	146,793	1,122
Supplies	4,200	4,729	3,507	1,222
Services	11,825	11,296	8,621	2,675
Total Purchasing	154,819	163,940	158,921	5,019
Warrant Enforcement:				
Personal services	70,186	74,610	74,225	385
Supplies	3,572	3,154	3,001	153
Services	3,500	2,176	2,172	4
Equipment maintenance	3,000	3,277	3,277	--
Total Warrant Enforcement	80,258	83,217	82,675	542
Computer Operations:				
Personal services	115,590	118,148	118,044	104
Supplies	60,546	62,396	61,547	849
Services	167,436	182,492	177,797	4,695
Equipment maintenance	1,500	1,500	--	1,500
Lease payments	18,000	4,537	--	4,537
Capital outlay	6,000	--	--	--
Total Computer Operations	369,072	369,072	357,388	11,684
Total Management Services Department	1,578,553	1,731,754	1,676,672	55,082
Legal Department				
Personal services	196,699	196,699	192,802	3,897
Supplies	4,275	4,773	4,169	604
Services	47,675	47,177	38,834	8,343
Total Legal Department	248,649	248,649	235,805	12,844
Urban Development Department				
Planning:				
Personal services	150,710	151,373	148,979	2,394
Supplies	2,025	2,529	1,153	1,376
Services	24,526	23,359	8,810	14,549
Building maintenance	50,000	--	--	--
Total Planning	227,261	177,260	158,942	18,318

CITY OF KINGSVILLE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2016

EXHIBIT B-1
Page 5 of 8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Permits and Licenses:				
Personal services	159,377	160,896	160,759	137
Supplies	5,606	5,516	3,765	1,751
Services	11,466	9,078	6,429	2,649
Equipment maintenance	750	750	580	170
Lease payments	3,500	4,460	4,460	--
Total Permits and Licenses	180,699	180,699	175,993	4,706
Community Appearance:				
Personal services	289,443	296,143	289,321	6,822
Supplies	17,106	26,345	26,017	328
Services	72,535	62,866	50,833	12,033
Equipment maintenance	5,700	7,700	7,217	483
Building maintenance	6,500	3,230	773	2,457
Lease payments	6,000	6,000	4,100	1,900
Total Community Appearance	397,284	402,284	378,261	24,023
Engineering:				
Personal services	113,995	114,975	113,415	1,560
Supplies	2,074	3,590	3,590	--
Services	28,360	26,261	1,760	24,501
Equipment maintenance	520	122	122	--
Total Engineering	144,949	144,949	118,887	26,062
Total Urban Development Department	950,193	905,192	832,083	73,109
Police Department				
Personal services	4,210,680	4,208,785	4,070,975	137,810
Supplies	185,442	177,466	139,658	37,808
Services	483,066	486,658	445,742	40,916
Equipment maintenance	71,633	90,544	61,493	29,051
Building maintenance	42,000	41,317	41,317	--
Lease payments	19,000	17,000	12,566	4,434
Capital outlay	--	22,610	--	22,610
Bad debt	--	--	10,480	(10,480)
Total Police Department	5,011,821	5,044,381	4,782,231	262,150
Fire Department				
Personal services	2,663,913	2,570,969	2,483,885	87,084
Supplies	135,474	135,268	132,064	3,204
Services	134,806	206,534	183,998	22,536
Equipment maintenance	40,450	52,383	42,989	9,394
Building maintenance	20,350	11,270	8,621	2,649
Lease payments	3,800	5,510	2,946	2,564
Capital outlay	437,640	455,000	--	455,000
Total Fire Department	3,436,433	3,436,933	2,854,503	582,430

CITY OF KINGSVILLE
 GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

EXHIBIT B-1
 Page 6 of 8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Volunteer Fire Department				
Personal services	18,003	18,003	14,975	3,028
Supplies	51,975	43,256	27,813	15,443
Services	24,000	32,919	30,840	2,079
Equipment maintenance	2,081	1,881	225	1,656
Building maintenance	4,269	4,269	595	3,674
Total Volunteer Fire Department	100,328	100,328	74,448	25,880
Public Works Department				
Public Works Administration:				
Personal services	68,327	68,435	61,349	7,086
Supplies	5,545	5,495	5,381	114
Services	37,817	49,263	48,067	1,196
Equipment maintenance	1,700	80	80	--
Building maintenance	23,105	24,585	30,685	(6,100)
Lease payments	3,600	3,373	3,373	--
Capital outlay	--	7,300	--	7,300
Total Public Works Administration	140,094	158,531	148,935	9,596
Garage:				
Personal services	406,167	407,660	405,952	1,708
Supplies	16,214	16,306	15,505	801
Services	9,330	7,923	7,404	519
Equipment maintenance	3,200	3,022	2,955	67
Total Garage	434,911	434,911	431,816	3,095
Sanitation:				
Personal services	787,940	775,308	721,077	54,231
Supplies	141,603	119,114	81,230	37,884
Services	26,397	26,129	17,841	8,288
Equipment maintenance	183,606	206,369	148,597	57,772
Building maintenance	2,500	5	5	--
Bad debt	25,000	25,000	5,630	19,370
Total Sanitation	1,167,046	1,151,925	974,380	177,545
Street:				
Personal services	894,238	867,116	821,635	45,481
Supplies	79,774	70,176	69,794	382
Services	263,916	243,130	240,884	2,246
Equipment maintenance	55,500	81,739	54,994	26,745
Building maintenance	100,600	656,729	418,431	238,298
Lease payments	70,428	70,428	70,427	1
Bad debt	--	--	254	(254)
Total Street	1,464,456	1,989,319	1,676,419	312,900

CITY OF KINGSVILLE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2016

EXHIBIT B-1
Page 7 of 8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Landfill:				
Personal services	414,741	436,065	395,803	40,262
Supplies	99,158	85,698	77,896	7,802
Services	184,569	479,157	202,825	276,332
Equipment maintenance	93,500	98,767	91,798	6,969
Building maintenance	20,500	11,781	11,781	--
Lease payments	65,244	65,244	65,242	2
Capital outlay	--	1,856,900	271,626	1,585,274
Bad debt	4,695	4,695	542	4,153
Total Landfill	882,407	3,038,307	1,117,513	1,920,794
Recycling Center:				
Personal services	33,067	34,129	33,188	941
Supplies	1,175	975	133	842
Services	10,414	9,552	7,432	2,120
Equipment maintenance	800	1,800	501	1,299
Building maintenance	2,000	1,000	347	653
Total Recycling Center	47,456	47,456	41,601	5,855
Total Public Works Department	4,136,370	6,820,449	4,390,664	2,429,785
Health Department				
Personal services	248,034	249,168	239,460	9,708
Supplies	45,427	49,218	46,656	2,562
Services	41,765	41,990	29,451	12,539
Equipment maintenance	3,400	3,400	909	2,491
Building maintenance	10,000	9,850	4,742	5,108
Capital outlay	5,000	--	--	--
Total Health Department	353,626	353,626	321,218	32,408
Parks and Recreation Department				
Personal services	513,011	513,376	463,959	49,417
Supplies	58,626	61,986	59,862	2,124
Services	221,202	259,339	206,832	52,507
Equipment maintenance	31,161	15,627	5,074	10,553
Building maintenance	11,805	18,589	17,873	716
Lease payments	--	4,922	2,674	2,248
Capital outlay	--	657,378	16,296	641,082
Total Parks and Recreation Department	835,805	1,531,216	772,570	758,646

CITY OF KINGSVILLE
 GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Golf Course				
Personal services	284,094	313,399	291,569	21,830
Supplies	58,194	74,331	74,145	186
Services	65,905	42,262	38,059	4,203
Equipment maintenance	12,000	9,855	7,432	2,423
Building maintenance	30,500	12,846	12,846	--
Lease payments	60,276	60,276	55,221	5,055
Total Golf Course	<u>510,969</u>	<u>512,969</u>	<u>479,272</u>	<u>33,697</u>
Library Department				
Personal services	204,693	212,760	200,712	12,048
Supplies	42,346	43,588	41,801	1,787
Services	26,734	22,256	20,525	1,731
Equipment maintenance	6,905	6,007	5,936	71
Building maintenance	6,913	2,980	2,915	65
Total Library Department	<u>287,591</u>	<u>287,591</u>	<u>271,889</u>	<u>15,702</u>
Total Expenditures	<u>21,827,394</u>	<u>26,857,568</u>	<u>20,725,567</u>	<u>6,132,001</u>
Excess (deficiency) of revenues (under) expenditures	(3,642,525)	(8,148,391)	(2,862,945)	5,285,446
Other Financing Sources (Uses):				
Operating transfers in	1,496,158	1,734,982	1,578,138	(156,844)
Operating transfers out	(410,890)	(573,760)	(405,761)	167,999
Insurance settlement	--	1,662,233	1,605,908	(56,325)
Lease proceeds	--	--	10,396	10,396
Total Other Financing Sources (Uses)	<u>1,085,268</u>	<u>2,823,455</u>	<u>2,788,681</u>	<u>(34,774)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(2,557,257)	(5,324,936)	(74,264)	5,250,672
Fund Balances/Equity, October 1	10,519,157	10,519,157	10,519,157	--
Fund Balances/Equity, September 30	<u>\$ 7,961,900</u>	<u>\$ 5,194,221</u>	<u>\$ 10,444,893</u>	<u>\$ 5,250,672</u>

CITY OF KINGSVILLE
POLICE FORFEITURE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Fines and Forfeits:				
Court fines	\$ 1,200,000	\$ 1,200,000	\$ 600,888	\$ (599,112)
Confiscated revenue	168,800	168,800	1,621,950	1,453,150
Minor fines	20,000	20,000	14,778	(5,222)
Total Fines and Forfeits	<u>1,388,800</u>	<u>1,388,800</u>	<u>2,237,616</u>	<u>848,816</u>
Interest and Miscellaneous:				
Interest from investments	1,126	1,126	10,294	9,168
Auction revenue	--	--	93,216	93,216
Miscellaneous	500	500	50,844	50,344
Total Interest and Miscellaneous	<u>1,626</u>	<u>1,626</u>	<u>154,354</u>	<u>152,728</u>
Total Revenues	<u>1,390,426</u>	<u>1,390,426</u>	<u>2,391,970</u>	<u>1,001,544</u>
Expenditures:				
Management Services Department				
Municipal Court:				
Supplies	--	2,350	2,350	--
Services	12,000	12,000	2,209	9,791
Lease payments	6,000	6,000	4,628	1,372
Capital outlay	25,000	22,650	16,552	6,098
Total Municipal Court	<u>43,000</u>	<u>43,000</u>	<u>25,739</u>	<u>17,261</u>
Total Management Services Department	<u>43,000</u>	<u>43,000</u>	<u>25,739</u>	<u>17,261</u>
Police Department				
Supplies	36,000	47,000	25,996	21,004
Services	106,621	106,621	54,846	51,775
Capital outlay	11,000	--	--	--
Total Police Department	<u>153,621</u>	<u>153,621</u>	<u>80,842</u>	<u>72,779</u>
Task Force				
Personal services	889,760	889,760	609,953	279,807
Supplies	147,137	151,637	94,348	57,289
Services	125,157	118,657	908,053	(789,396)
Equipment maintenance	36,250	38,250	16,143	22,107
Building maintenance	20,760	20,760	8,335	12,425
Lease payments	17,000	17,000	3,026	13,974
Capital outlay	56,000	56,000	59,283	(3,283)
Total Task Force	<u>1,292,064</u>	<u>1,292,064</u>	<u>1,699,141</u>	<u>(407,077)</u>
Total Expenditures	<u>1,488,685</u>	<u>1,488,685</u>	<u>1,805,722</u>	<u>(317,037)</u>
Excess (deficiency) of revenues (under) expenditures	(98,259)	(98,259)	586,248	684,507

CITY OF KINGSVILLE
 POLICE FORFEITURE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Other Financing Sources (Uses):				
Operating transfers out	<u>(50,000)</u>	<u>(300,000)</u>	<u>(300,000)</u>	<u>--</u>
Total Other Financing Sources (Uses)	<u>(50,000)</u>	<u>(300,000)</u>	<u>(300,000)</u>	<u>--</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(148,259)	(398,259)	286,248	684,507
Fund Balances/Equity, October 1	<u>1,439,903</u>	<u>1,439,903</u>	<u>1,439,903</u>	<u>--</u>
Fund Balances/Equity, September 30	<u>\$ 1,291,644</u>	<u>\$ 1,041,644</u>	<u>\$ 1,726,151</u>	<u>\$ 684,507</u>

CITY OF KINGSVILLE*REQUIRED SUPPLEMENTARY INFORMATION**SCHEDULE OF FUNDING PROGRESS**OTHER POST EMPLOYMENT BENEFITS**YEAR ENDED SEPTEMBER 30, 2016*

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
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%
10/01/15	--	2,300,985	2,300,985	--	9,527,663	24.2%

(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 **

EXHIBIT B-3

	<u>Fiscal Year</u> 2016	<u>Fiscal Year</u> 2015
Total Pension Liability		
Service cost	\$ 1,478,821	\$ 1,277,906
Interest (on the total pension liability)	3,700,688	3,516,450
Changes of benefit terms	--	--
Difference between expected and actual experience	(652,092)	37,693
Changes in assumptions	70,021	--
Benefit payments, including refunds of employee contributions	<u>(2,279,840)</u>	<u>(2,321,247)</u>
Net Change in Total Pension Liability	2,317,598	2,510,802
Total Pension Liability - Beginning	53,267,476	50,756,674
Total Pension Liability - Ending (A)	<u>\$ 55,585,074</u>	<u>\$ 53,267,476</u>
 Plan Fiduciary Net Position		
Contributions - employer	\$ 1,067,110	\$ 1,076,141
Contributions - employee	778,913	761,677
Net investment income	74,370	2,755,154
Benefit payments, including refunds of employee contributions	(2,279,840)	(2,321,247)
Administrative expense	(45,302)	(28,766)
Other	<u>(2,237)</u>	<u>(2,365)</u>
Net Change in Plan Fiduciary Net Position	(406,986)	2,240,594
Plan Fiduciary Net Position - Beginning	50,404,198	48,163,604
Plan Fiduciary Net Position - Ending (B)	<u>\$ 49,997,212</u>	<u>\$ 50,404,198</u>
Net Pension Liability - Ending (A-B)	<u>\$ 5,587,862</u>	<u>\$ 2,863,278</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	89.95%	94.62%
Covered Employee Payroll	\$ 11,127,323	\$ 10,881,102
Net Pension Liability as a Percentage of Covered Employee Payroll	50.22%	26.31%

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

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

EXHIBIT B-4

	Fiscal Year		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,056,924	\$ 1,067,110	\$ 1,076,141
Contributions in relation to the contractually required contribution	(1,056,924)	(1,067,110)	(1,076,141)
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
City's covered-employee payroll	\$ 11,208,130	\$ 11,127,323	\$ 10,881,102
Contributions as a percentage of covered-employee payroll	9.43%	9.59%	9.89%

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

CITY OF KINGSVILLE**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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

Texas Municipal Retirement System

Valuation Date	Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Payroll, Closed
Remaining amortization period	30 years
Asset valuation method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.5% to 12%, including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table based on rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Other Information	There were no benefit changes during the year.

CITY OF KINGSVILLE
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2016

	<u>Tourism Fund</u>	<u>Federal Grants</u>
ASSETS		
Assets:		
Cash and cash equivalents	\$ 75	\$ --
Equity in pooled cash and cash equivalents	--	15,411
Receivables (net of allowances for uncollectibles):		
Accounts	42,716	--
Due from:		
Other governments	--	399,458
Inventory, at cost	1,533	--
Restricted assets:		
Cash and cash equivalents	666,713	--
Total Assets	<u>\$ 711,037</u>	<u>\$ 414,869</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND EQUITY		
Liabilities:		
Accounts payable	\$ 8,163	\$ --
Accrued wages payable	7,547	--
Payable from restricted assets:		
Due to:		
Other funds	97,283	397,418
Other governments	17,634	55,153
Total Liabilities	<u>130,627</u>	<u>452,571</u>
Deferred Inflows of Resources:		
Deferred revenue	735	7,705
Total Deferred Inflows of Resources	<u>735</u>	<u>7,705</u>
Equity:		
Fund balances:		
Nonspendable:		
Restricted:		
Tourism	579,675	--
Federal and state programs	--	(45,407)
Assigned:		
Drug awareness	--	--
Total Equity	<u>579,675</u>	<u>(45,407)</u>
Total Liabilities, Deferred Inflows of Resources, and Equity	<u>\$ 711,037</u>	<u>\$ 414,869</u>

EXHIBIT C-1

State Grants	Other Special Revenues	Total Nonmajor Special Revenue Funds (See Exhibit A-3)
\$ --	\$ --	\$ 75
6,943	2,365	24,719
--	--	42,716
20,059	--	419,517
--	--	1,533
--	--	666,713
<u>\$ 27,002</u>	<u>\$ 2,365</u>	<u>\$ 1,155,273</u>
\$ 1,480	\$ --	\$ 9,643
--	--	7,547
3,168	--	497,869
--	--	72,787
<u>4,648</u>	<u>--</u>	<u>587,846</u>
22,354	--	30,794
<u>22,354</u>	<u>--</u>	<u>30,794</u>
--	--	579,675
--	--	(45,407)
--	2,365	2,365
<u>--</u>	<u>2,365</u>	<u>536,633</u>
<u>\$ 27,002</u>	<u>\$ 2,365</u>	<u>\$ 1,155,273</u>

CITY OF KINGSVILLE

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Tourism Fund	Federal Grants
Revenue:		
Taxes	\$ 510,470	\$ --
Charges for services	1,137	--
Interest and miscellaneous	575	--
Federal and state grants	--	500,070
Total Revenues	<u>512,182</u>	<u>500,070</u>
Expenditures:		
Current:		
General government and administration	--	66,425
Public safety	--	189,693
Public works	--	230,638
City/County	--	69,943
Tourism	553,609	--
Total Expenditures	<u>553,609</u>	<u>556,699</u>
Excess (deficiency) of revenues (under) expenditures	(41,427)	(56,629)
Other Financing Sources (Uses):		
Transfers in	--	11,165
Transfers out	(75,000)	--
Total Other Financing Sources (Uses)	<u>(75,000)</u>	<u>11,165</u>
Net Change in Fund Balances	(116,427)	(45,464)
Fund Balances/Equity, October 1	696,102	57
Fund Balances/Equity, September 30	<u>\$ 579,675</u>	<u>\$ (45,407)</u>

EXHIBIT C-2

State Grants	Other Special Revenues	Total Nonmajor Special Revenue Funds (See Exhibit A-5)
\$ --	\$ --	\$ 510,470
--	--	1,137
--	--	575
20,934	--	521,004
<u>20,934</u>	<u>--</u>	<u>1,033,186</u>
--	--	66,425
875	--	190,568
--	--	230,638
20,059	--	90,002
--	--	553,609
<u>20,934</u>	<u>--</u>	<u>1,131,242</u>
--	--	(98,056)
--	--	11,165
--	(2,918)	(77,918)
<u>--</u>	<u>(2,918)</u>	<u>(66,753)</u>
--	(2,918)	(164,809)
--	5,283	701,442
<u>\$ --</u>	<u>\$ 2,365</u>	<u>\$ 536,633</u>

CITY OF KINGSVILLE

TOURISM FUND

SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2016

EXHIBIT C-3

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
General Property Taxes:				
Hotel/Motel property tax	\$ 500,000	\$ 500,000	\$ 510,470	\$ 10,470
Total General Property Taxes	<u>500,000</u>	<u>500,000</u>	<u>510,470</u>	<u>10,470</u>
Charges for Services:				
General Service Fees:				
Park and recreational fees	2,000	2,000	935	(1,065)
Total General Service Fees	<u>2,000</u>	<u>2,000</u>	<u>935</u>	<u>(1,065)</u>
Sanitation Services:				
Miscellaneous	--	--	202	202
Total Sanitation Services	<u>--</u>	<u>--</u>	<u>202</u>	<u>202</u>
Total Charges for Services	<u>2,000</u>	<u>2,000</u>	<u>1,137</u>	<u>(863)</u>
Interest and Miscellaneous:				
Interest from investments	300	300	336	36
Miscellaneous	--	--	239	239
Total Interest and Miscellaneous	<u>300</u>	<u>300</u>	<u>575</u>	<u>275</u>
Total Revenues	<u>502,300</u>	<u>502,300</u>	<u>512,182</u>	<u>9,882</u>
Expenditures:				
Tourism Department				
Personal services	254,025	254,025	241,753	12,272
Supplies	24,133	23,454	21,443	2,011
Services	340,321	335,046	214,810	120,236
Equipment maintenance	2,300	600	531	69
Building maintenance	57,850	82,994	41,363	41,631
Lease payments	7,000	7,263	6,763	500
Capital outlay	100,000	62,247	26,946	35,301
Total Tourism Department	<u>785,629</u>	<u>765,629</u>	<u>553,609</u>	<u>212,020</u>
Total Expenditures	<u>785,629</u>	<u>765,629</u>	<u>553,609</u>	<u>212,020</u>
Excess (deficiency) of revenues (under) expenditures	(283,329)	(263,329)	(41,427)	221,902
Other Financing Sources (Uses):				
Operating transfers out	(35,000)	(75,000)	(75,000)	--
Total Other Financing Sources (Uses)	<u>(35,000)</u>	<u>(75,000)</u>	<u>(75,000)</u>	<u>--</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(318,329)	(338,329)	(116,427)	221,902
Fund Balances/Equity, October 1	696,102	696,102	696,102	--
Fund Balances/Equity, September 30	<u>\$ 377,773</u>	<u>\$ 357,773</u>	<u>\$ 579,675</u>	<u>\$ 221,902</u>

CITY OF KINGSVILLE
FEDERAL GRANTS FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Federal and State Grants	\$ --	\$ 706,703	\$ 500,070	\$ (206,633)
Total Revenues	--	706,703	500,070	(206,633)
Expenditures:				
City Administration Department				
City Special:				
Personal services	--	35,823	35,823	--
Equipment maintenance	--	26,391	26,391	--
Total City Special	--	62,214	62,214	--
Total City Administration Department	--	62,214	62,214	--
Management Services Department				
Personnel:				
Personal services	--	2,456	2,456	--
Total Personnel	--	2,456	2,456	--
Total Management Services Department	--	2,456	2,456	--
Urban Development Department				
Planning:				
Services	--	2,319	1,755	564
Total Planning	--	2,319	1,755	564
Total Urban Development Department	--	2,319	1,755	564
Police Department				
Personal services	--	207,773	69,096	138,677
Supplies	--	25,380	25,380	--
Equipment maintenance	--	4,421	4,421	--
Capital outlay	--	19,157	17,780	1,377
Total Police Department	--	256,731	116,677	140,054
Task Force				
Personal services	--	31,672	30,611	1,061
Supplies	--	39,618	39,618	--
Total Task Force	--	71,290	70,229	1,061

CITY OF KINGSVILLE
 FEDERAL GRANTS FUND
 SPECIAL REVENUE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Fire Department				
Personal services	--	1,779	1,779	--
Equipment maintenance	--	1,008	1,008	--
Total Fire Department	--	2,787	2,787	--
Public Works Department				
Sanitation:				
Personal services	--	55,168	55,168	--
Equipment maintenance	--	57,975	57,975	--
Total Sanitation	--	113,143	113,143	--
Street:				
Personal services	--	29,753	29,753	--
Equipment maintenance	--	26,064	26,064	--
Building maintenance	--	19,851	19,851	--
Total Street	--	75,668	75,668	--
Landfill:				
Personal services	--	32,857	32,857	--
Services	--	2,795	2,795	--
Equipment maintenance	--	6,175	6,175	--
Total Landfill	--	41,827	41,827	--
Total Public Works Department	--	230,638	230,638	--
Parks and Recreation Department				
Personal services	--	37,671	37,671	--
Equipment maintenance	--	10,178	10,178	--
Total Parks and Recreation Department	--	47,849	47,849	--
Golf Course				
Personal services	--	21,390	21,390	--
Equipment maintenance	--	704	704	--
Total Golf Course	--	22,094	22,094	--
Total Expenditures	--	698,378	556,699	141,679
Excess (deficiency) of revenues (under) expenditures	--	8,325	(56,629)	(64,954)

CITY OF KINGSVILLE
 FEDERAL GRANTS FUND
 SPECIAL REVENUE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Other Financing Sources (Uses):				
Operating transfers in	--	16,675	11,165	(5,510)
Operating transfers out	--	(25,000)	--	25,000
Total Other Financing Sources (Uses)	--	(8,325)	11,165	(19,490)
Excess of revenues and other financing sources over (under) expenditures and other financing uses	--	--	(45,464)	(45,464)
Fund Balances/Equity, October 1	57	57	57	--
Fund Balances/Equity, September 30	<u>\$ 57</u>	<u>\$ 57</u>	<u>\$ (45,407)</u>	<u>\$ (45,464)</u>

CITY OF KINGSVILLE

STATE GRANTS FUND
 SPECIAL REVENUE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

EXHIBIT C-5

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Federal and State Grants	\$ --	\$ 47,199	\$ 20,934	\$ (26,265)
Total Revenues	--	47,199	20,934	(26,265)
Expenditures:				
Police Department				
Services	--	2,789	875	1,914
Total Police Department	--	2,789	875	1,914
Parks and Recreation Department				
Personal services	--	7,363	7,363	--
Services	--	50,296	12,696	37,600
Total Parks and Recreation Department	--	57,659	20,059	37,600
Total Expenditures	--	60,448	20,934	39,514
Excess (deficiency) of revenues (under) expenditures	--	(13,249)	--	13,249
Other Financing Sources (Uses):				
Operating transfers in	--	13,249	--	(13,249)
Total Other Financing Sources (Uses)	--	13,249	--	13,249
Excess of revenues and other financing sources over (under) expenditures and other financing uses	--	--	--	--
Fund Balances/Equity, October 1	--	--	--	--
Fund Balances/Equity, September 30	\$ --	\$ --	\$ --	\$ --

CITY OF KINGSVILLE
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2016

EXHIBIT C-6

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
General Property Taxes:				
Current taxes	\$ 1,320,000	\$ 1,320,000	\$ 1,354,393	\$ 34,393
Delinquent taxes	40,000	40,000	33,336	(6,664)
Penalty and interest	35,000	35,000	25,430	(9,570)
Total General Property Taxes	<u>1,395,000</u>	<u>1,395,000</u>	<u>1,413,159</u>	<u>18,159</u>
Interest and Miscellaneous:				
Interest from investments	1,300	1,300	18,518	17,218
Total Interest and Miscellaneous	<u>1,300</u>	<u>1,300</u>	<u>18,518</u>	<u>17,218</u>
 Total Revenues	 <u>1,396,300</u>	 <u>1,396,300</u>	 <u>1,431,677</u>	 <u>35,377</u>
 Expenditures:				
Debt Service				
Principal retired	1,540,000	1,524,642	1,463,485	61,157
Interest	263,338	278,696	278,696	--
Paying agent fees	2,800	2,800	2,800	--
Total Debt Service	<u>1,806,138</u>	<u>1,806,138</u>	<u>1,744,981</u>	<u>61,157</u>
 Total Expenditures	 <u>1,806,138</u>	 <u>1,806,138</u>	 <u>1,744,981</u>	 <u>61,157</u>
Excess (deficiency) of revenues (under) expenditures	(409,838)	(409,838)	(313,304)	96,534
Other Financing Sources (Uses):				
Operating transfers in	352,650	352,650	352,650	--
Bond premium	--	13,596	--	(13,596)
Total Other Financing Sources (Uses)	<u>352,650</u>	<u>366,246</u>	<u>352,650</u>	<u>(13,596)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(57,188)	(43,592)	39,346	82,938
Fund Balances/Equity, October 1	579,648	579,648	579,648	--
Fund Balances/Equity, September 30	<u>\$ 522,460</u>	<u>\$ 536,056</u>	<u>\$ 618,994</u>	<u>\$ 82,938</u>

CITY OF KINGSVILLE
 CAPITAL IMPROVEMENTS FUND
 CAPITAL PROJECTS FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

EXHIBIT C-7
 Page 1 of 3

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Interest and Miscellaneous:				
Interest from investments	\$ 6,850	\$ 6,850	\$ 23,966	\$ 17,116
Miscellaneous	--	49,792	49,792	--
Total Interest and Miscellaneous	<u>6,850</u>	<u>56,642</u>	<u>73,758</u>	<u>17,116</u>
Total Revenues	<u>6,850</u>	<u>56,642</u>	<u>73,758</u>	<u>17,116</u>
Expenditures:				
City Administration Department				
City Special:				
Supplies	--	--	24,642	(24,642)
Services	--	--	38,340	(38,340)
Capital outlay	--	1,800,730	161,809	1,638,921
Total City Special	<u>--</u>	<u>1,800,730</u>	<u>224,791</u>	<u>1,575,939</u>
Total City Administration Department	<u>--</u>	<u>1,800,730</u>	<u>224,791</u>	<u>1,575,939</u>
Management Services Department				
Computer Operations:				
Supplies	--	--	810	(810)
Total Computer Operations	<u>--</u>	<u>--</u>	<u>810</u>	<u>(810)</u>
Total Management Services Department	<u>--</u>	<u>--</u>	<u>810</u>	<u>(810)</u>
Police Department				
Capital outlay	--	750,000	--	750,000
Total Police Department	<u>--</u>	<u>750,000</u>	<u>--</u>	<u>750,000</u>
Fire Department				
Building maintenance	--	--	21,099	(21,099)
Capital outlay	--	500,000	23,452	476,548
Total Fire Department	<u>--</u>	<u>500,000</u>	<u>44,551</u>	<u>455,449</u>
Public Works Department				
Public Works Administration:				
Capital outlay	--	75,000	--	75,000
Total Public Works Administration	<u>--</u>	<u>75,000</u>	<u>--</u>	<u>75,000</u>

CITY OF KINGSVILLE
CAPITAL IMPROVEMENTS FUND
CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Sanitation:				
Supplies	--	--	30,748	(30,748)
Capital outlay	--	180,000	--	180,000
Total Sanitation	--	180,000	30,748	149,252
Street:				
Building maintenance	331,965	1,368,574	387,991	980,583
Capital outlay	--	160,000	--	160,000
Total Street	331,965	1,528,574	387,991	1,140,583
Landfill:				
Building maintenance	4,033	4,033	--	4,033
Capital outlay	--	160,000	107,333	52,667
Total Landfill	4,033	164,033	107,333	56,700
Total Public Works Department	335,998	1,947,607	526,072	1,421,535
Health Department				
Capital outlay	--	25,000	--	25,000
Total Health Department	--	25,000	--	25,000
Parks and Recreation Department				
Services	--	--	50,085	(50,085)
Building maintenance	--	--	58,717	(58,717)
Capital outlay	--	2,250,000	--	2,250,000
Total Parks and Recreation Department	--	2,250,000	108,802	2,141,198
Golf Course				
Supplies	--	--	2,450	(2,450)
Building maintenance	--	--	4,260	(4,260)
Capital outlay	--	250,000	165,324	84,676
Total Golf Course	--	250,000	172,034	77,966
Library Department				
Supplies	--	--	2,499	(2,499)
Capital outlay	--	7,500	1,725	5,775
Total Library Department	--	7,500	4,224	3,276

CITY OF KINGSVILLE
 CAPITAL IMPROVEMENTS FUND
 CAPITAL PROJECTS FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Debt Service				
Paying agent fees	--	158,552	89,000	69,552
Total Debt Service	--	158,552	89,000	69,552
Total Expenditures	335,998	7,689,389	1,170,284	6,519,105
Excess (deficiency) of revenues (under) expenditures	(329,148)	(7,632,747)	(1,096,526)	6,536,221
Other Financing Sources (Uses):				
Operating transfers in	--	291,946	291,946	--
Operating transfers out	--	(50,220)	(50,220)	--
Bond proceeds	--	6,740,000	6,740,000	--
Bond premium	--	268,245	198,693	(69,552)
Total Other Financing Sources (Uses)	--	7,249,971	7,180,419	69,552
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(329,148)	(382,776)	6,083,893	6,466,669
Fund Balances/Equity, October 1	425,680	425,680	425,680	--
Fund Balances/Equity, September 30	<u>\$ 96,532</u>	<u>\$ 42,904</u>	<u>\$ 6,509,573</u>	<u>\$ 6,466,669</u>

CITY OF KINGSVILLE

EXHIBIT C-8

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
YEAR ENDED SEPTEMBER 30, 2016

	Balance October 1, 2015	Additions	Deductions	Balance September 30, 2016
Corporation Court Cash Bond Account Fund				
ASSETS				
Cash and investments	\$ 57,582	\$ 83,367	\$ 46,847	\$ 94,102
Total Assets	<u>\$ 57,582</u>	<u>\$ 83,367</u>	<u>\$ 46,847</u>	<u>\$ 94,102</u>
LIABILITIES				
Cash bonds held	\$ 57,582	\$ 83,367	\$ 46,847	\$ 94,102
Total Liabilities	<u>\$ 57,582</u>	<u>\$ 83,367</u>	<u>\$ 46,847</u>	<u>\$ 94,102</u>

Statistical Section

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

Contents

Page

Financial Trends

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

112-119

Revenue Capacity

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

120-128

Debt Capacity

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

129-135

Demographic and Economic Information

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

136-137

Operating Information

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

138-142

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				
	2016	2015	2014	2013	2012
Governmental Activities					
Net investment in Capital Assets	\$ 8,385,155	\$ 9,978,832	\$ 7,857,043	\$ 7,196,801	\$ 8,641,553
Restricted	2,691,190	3,214,449	4,552,225	5,952,091	3,139,930
Unrestricted	5,042,603	2,347,890	1,671,613	2,846,877	4,221,605
Total governmental activities net position	\$ 16,118,948	\$ 15,541,171	\$ 14,080,881	\$ 15,995,769	\$ 16,003,088
Business-type activities					
Net Investment in Capital Assets	\$ 5,337,203	\$ 3,658,702	\$ 842,427	\$ 2,766,006	\$ 4,049,345
Restricted	3,783,641	5,606,600	6,361,728	539,925	1,086,225
Unrestricted	5,265,570	4,667,465	8,899,435	11,624,979	8,689,906
Total Business-Type Activities Net Position	\$ 14,386,414	\$ 13,932,767	\$ 16,103,590	\$ 14,930,910	\$ 13,825,476
Primary Government					
Net investment in Capital Assets	\$ 13,722,358	\$ 13,637,534	\$ 8,699,470	\$ 9,962,807	\$ 12,690,898
Restricted	6,474,831	8,821,049	10,913,953	6,492,016	4,226,155
Unrestricted	10,308,173	7,015,355	10,571,048	14,471,856	12,911,511
Total Primary Government Net Position	\$ 30,505,362	\$ 29,473,938	\$ 30,184,471	\$ 30,926,679	\$ 29,828,564

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				
2011	2010	2009	2008	2007
\$ 8,703,647	\$ 7,242,987	\$ 7,229,724	\$ 7,980,938	\$ 7,410,484
-	911,541	2,946,915	2,727,155	2,649,969
<u>6,456,755</u>	<u>5,818,599</u>	<u>5,341,187</u>	<u>3,037,771</u>	<u>2,079,519</u>
<u>\$ 15,160,402</u>	<u>\$ 13,973,127</u>	<u>\$ 15,517,826</u>	<u>\$ 13,745,864</u>	<u>\$ 12,139,972</u>
\$ 3,398,641	\$ 3,028,078	\$ 1,028,641	\$ 4,376,931	\$ 4,311,656
1,403,545	2,225,545	1,704,129	3,056,231	2,496,143
<u>6,601,689</u>	<u>5,843,383</u>	<u>7,191,437</u>	<u>1,229,553</u>	<u>679,366</u>
<u>\$ 11,403,875</u>	<u>\$ 11,097,006</u>	<u>\$ 9,924,207</u>	<u>\$ 8,662,715</u>	<u>\$ 7,487,165</u>
\$ 12,102,288	\$ 10,271,065	\$ 8,258,365	\$ 12,357,869	\$ 11,722,140
2,086,412	3,137,086	4,651,044	5,783,386	5,146,112
<u>13,058,444</u>	<u>11,661,982</u>	<u>12,532,624</u>	<u>4,267,324</u>	<u>2,758,885</u>
<u>\$ 27,247,144</u>	<u>\$ 25,070,133</u>	<u>\$ 25,442,033</u>	<u>\$ 22,408,579</u>	<u>\$ 19,627,137</u>

CITY OF KINGSVILLE
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS

	Fiscal Year				
	2016	2015	2014	2013	2012
Expenses					
Governmental Activities:					
General Government	\$ 4,487,935	\$ 3,995,650	\$ 4,127,259	\$ 3,957,983	\$ 3,285,875
Public Safety	10,415,086	9,204,930	10,189,111	9,100,303	9,475,608
Public Works	3,321,641	3,306,944	3,727,188	3,342,824	2,823,707
City/County	2,735,353	1,861,469	797,635	754,701	811,546
Tourism	533,758	489,686	482,331	404,947	389,259
Interest on Long-Term Debt	415,124	255,927	309,706	362,523	335,136
Total Governmental Activities Expenses	<u>21,908,897</u>	<u>19,114,606</u>	<u>19,633,230</u>	# <u>17,923,281</u>	<u>17,121,131</u>
Business-Type Activities:					
Water	4,576,376	4,136,054	4,569,960	4,232,121	4,570,338
Solid Waste	2,594,497	2,705,535	2,706,916	2,541,678	2,417,443
Waste Water	2,992,974	2,769,038	2,547,557	2,287,392	2,451,466
Storm Water	253	631	834	1,074	-
Total Business-Type Activity Expenses	<u>10,164,100</u>	<u>9,611,258</u>	<u>9,825,267</u>	<u>9,062,265</u>	<u>9,439,247</u>
Total Primary Government Expenses	<u>\$ 32,072,997</u>	<u>\$ 28,725,864</u>	<u>\$ 29,458,497</u>	<u>\$ 26,985,546</u>	<u>\$ 26,560,378</u>
Program Revenue (see schedule 3)					
Governmental Activities					
Charges for Services:					
General Government	\$ 342,476	\$ 336,553	\$ 427,047	\$ 373,672	\$ 265,724
Public Safety	3,596,477	3,394,881	2,374,591	2,718,033	1,975,762
Public Works	601,700	62,577	54,893	531,161	23,470
City/County	467,315	295,084	30,038	23,118	21,581
Tourism	935	1,985	626,066	519,940	542,582
Operating Grants and Contributions	1,071,004	947,173	298,649	403,484	308,366
Capital Grants and Contributions	-	-	2,074	2,673	19,700
	<u>6,079,907</u>	<u>5,038,253</u>	<u>3,813,358</u>	# <u>4,572,081</u>	<u>3,157,185</u>
Business-Type Activities:					
Charges for Services:					
Water	4,748,558	4,509,790	5,021,529	5,239,019	5,064,986
Waste Water	3,409,252	3,451,936	3,830,649	3,357,948	3,815,313
Solid Waste	3,856,298	3,915,060	3,776,750	3,303,720	3,329,276
Storm Water	226,086	224,545	228,883	243,952	-
Operating Grants and Contributions	111,987	-	-	-	-
Capital Grants and Contributions	-	-	-	-	-
Total Business-Type Activities Program Revenues	<u>12,352,181</u>	<u>12,101,331</u>	<u>12,857,811</u>	# <u>12,144,639</u>	<u>12,209,575</u>
Total Primary Government Program Revenues	<u>\$ 18,432,088</u>	<u>\$ 17,139,584</u>	<u>\$ 16,671,169</u>	<u>\$ 16,716,720</u>	<u>\$ 15,366,760</u>

SCHEDULE 2

		Fiscal Year							
		2011	2010	2009	2008	2007			
\$	2,974,363	\$	2,853,471	\$	2,481,859	\$	2,438,913	\$	2,569,502
	9,144,528		8,450,026		8,175,281		8,167,213		7,266,533
	2,521,159		2,838,815		2,770,070		2,414,167		2,340,083
	801,490		782,399		761,837		731,158		688,378
	484,470		421,233		440,694		421,633		312,153
	319,288		190,913		262,818		292,623		300,810
	<u>16,245,298</u>		<u>15,536,857</u>		<u>14,892,559</u>		<u>14,465,707</u>		<u>13,477,459</u>
	3,847,697		3,474,155		3,687,376		3,153,345		2,454,389
	2,669,749		2,273,372		2,201,955		2,516,322		2,043,922
	2,392,136		3,201,052		2,692,116		2,020,090		2,031,746
	-		-		-		-		-
	<u>8,909,582</u>		<u>8,948,579</u>		<u>8,581,447</u>		<u>7,689,757</u>		<u>6,530,057</u>
\$	<u>25,154,880</u>	\$	<u>24,485,436</u>	\$	<u>23,474,006</u>	\$	<u>22,155,464</u>	\$	<u>20,007,516</u>
\$	357,478	\$	160,225	\$	309,430	\$	284,438	\$	250,769
	2,486,253		2,476,666		2,981,961		2,980,370		2,637,213
	48,367		60,302		661		-		-
	32,587		20,302		9,117		8,924		5,871
	483,424		422,584		440,694		421,633		312,153
	479,148		486,855		294,364		260,506		168,700
	92,993		-		176,363		30,000		55,609
	<u>3,980,250</u>		<u>3,626,934</u>		<u>4,212,590</u>		<u>3,985,871</u>		<u>3,430,315</u>
	4,516,381		3,769,784		4,808,714		4,325,645		3,834,915
	3,646,165		3,572,534		3,378,346		3,036,567		2,772,879
	3,363,894		2,708,503		3,510,389		2,958,287		2,519,463
	-		-		-		650		21,031
	-		700		172,469		-		-
	<u>11,526,440</u>		<u>10,051,521</u>		<u>11,869,918</u>		<u>10,321,149</u>		<u>9,148,288</u>
\$	<u>15,506,690</u>	\$	<u>13,678,455</u>	\$	<u>16,082,508</u>	\$	<u>14,307,020</u>	\$	<u>12,578,603</u>

CITY OF KINGSVILLE
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS

	Fiscal Year				
	2016	2015	2014	2013	2012
Net (Expense)/Revenue					
Governmental Activities	\$ (15,828,990)	\$ (14,076,353)	\$ (15,819,872)	\$ (13,351,200)	\$ (13,963,946)
Business-Type Activities	2,188,081	2,490,073	3,032,544	3,082,374	2,770,328
Total Primary Government Net Expenses	<u>\$ (13,640,909)</u>	<u>\$ (11,586,280)</u>	<u>\$ (12,787,328)</u>	<u>\$ (10,268,826)</u>	<u>\$ (11,193,618)</u>
General Revenues - Other Changes in Net Position					
Governmental Activities					
Taxes					
Property Taxes	\$ 6,425,348	\$ 6,247,458	\$ 6,111,394	\$ 5,956,227	\$ 5,891,693
Franchise Taxes	996,256	1,003,931	1,019,888	971,761	977,459
Sales Taxes	4,599,145	4,520,268	4,543,435	4,338,360	4,204,521
Hotel/Motel Taxes	510,673	564,056	-	-	-
Other Taxes	55,932	57,265	57,136	49,137	45,703
Payment in Lieu of Taxes	100,000	100,000	100,000	100,000	100,000
Insurance Settlement	1,605,908	-	-	-	-
Investment Earnings	251,491	128,334	83,492	211,942	83,886
Miscellaneous (loss)	24,320	21,292	2,000	399	295,794
Transfers	1,837,694	4,442,361	1,987,639	1,849,660	2,662,842
Total Governmental Activities	<u>16,406,767</u>	<u>17,084,965</u>	<u>13,904,984</u>	<u>13,477,486</u>	<u>14,261,898</u>
Business-Type Activities					
Investment Earnings	103,258	45,957	127,777	37,971	137,410
Other	-	-	-	-	-
Transfers	(1,837,694)	(4,442,361)	(1,987,638)	(1,849,660)	(2,662,842)
Total Business-Type Activities	<u>(1,734,436)</u>	<u>(4,396,404)</u>	<u>(1,859,861)</u>	<u>(1,811,689)</u>	<u>(2,525,432)</u>
Total Primary Government	<u>\$ 14,672,331</u>	<u>\$ 12,688,561</u>	<u>\$ 12,045,123</u>	<u>\$ 11,665,797</u>	<u>\$ 11,736,466</u>
Changes in Net Position					
Governmental Activities (loss)	\$ 577,777	\$ 3,008,612	\$ (1,914,888)	\$ 126,286	\$ 297,952
Business-Type Activities (loss)	453,645	(1,906,331)	1,172,684	1,270,685	244,896
Total Primary Government (loss)	<u>\$ 1,031,422</u>	<u>\$ 1,102,281</u>	<u>\$ (742,204)</u>	<u>\$ 1,396,971</u>	<u>\$ 542,848</u>

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

SCHEDULE 2
(Continued)

		Fiscal Year							
		2011	2010	2009	2008	2007			
\$	(12,265,048)	\$	(11,909,923)	\$	(10,679,969)	\$	(10,479,836)	\$	(10,047,144)
	<u>2,616,858</u>		<u>1,102,942</u>		<u>3,288,471</u>		<u>2,631,392</u>		<u>2,618,231</u>
\$	<u>(9,648,190)</u>	\$	<u>(10,806,981)</u>	\$	<u>(7,391,498)</u>	\$	<u>(7,848,444)</u>	\$	<u>(7,428,913)</u>
\$	5,898,032	\$	5,467,439	\$	5,251,584	\$	4,835,723	\$	4,147,121
	981,170		976,187		989,368		996,518		985,016
	4,582,312		3,699,421		3,872,834		3,891,958		3,784,310
	-		-		-		-		-
	46,381		49,591		50,319		49,676		44,886
	100,000		100,000		100,000		100,000		100,000
	-		-		-		-		-
	87,229		147,868		239,018		506,573		391,675
	220		36,672		(23,926)		5,311		693
	<u>2,439,847</u>		<u>1,002,840</u>		<u>1,972,734</u>		<u>1,699,969</u>		<u>2,293,521</u>
	<u>14,135,191</u>		<u>11,480,018</u>		<u>12,451,931</u>		<u>12,085,728</u>		<u>11,747,222</u>
	129,857		78,863		29,285		249,258		559,280
	-		-		-		(5,130)		-
	<u>(2,439,847)</u>		<u>(1,002,838)</u>		<u>(1,972,734)</u>		<u>(1,699,968)</u>		<u>(2,293,522)</u>
	<u>(2,309,990)</u>		<u>(923,975)</u>		<u>(1,943,449)</u>		<u>(1,455,840)</u>		<u>(1,734,242)</u>
\$	<u>11,825,201</u>	\$	<u>10,556,043</u>	\$	<u>10,508,482</u>	\$	<u>10,629,888</u>	\$	<u>10,012,980</u>
\$	1,870,143	\$	(429,905)	\$	1,771,962	\$	1,605,892	\$	1,700,078
	<u>306,868</u>		<u>178,967</u>		<u>1,345,022</u>		<u>1,175,552</u>		<u>883,989</u>
\$	<u>2,177,011</u>	\$	<u>(250,938)</u>	\$	<u>3,116,984</u>	\$	<u>2,781,444</u>	\$	<u>2,584,067</u>

CITY OF KINGSVILLE

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

	Fiscal Year				
	2007	2008	2009	2010	2011
General Fund					
Reserved	\$ 2,167,647	\$ 1,553,672	\$ 445,405	\$ 279,242	\$ -
Unreserved	6,695,729	7,643,773	8,209,389	8,441,728	-
Nonspendable	-	-	-	-	186,270
Restricted	-	-	-	-	124,067
Committed	-	-	-	-	4,191,118
Unassigned	-	-	-	-	5,917,128
Total General Fund	\$ 8,863,376	\$ 9,197,445	\$ 8,654,794	\$ 8,720,970	\$ 10,418,583
All Other Governmental Funds					
Reserved	\$ 66,454	\$ 28,416	\$ 8,301	\$ 483	\$ -
Unreserved, Reported in Special Revenue Funds	793,897	1,521,263	2,187,562	2,434,595	-
	363,062	353,284	3,064,926	702,976	-
	311,414	355,415	397,850	431,185	-
Restricted					
Debt Service Funds	-	-	-	-	654,664
Special Revenue Funds	-	-	-	-	10,303
Capital Projects Funds	-	-	-	-	4,349,466
Unassigned, Reported in Special Revenue Funds	-	-	-	-	2,509,776
Assigned					
Drug Awareness	-	-	-	-	-
Total All Other Governmental Funds	\$ 1,534,827	\$ 2,258,378	\$ 5,658,639	\$ 3,569,239	\$ 7,524,209

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.

CITY OF KINGSVILLE

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

	Fiscal Year				
	2007	2008	2009	2010	2011
Revenues					
Property Taxes	\$ 4,266,405	\$ 4,940,897	\$ 5,303,987	\$ 5,268,890	\$ 5,998,518
Taxes-Other	5,126,365	5,359,785	5,354,064	5,448,277	6,093,287
Licenses, Fees and Permits	189,269	210,267	217,657	194,004	175,386
Fines and Penalties	2,230,194	2,519,475	2,521,442	1,990,136	1,975,760
Charges for Services	3,225,782	3,585,591	4,017,155	4,106,546	4,245,457
Special Assessment	3,966	-	-	19,910	45,192
Intergovernmental	211,535	240,829	463,770	544,351	548,805
Investment Earnings/Other	511,883	628,723	314,091	209,382	273,989
Federal Grant	-	-	-	-	-
Donations	1,842	-	1,890	2,007	220
Total Revenues	15,767,241	17,485,567	18,194,056	17,783,503	19,356,614
Expenditures					
General Government	2,673,852	2,461,771	2,675,542	2,998,296	3,519,126
Public Safety	7,411,077	8,848,662	8,176,498	8,251,125	9,470,845
Public Works	3,291,447	3,772,521	6,377,218	6,440,127	4,360,930
City/County	686,184	710,931	859,333	750,783	813,991
Tourism	312,153	421,633	440,694	420,379	484,470
Other	-	-	53,376	37,237	37,053
Capital Outlay	-	-	-	-	-
Debt Service					
Interest	362,456	374,201	1,760,000	1,590,000	291,020
Principal	975,000	1,270,000	2,156,860	428,796	1,453,000
Bond Issuance Cost	-	-	-	-	-
Total Expenditures	15,712,169	17,859,719	22,499,521	20,916,743	20,430,435
Excess of Revenues over/ (under) Expenditures	55,072	(374,152)	(4,305,465)	(3,133,240)	(1,073,821)
Other Financing Sources (uses)					
Gain on Sale of Assets	-	-	-	-	11,000
Lease Proceeds	-	181,772	-	-	-
Bonds Issued	1,200,000	-	4,270,000	-	5,385,040
Bond Issuance Costs	-	-	(175,273)	-	-
Bond Issuance Premium	-	-	128,181	-	80,361
Insurance Settlement	-	-	-	-	-
Refunding Bonds Issued	-	-	1,890,000	-	-
Payment to Refunding Bonds					
Escrow Agent	-	-	-	-	-
Transfers In	1,250,000	1,250,000	2,211,690	1,684,912	1,682,936
Transfers Out	-	-	(957,037)	(574,890)	(432,936)
Total Other Financing Sources (uses)	2,450,000	1,431,772	7,367,561	1,110,022	6,726,401
Net Change In Fund Balances	\$ 2,505,072	\$ 1,057,620	\$ 3,062,096	\$ (2,023,218)	\$ 5,652,580
Debt Services as a Percentage of Noncapital Expenditures	8.51%	9.21%	17.41%	9.65%	8.54%

SCHEDULE 4

		Fiscal Year				
		2012	2013	2014	2015	2016
\$	6,019,795	\$ 6,056,227	\$ 6,211,394	\$ 6,324,292	\$ 6,370,231	
	5,769,313	5,834,703	6,224,035	6,144,962	6,267,496	
	185,708	228,156	371,219	281,595	262,275	
	1,367,469	2,193,241	1,766,230	2,857,165	2,999,672	
	4,453,626	4,417,144	4,448,868	4,868,259	5,417,808	
	15,725	9,965	2,571	-	-	
	326,628	393,927	300,723	947,173	550,000	
	178,110	372,414	176,663	161,103	402,997	
					521,004	
	295,794	399	2,000	4,400	1,730	
	<u>18,612,168</u>	<u>19,506,176</u>	<u>19,503,703</u>	<u>21,588,949</u>	<u>22,793,213</u>	
	3,406,264	3,971,730	4,053,694	5,785,059	6,392,745	
	9,221,523	9,198,397	9,875,981	9,518,633	9,726,283	
	5,447,175	5,343,531	6,559,831	5,318,410	5,224,660	
	773,413	768,239	771,719	1,961,168	2,846,518	
	389,081	401,893	480,742	513,596	553,609	
	17,187	35,230	53,888	2,800	-	
	-	-	-	-	-	
	536,062	469,062	377,700	318,555	278,696	
	1,266,933	1,417,329	1,452,714	1,425,793	1,463,485	
	-	-	-	-	91,800	
	<u>21,057,638</u>	<u>21,605,411</u>	<u>23,626,269</u>	<u>24,844,014</u>	<u>26,577,796</u>	
	<u>(2,445,470)</u>	<u>(2,099,235)</u>	<u>(4,122,566)</u>	<u>(3,255,065)</u>	<u>(3,784,583)</u>	
	58,500	23,000	38,000	-	-	
	-	414,191	458,350	-	10,396	
	-	965,000	-	-	6,740,000	
	-	-	-	-	-	
	-	58,408	-	-	198,693	
	-	-	-	-	1,605,908	
	-	1,260,000	-	-	-	
	-	(1,247,918)	-	-	-	
	1,677,920	1,880,045	2,767,926	2,297,234	2,365,743	
	<u>(427,920)</u>	<u>(441,587)</u>	<u>(1,517,925)</u>	<u>(479,714)</u>	<u>(965,743)</u>	
	<u>1,308,500</u>	<u>2,911,139</u>	<u>1,746,351</u>	<u>1,817,520</u>	<u>9,954,997</u>	
\$	<u>(1,136,970)</u>	<u>811,904</u>	<u>(2,376,215)</u>	<u>(1,437,545)</u>	<u>6,170,414</u>	
	8.56%	8.73%	7.75%	7.76%	7.57%	

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
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	0.80167	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
2016	723,790,576	29,640,590	99,061,220	96,803,747	755,688,639	0.84220	852,492,386

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
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
2016	0.65567	0.18653	0.84220	1.51890	0.81500	0.83250

Source: Kleberg County Tax Assessor Office

CITY OF KINGSVILLE

PRINCIPAL PROPERTY TAX PAYERS,
CURRENT YEAR AND NINE YEARS AGO

SCHEDULE 7

Taxpayer	2016			2007		
	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	\$ 26,246,310	1	3.47%	\$ 14,974,450		2.50%
KL Phase 1 Owner LTD	12,862,200	2	1.70%			
NLP Kingsville Ventures LLC	11,169,490	3	1.48%			
Javlelina Station LP	8,416,700	4	1.11%			
HBC Holding LTD	7,531,800	5	1.00%			
Wal-Mart Stores TX, LLC US 00442	7,476,640	6	0.99%			
King Ranch Saddle Shop Inc	6,372,670	7	0.84%			
Eddie Yaklin Ford Lincoln Mercury Ltd	5,645,970	8	0.75%	5,581,270	5	0.93%
Wal-Mart Stores Inc #01-0442	5,310,670	9	0.70%	5,114,850	6	0.85%
Neesen Chevrolet Inc	4,964,730	10	0.66%			
Collegiate Kingsville Partners LP				7,025,900	2	1.17%
Wal-Mart Stores East LP #01-0442				6,805,960	3	1.14%
Kingsville Two				5,787,540	4	0.97%
Southwestern Bell Telephone Co				4,824,300	7	0.81%
HEB Grocery Inc				4,479,860	8	0.75%
Ticono Polymers Inc				3,561,290	9	0.59%
Kingsville Square LTD				3,463,800	10	0.58%
Total	\$ 95,997,180		12.70%	\$ 61,619,220		10.29%

Source: Kleberg County Appraisal District

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

SCHEDULE 8

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
2007	4,136,029	3,911,104	94.6%	184,926	4,096,030	99.03%
2008	4,734,428	4,530,260	95.7%	157,347	4,687,607	99.01%
2009	5,207,851	4,990,889	95.8%	163,982	5,154,871	98.98%
2010	5,385,014	5,174,338	96.1%	157,711	5,332,049	99.02%
2011	5,759,638	5,557,746	96.5%	135,674	5,693,420	98.85%
2012	5,751,687	5,564,076	96.7%	116,342	5,680,418	98.76%
2013	5,831,373	5,618,741	96.4%	98,676	5,717,417	98.05%
2014	5,987,424	5,791,937	96.7%	104,072	5,896,009	98.47%
2015	6,145,880	5,939,500	96.6%	83,164	6,022,664	98.00%
2016	6,350,640	6,115,195	96.3%	-	6,115,195	96.29%

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				
	2007	2008	2009	2010	2011
Building Materials, Hardware, etc.	\$ 20,422	\$ 22,706	\$ 21,737	\$ 22,382	\$ 23,997
General Merchandise	48,275	50,463	47,022	45,818	45,585
Food Stores	13,915	15,702	16,560	16,567	17,093
Automotive Dealers and Gasoline	18,190	19,162	19,592	20,459	21,096
Apparel and Accessory Stores	4,207	3,775	4,570	4,620	4,943
Home Furniture, Furnishing, and Equipment	4,252	860	2,647	-	693
Eating and Drinking Places	32,427	36,009	35,596	37,506	40,727
All Other Outlets	17,996	18,062	14,785	14,447	15,306
Total	\$ 159,684	\$ 166,739	\$ 162,509	\$ 161,799	\$ 169,440
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							
		2012	2013	2014	2015	2016			
\$	24,742	\$	25,717	\$	26,377	\$	28,114	\$	31,075
	46,642		46,063		47,472		48,493		48,926
	17,751		19,363		20,521		21,273		18,733
	23,282		22,359		22,701		23,225		22,194
	5,662		6,161		6,089		5,388		4,256
	2,497		5,663		5,795		5,439		5,059
	43,511		44,846		46,716		48,222		46,526
	17,576		18,356		17,483		12,843		15,596
\$	<u>181,663</u>	\$	<u>188,528</u>	\$	<u>193,154</u>	\$	<u>192,997</u>	\$	<u>192,365</u>
	1.5%		1.5%		1.5%		1.5%		1.5%

CITY OF KINGSVILLE

SCHEDULE 10

DIRECT AND OVERLAPPING SALES TAX RATES,
LAST TEN FISCAL YEARS

<u>Fiscal Years</u>	<u>City Property Tax Relief</u>	<u>City Sales Tax</u>	<u>Kieberg County Property Tax Relief</u>	<u>State Sales Tax</u>
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%
2016	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
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
2016	13,588,258	-	273,205	-	15,492,771

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

Capital Lease	Total Primary Government	Percentage of Personal Income	Per Capita
-	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
184,999	29,539,233	4.05%	1,126.89

CITY OF KINGSVILLE

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

SCHEDULE 12

Fiscal Year	General Bonded Debt Outstanding		Percentage of Actual Taxable Value of Property	Per Capita
	\$	General Obligation Bonds		
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
2016		13 588,258	1.5939%	518.38

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, 2016

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	\$ 68,229,993	100%	\$ 68,229,993
Kleberg County	4,765,000	50%	2,382,500
South Texas Water Authority	-	0%	-
			70,612,493
Subtotal, Overlapping Debt			70,612,493
City Direct Debt; Bonds			13,588,258
Capital Leases			273,205
Total Direct and Overlapping Debt			\$ 84,473,956

Sources: Taxable value data used to estimate 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				
	2007	2008	2009	2010	2011
Debt Limit	\$ 150,649,270	\$ 163,120,473	\$ 162,365,819	\$ 184,391,927	\$ 187,958,785
Total Net Debt Applicable to Limit	<u>7,091,586</u>	<u>6,168,793</u>	<u>5,895,349</u>	<u>4,904,805</u>	<u>8,901,626</u>
Legal Debt Margin	<u>\$ 143,557,684</u>	<u>\$ 156,951,680</u>	<u>\$ 156,470,470</u>	<u>\$ 179,487,122</u>	<u>\$ 179,057,159</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	4.71%	3.78%	3.63%	2.66%	4.74%

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

SCHEDULE 14

		Fiscal Year							
		2012	2013	2014	2015	2016			
\$	189,284,636	\$	191,964,270	\$	197,911,697	\$	204,045,008	\$	213,123,097
	<u>8,165,426</u>		<u>8,430,848</u>		<u>7,628,579</u>		<u>6,814,889</u>		<u>12,673,491</u>
\$	<u>181,119,210</u>	\$	<u>183,533,422</u>	\$	<u>190,283,118</u>	\$	<u>197,230,119</u>	\$	<u>200,449,606</u>
	4.31%		4.39%		3.85%		3.34%		5.95%

Assessed Value		\$	<u>852,492,386</u>
Debt Limit (25% of assessed value)			<u>213,123,097</u>
Debt Applicable to Limit:			
General Obligation Bonds	\$	13,292,485	
Less: Amount Set Aside for Repayment of General Obligation Debt		<u>618,994</u>	
Total Net Debt Applicable to Limit			<u>12,673,491</u>
Legal Debt Margin		\$	<u>200,449,606</u>

CITY OF KINGSVILLE
PLEGGED-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	
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%
2016	8,383,896	6,043,456	2,340,440	1,181,515	425,352	1.46%

Sanitation C. O. Bonds Series 2007 and 2009 (b)

Fiscal Year	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
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%
2016	3,856,298	2,121,758	1,734,540	621,433	31,058	2.66%

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
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%
2016	26,213	728,862	38,757	28.4	N/A	3,426	6.8%

* 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

SCHEDULE 17

TOP TEN EMPLOYERS,
CURRENT YEAR AND NINE YEARS AGO

Employer	2016			2007		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Texas A&M - Kingsville	2,362	1	16.53%	1,225	2	9.75%
Naval Air Station	1,502	2	10.51%	1,813	1	14.43%
Celanese	650	3	4.55%	321	5	2.55%
Kingsville ISD	530	4	3.71%	683	3	5.44%
Wal-Mart	320	5	2.24%	334	4	2.66%
King Ranch	300	6	2.10%	314	7	2.50%
City of Kingsville	300	7	2.10%	252	9	2.00%
Border Patrol	278	8	1.95%			
Brock-Jacobs (Formerly Mundy Corp.)	250	9	1.75%			
H-E-B Grocery	235	10	1.64%	200	10	1.60%
Christus Spohn Kleberg Hospital				316	6	2.51%
Kleberg County				275	8	2.19%
Total	\$ 6,727		47.06%	\$ 5,733		45.63%

Source: Workforce Solutions	Labor Force	13,958
of Coast	Employment	14,293
Greater Kingsville EDC	Unemployment	961
	Rate	6.9%

2007 Information from '06-07 CAFR

CITY OF KINGSVILLE

SCHEDULE 18

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

	<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>	<u>2016</u>
City Commission	5	5	5	5	5	5	5	5	5	5
General Government	33	33	27	33	29	33	35	38	34	40
Fire	33	33	33	31	32	31	32	30	33	34
Health	11	12	12	12	12	12	10	10	10	10
Library	8	8	8	8	9	9	6	9	9	9
Police	63	60	63	62	64	64	65	60	65	64
Public Works	97	96	97	94	95	94	94	94	94	98
Task Force	11	12	10	10	12	12	11	11	11	11
Parks Dept.	0	0	0	0	0	0	0	0	9	10
Golf Course	0	0	0	0	0	0	0	0	6	8
Total	<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>	<u>289</u>

Source: City of Kingsville

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

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

<u>Function/Program</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General Government					
Building Permits Issued	2,355	2,301	2,349	1,997	1,964
Building Inspections Conducted	1,477	1,934	1,575	1,324	1,654
Police					
Physical Arrest	2,208	1,829	1,955	1,999	2,590
Parking Violations	158	111	78	39	47
Traffic Violations	5,561	3,796	3,066	3,416	4,611
Fire					
Emergency Responses	2,108	2,159	2,831	2,990	2,214
Fire Extinguishers	438	521	546	600	398
Inspections	300	409	412	480	383
Refuse Collections					
Refuse Collected (tons per day; 365)	76	82	82	127	70
Recyclables Collected (tons per day; 365)	1	1	1	1	1
Other Public Works					
Street Resurfacing (miles)	6	4	3	3	3
Potholes Repaired	1,900	2,900	4,900	4,900	5,000
Parks and Recreation					
Athletic Field Permits Issued	-	-	-	-	-
Community Center Admissions	-	-	-	-	-
Library					
Volumes in Collection	65,306	66,015	64,749	65,013	59,245
Total Volumes Borrowed	56,446	50,526	48,643	49,012	45,420
Health					
Environmental Health	17,153	5,028	1,770	1,742	1,763
Consumer Health	2,222	2,440	2,519	2,464	2,348
Weed Control	2,575	2,527	2,401	2,569	2,915
Animal Control	7,484	10,956	8,535	6,748	8,681
Water					
New Connections	99	50	31	25	28
Water Main Breaks	780	445	608	556	339
Average Daily Consumption (thousands of gallons)	3,059	3,447	3,836	3,076	3,818
Peak Daily Consumption (thousands of gallons)	4,462	4,778	5,300	5,451	5,633
Wastewater					
Average Daily Sewer Treatment (thousands of gallons)	2,000	1,700	2,100	2,200	1,800

Sources: Various City Departments

SCHEDULE 19

	Fiscal Year				
	2012	2013	2014	2015	2016
	2,392	2,078	2,137	2,511	2,058
	2,267	1,878	1,129	1,644	1,400
	1,519	1,356	1,590	1,175	1,014
	243	80	1,110	1,089	663
	3,240	4,443	4,604	4,675	3,192
	2,797	2,880	3,297	2,760	2,826
	460	573	612	596	556
	462	354	400	382	356
	74	65	83	93	82
	1	1	1	1	1
	2	3	2	5	3
	2,400	3,000	4,000	5,200	4,487
	-	-	-	413	348
	-	-	-	126	83
	58,503	59,630	57,326	54,327	55,878
	47,997	44,502	39,780	19,995	34,895
	1,846	496	390	491	430
	1,833	2,556	2,087	2,611	2,906
	2,827	3,082	2,924	3,776	4,995
	9,220	9,201	9,589	8,649	7,438
	48	51	35	24	33
	244	271	267	295	294
	4,036	3,661	3,470	3,153	3,134
	5,554	5,040	6,023	6,002	4,438
	2,200	2,200	2,300	2,400	2,100

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

<u>Function/Program</u>	<u>Fiscal Year</u>				
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Police					
Stations	1	1	1	1	1
Patrol Units	45	43	47	48	55
Fire Stations	2	2	2	2	2
Refuse Collections					
Collection Trucks	18	18	20	16	13
Other Public Works					
Street (miles)	106	106	113	121	121
Highway (miles)					
Streetlights	554	554	569	569	584
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	117	123
Fire Hydrants	692	696	705	801	812
Storage Capacity (thousands of gallons)	9,679	9,764	9,764	9,764	9,764
Wastewater					
Sanitary Sewers (miles)	95	96	96	97	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				
2012	2013	2014	2015	2016
1	1	1	1	1
64	65	53	56	56
2	2	2	2	2
13	17	17	17	17
121	121	144	146	146
584	584	1,276	1,276	1,302
4	4	4	4	4
195	195	195	195	195
9	9	9	9	9
12	12	12	12	12
12	12	12	12	12
2	2	2	2	2
120	120	120	120	120
808	808	808	808	808
9,764	9,764	9,764	9,760	5,632
98	99	138	140	141
16	17	33	33	33
6,000	6,000	6,000	4,000	4,000

JOHN WOMACK & CO., P.C.
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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 Mayor and City Commission:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Kingsville, as of and for the year ended September 30, 2016, 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 March 24, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item(s) 2016-1, that we consider to be significant deficiencies.



PRIVATE COMPANIES PRACTICE SECTION, AICPA DIVISION FOR CPA FIRMS

Compliance and Other Matters

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

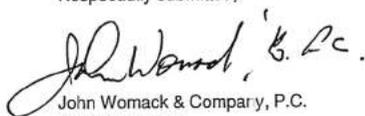
City of Kingsville's Response to Findings

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

Purpose of this Report

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

Respectfully submitted,



John Womack & Company, P.C.
Kingsville, Texas
March 24, 2017

CITY OF KINGSVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? X Yes None Reported

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

A Single Audit was not required in the current year.

B. Financial Statement Findings

2016-1 Internal Control - Golf Course Revenue

Condition:

The City did not have adequate internal controls over golf course revenue. Fee schedules were not being consistently utilized, there was inadequate controls over cash collected, and more detail is necessary in the accounting for various revenue sources.

Criteria:

Proper controls over golf course revenue are necessary to ensure that fees are correctly charged, collected, and accounted for, and to aid in prevention of errors or fraud.

Cause:

The City recently began management of the Golf Course. There was turnover in the position of golf course manager, and much of the equipment was in poor condition. Fees were adjusted at times to encourage use of the facilities. Policies and procedures for proper controls were not in place when the City assumed management and are being developed as new management personnel have been hired.

Effect:

The effect of the lack of control over revenue and cash collections is possible inaccuracies in the financial reporting due to errors or fraud.

CITY OF KINGSVILLE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED SEPTEMBER 30, 2016

Recommendation:

We recommend that the City establish proper policies and procedures necessary to ensure that all revenues are correctly charged and recorded and that all cash collections are properly safeguarded to prevent errors or fraud.

Client Response:

The Golf Course operations is a new endeavor for the City of Kingsville and has seen a change of managers in fiscal year 2015-2016. Additional oversight will be provided by the Parks and Recreation Director who was hired in fiscal year 2016-2017. The City installed a new POS system in fiscal year 2016-2017 which will provide better accountability of sales and inventory. Cameras have been installed both inside and outside. Current adopted fees have been reviewed to ensure compliance on what is being charged to customers. Finance has provided cash handling training to all pro shop employees. Finance is reviewing current operating procedures and developing internal controls.

C. Federal Award Findings and Questioned Costs

NONE

CITY OF KINGSVILLE

*SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2016*

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
<p>2015-1 Internal Control - Reconciliation of Asset and Liability Accounts</p> <p>Condition: The City has not reconciled certain asset and liability 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. Current personnel are still in training in certain areas.</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. 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>	Implemented	N/A

CITY OF KINGSVILLE

*SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2016*

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
2015-2 State Compliance - Hotel/Motel Tax Expenditures	Implemented	N/A

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.

CITY OF KINGSVILLE

*SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2016*

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
<p>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.</p>		
<p>2015-3 State Compliance - Bidding</p>	<p>Implemented</p>	<p>N/A</p>
<p>Condition: The City did not perform proper bidding procedures for services from a vendor which totaled more than \$50,000.</p>		
<p>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.</p>		
<p>Effect: The effect of this non-compliance is a violation of state laws, and the possibility of excess expenditures for goods and services provided.</p>		
<p>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.</p>		
<p>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.</p>		

CITY OF KINGSVILLE
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2016

2016-1 Internal Control - Golf Course Revenue

The Golf Course operations is a new endeavor for the City of Kingsville and has seen a change of managers in fiscal year 2015-2016. Additional oversight will be provided by the Parks and Recreation Director who was hired in fiscal year 2016-2017. The City installed a new POS system in fiscal year 2016-2017 which will provide better accountability of sales and inventory. Cameras have been installed both inside and outside. Current adopted fees have been reviewed to ensure compliance on what is being charged to customers. Finance has provided cash handling training to all pro shop employees. Finance is reviewing current operating procedures and developing internal controls.