

# *City of Kingsville, Texas*

## *Comprehensive Annual Financial Report*



*For the Year Ended September 30, 2014*

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# Comprehensive Annual Financial Report

September 30, 2014

## CITY OF KINGSVILLE, TEXAS

### City Commission

(for the fiscal year ended September 30, 2014)

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

### City Manager

Vincent J. Capell

### Prepared By:

#### Department of Finance

Deborah Balli, CPA - Director of Finance

Stacie Pena, CPA - Accounting Manager

David Bodiford - Accounting Supervisor

City of Kingsville  
 Comprehensive Annual Financial Report  
 For The Year Ended September 30, 2014

TABLE OF CONTENTS

	Page	Exhibit
<u>Combining Statements and Budgetary Comparison Schedules as Supplementary Information:</u>		
Combining Balance Sheet - All Nonmajor Governmental Funds.....	91	C-1
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - All Nonmajor Governmental Funds.....	92	C-2
Special Revenue Funds:		
Combining Balance Sheet - Nonmajor Special Revenue Funds.....	93	C-3
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds.....	95	C-4
Budgetary Comparison Schedules:		
Tourism Fund.....	97	C-5
Federal Grants Fund.....	98	C-6
State Grants Fund.....	99	C-7
Debt Service Funds:		
Budgetary Comparison Schedule:		
Debt Service Fund.....	100	C-8
Capital Projects Funds:		
Budgetary Comparison Schedule:		
Capital Improvements Fund.....	101	C-9
Fiduciary Funds:		
Agency Funds:		
Combining Statement of Changes in Assets and Liabilities.....	102	C-10

**STATISTICAL SECTION**

Net Position by Component, Last Four Fiscal Years.....	103	Schedule 1
Changes in Net Position, Last Four Fiscal Years.....	105	Schedule 2
Fund Balances, Governmental Funds, Last Ten Fiscal Years.....	109	Schedule 3
Changes in Fund Balances, Governmental Funds, Last Ten Fiscal Years.....	111	Schedule 4
Assessed Value & Estimated Actual Value of Taxable Property, Last Ten Fiscal Years..	113	Schedule 5
Direct and Overlapping Property Tax Rates (Rate per \$100 of Assessed Value).....	114	Schedule 6
Principal Property Tax Payers, Current Year and Nine Years Ago.....	115	Schedule 7
Property Tax Levies and Collections, Last Ten Fiscal Years.....	116	Schedule 8
Taxable Sales by Category, Last Ten Calendar Years.....	117	Schedule 9
Direct and Overlapping Sales Tax Rates, Last Ten Fiscal Years.....	119	Schedule 10
Ratios of Outstanding Debt by Type, Last Ten Fiscal Years.....	120	Schedule 11

City of Kingsville  
 Comprehensive Annual Financial Report  
 For The Year Ended September 30, 2014

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
<b>INTRODUCTORY SECTION</b>		
Letter of Transmittal.....	1	
GFOA Certificate of Achievement.....	12	
Organizational Chart.....	13	
<b>FINANCIAL SECTION</b>		
Independent Auditor's Report.....	14	
Management's Discussion and Analysis (Required Supplementary Information).....	16	
<u>Basic Financial Statements</u>		
Government-wide Financial Statements:		
Statement of Net Position.....	35	A-1
Statement of Activities.....	36	A-2
Fund Financial Statements:		
Balance Sheet - Governmental Funds.....	38	A-3
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Position.....	40	A-4
Statement of Revenues, Expenditures, and Changes in		
Fund Balances - Governmental Funds.....	41	A-5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in		
Fund Balances of Governmental Funds to the Statement of Activities.....	43	A-6
Statement of Net Position - Proprietary Funds.....	44	A-7
Reconciliation of the Statement of Net Position-Proprietary Funds to the		
Statement of Net Position.....	45	A-7R
Statement of Revenues, Expenses, and Changes in		
Fund Net Position - Proprietary Funds.....	46	A-8
Reconciliation of the Statement of Revenues, Expenditures, and Changes in		
Net Position-Proprietary Funds to the Statement of Activities.....	47	A-8R
Statement of Cash Flows - Proprietary Funds.....	48	A-9
Statement of Fiduciary Net Position - Fiduciary Funds.....	49	A-10
Notes to the Financial Statements .....	50	
<u>Required Supplementary Information</u>		
Budgetary Comparison Schedules:		
General Fund.....	79	B-1
Police Forfeiture Fund.....	87	B-2
Schedule of Funding Progress for Other Post Employment Benefits Plan.....	89	
Notes to Required Supplementary Information.....	90	

City of Kingsville  
 Comprehensive Annual Financial Report  
 For The Year Ended September 30, 2014

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
Ratios of General Bonded Debt Outstanding, Last Ten Fiscal Years.....	122	Schedule 12
Direct and Overlapping Governmental Activities Debt as of September 30, 2013.....	123	Schedule 13
Legal Debt Margin Information, Last Ten Fiscal Years.....	124	Schedule 14
Pledged-Revenue Coverage, Last Ten Fiscal Years.....	126	Schedule 15
Demographic and Economic Statistics, Last Ten Calendar Years.....	127	Schedule 16
Top Ten Employers, Current Year and Nine Years Ago.....	128	Schedule 17
Full-Time Equivalent City Government Employees by Function/Program, Last Ten Fiscal Years.....	129	Schedule 18
Operating Indicators by Function/Program, Last Ten Fiscal Years.....	130	Schedule 19
Capital Asset Statistics by Function/Program, Last Ten Fiscal Years.....	132	Schedule 20

OTHER SUPPLEMENTARY INFORMATION SECTION

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	134	
Schedule of Findings and Questioned Costs .....	136	
Summary Schedule of Prior Audit Findings.....	139	
Corrective Action Plan.....	143	

INTRODUCTORY SECTION



P.O. BOX 1458 - KINGSVILLE, TX 78364

June 1, 2015

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

The Comprehensive Annual Financial Report of the City of Kingsville, Texas (City) for the fiscal year ended September 30, 2014, is submitted herewith. As required by the TEX. LOCAL GOV'T CODE ANN. § 103.001 et seq., the report includes financial statements which have been audited by an independent firm of certified public accountants, John Womack & Co. PC. The financial statements are presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and are audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

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

The goal of the independent audit, conducted by John Womack & Co. PC was to provide reasonable assurance that the financial statements of the City of Kingsville for fiscal year ended September 30, 2014, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Kingsville's financial statements for the fiscal year ended September 30, 2014, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

## **THE CITY AND ITS ORGANIZATION**

### **Population and Location**

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

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

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

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

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

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

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

the U.S. Hwy 77 corridor and State Highway 285, they also assist Federal, State and Local agencies in the South Texas area with narcotic investigations. These U.S. Highways are directly connected to the Lower Rio Grande Valley which borders Mexico and are highly trafficked by illegal aliens traveling north, as well as criminal organizations attempting to transport illegal narcotics into the United States. The Task Force has mutual aid agreements with Brooks and Kleberg Counties and work numerous areas in South Texas when the need occurs.

In 2014 Task Force Agents conducted 88 criminal investigations resulting in 59 arrests; the confiscation of 113 pounds of cocaine, 132 pounds of methamphetamine, and 2025 pounds of marijuana. In 2014, Task Force investigations also resulted in the confiscation of over 2 million dollars in criminal assets.

The City's Fire Department operates two fire stations, and provides advanced life support emergency medical services and transport. The Department cross staffs 2 fire engines and 2 MICU ambulances using a minimum of 7 personnel each day. Fire protection, rescue, and EMS services are provided by 30 firefighters and 3 support staff. Of the 30 firefighters, currently there are 14 certified EMT Paramedics, 4 EMT Intermediates, and 8 EMT Basics. The Department hopes to fill 4 Paramedic vacancies soon.

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

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

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

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

Community enrichment and culture services are also major programs of the City. The Robert J. Kleberg Public Library is a City-County public library that provides comprehensive library services and information to residents of Kleberg County. The Woman's Club of Kingsville founded the public library on February 23, 1909. The library's 10,250 square foot facility houses more than 55,000 items for leisure and research use. The library has over 30,000 registered patrons and has a circulation of approximately 40,000 items annually. Throughout the year, the library averages over 50,000 visits, and over 1,500 patrons engage in the library's very popular author lectures and book signings event, and the summer reading and activities program. The library also offers electronic resources and services such as databases, eBooks, free high-speed broadband Internet, 24/7 Wi-Fi Internet access, Wi-Fi web printing, computer labs, public printers and typewriters. The Robert J. Kleberg Public Library is a member of The Central Texas Library System and is accredited by the Texas State Library and Archives Commission.

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

The City of Kingsville and Kleberg County own and maintain extensive recreational facilities, which include 195 acres of parks and playgrounds, one swimming pool, 12 baseball and softball diamonds, 12 soccer fields, 2 cricket pads, one recreational center, one BBQ hut, and a fairgrounds which includes an Exposition Center, horse stalls, campsites, and outdoor rodeo arena and storage building which is currently leased to the Kleberg Kenedy County Junior Livestock Show Association. The 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.

Public health, animal control/care, and vector control services 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 last week of May for the development of the annual operating budget. Under the direction of the City Manager, the Director of Finance uses these requests to develop a proposed balanced operating budget for presentation to the City Commission by the beginning of August. Following a month of budget discussions and deliberations with City Commission, a public hearing is scheduled for the first week of September and adoption of the budget ordinance and supporting fee schedules occur no later than

September 30th. The operating budget is prepared by fund, department, function, and organizational unit or project levels.

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

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

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

## **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, 2014, 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) a slight increase in sales tax, and (3) an increase in building permit fees. This illustrates the resilience of the local economy despite negative revenue trends for other state and local governments in the nation. Real property tax collections as a percent of levy collected has remained stable. Current fiscal year collected taxes to date, as a percent of the net current tax levy, have increased slightly.

### **Employment**

The local unemployment rate stood at 4.2% for September, 2014 compared to 5.0% for Texas and 5.9% for the nation. Future Job growth for the City outpaced the National average and was projected at 41.80% compared to 36.10% nationally for this same time period. Estimated Household income for the City also outpaced the National average as well in the income bracket of \$5K to \$20K and then in the \$75K to \$100K range.

## **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 locations for jet aviation training. Its primary mission is to train Student Naval Aviators for the United States Navy and Marine Corps and tactical jet pilots for other select NATO and Allied countries.

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

Since 2010, the City has funded its participation in the Texas Main Street program as a strategy for the redevelopment of its historic downtown commercial district, a district that serves the local community, a growing tourism market, as well as the students 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 FY13, the citizens and elected officials of Kingsville cooperated in the planning and implementation of several major projects and capital asset acquisitions.

The City created a Beautification Board made up of internal staff members to coordinate and plan community appearance activities. In FY13 the city made a substantial investment in corridor planning and beautification as well as additional infrastructure improvements. Those efforts continued in FY14 and will remain a standard budget line item for many years to come.

The Planning & Development Services Department continued its substandard building initiative, wherein the Community Appearance Division and the Building Services Division collectively identified and razed several dangerous buildings in Kingsville in FY14. This program will continue in Fiscal Year 2015, with a goal of razing 25 additional substandard buildings.

With the Certificate of Obligations the city has received, the City is continuing to update the waste water treatment plants.

The HM King High School renovation and adaptive re-use has made tremendous progress in Fiscal Year 2014. Initial funding was pledged and provided through the HM King High Historical Foundation which began fundraising in 2009 after receiving a \$1 million donation from Mrs. Helen Kleberg Groves. The City has committed an additional \$3.8 million. The exterior of the structure was completed in Fiscal Year 2013 with additional work continuing in FY14 and FY15. Anticipated completion and move-in is January 2016.

### **Economic Development**

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

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

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

### **Current Construction Projects**

- New HMK High School project is progressing on schedule with anticipated completion and move-in January 2016.
- Wildwood Trails, a 184-lot subdivision infrastructure was completed in FY14 with the sell and construction of homes on these lots to begin in the spring of 2014. The 184-lot subdivision will have multiple lot sizes that are expected to contain a mix of home prices. "The Grand" will be on 36-100x150' lots with home prices ranging from \$250 - \$400k homes. "The Las Villas" will be on 54-

60x120' lots with home prices ranging from \$150-\$225k. "The Park" will be on 94-50x100' lots with home prices ranging from \$110-\$140k.

- 192-unit apartment complex situated on 10-acres of property within the City limits and known as Oak Tree Apartments. Clubhouse to be complete in September 2014, 1<sup>st</sup> apartments to start leasing in November 2014.
- 19-unit, 2-bedroom apartments, situated on 1 acre of property within the City limits and known as Ranch View Apartments.
- Renovation work on the old Texas Theater continues. When completed, plans are to use the historic theater for a variety of events which include live productions, beauty pageants, dance recitals and musical acts.
- The City approved a multi-year lease with Texas A&M University-Kingsville to house a new research center dedicated to the Eagle Ford Shale Reserve. The research center is intended to foster the development of technological advances and development of the Reserve. Some of the potential technologies would be pipeline safety monitoring and new generation of infrastructure elements that mimic the self-healing mechanisms of living organisms.

### **Future Construction Projects**

- New 48-unit apartment complex, Cayetano Villas has been proposed which would have two-story garden style structures funded through a federal tax credit program. The proposed gated community would have a clubhouse, playground and mixture of one, two and three bedroom units with an expected budget of \$7 million. More than 60 jobs during construction is anticipated.
- Lakeview Villa, a 20 townhome subdivision is scheduled to begin construction in May 2015; this project should take 10 months to complete.
- Legends of Kingsville Apartments, is constructing a 198-unit, 504-bed, student-housing-marketed housing development on 21-acres of land next to TAMUK, completion is anticipate in the fall of 2015.
- KISD will be constructing a 5,000-SF Central Warehouse for its school food storage. Plans are under review and expected to begin construction in May 2014.
- Celanese Corp. announced its intent to explore plans to construct a methanol production unit at the nearby facility. Celanese is preparing to apply for the necessary environmental construction permits for a methanol unit with an expected annual capacity of 1.3 million tons at the company's Bishop Facility. This will be an \$800 million dollar construction project here with additional full-time employees following construction. This plant is also working on plans for a compounding unit a separate \$80 million dollar project.
- I-69 highway improvement project

### **Tourism**

The City of Kingsville has significant brand equity in its identification with the King Ranch, Texas A&M University-Kingsville, Naval Air Station Kingsville and as an entry into the Rio Grande Valley. The City's location puts it in an area that attracts "Winter Texans" and various other tourism sub-markets.

The King Ranch now covers 825,000 acres – more land than the state of Rhode Island. Over the course of 150 years, King Ranch has led some of the first cattle drives, developed the Santa Gertrudis and Santa Cruz breeds of cattle, bred the finest quarter horses, and produced champion thoroughbreds – all under its iconic Running W brand. Today’s King Ranch has diversified into a major agribusiness with interests in cattle ranching and feedlot operations, farming (citrus, cotton, grain, sugar cane, and turf grass), pecan processing and sales, commodity marketing and processing, luxury retail goods, and recreational hunting. King Ranch continues to foster a culture of uncompromising quality, stewardship, and authenticity which is a true testament to Captain King’s commitment and integrity.

The University provides its own visitor draws, is growing in enrollment and adding events, and is pursuing sports-related tourism that relates to its mission and its own recruitment and marketing.

The Naval Air Station provides its own Navy and business visitors, as well as providing the venue for a spectacular biennial Wings over South Texas Air Show with the Navy’s Blue Angels. The 2014 event saw perfect weather coupled with breathtaking aerial acrobatics leading to record breaking crowds of 80,000 spectators on Saturday and 65,000 on Sunday.

Efforts in historic preservation, the Main Street program, the offerings of the downtown merchants, and downtown events are beginning to build downtown visitation.

Whether arriving in town from the east through the main corridor or landing at the local airport strip to the west of town, visiting Kingsville 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, there are also the most delicious historic cuisines in the Lone Star state. Whether you want to get up close and personal with hundreds of species of wildlife at the ranch or the beach, or just kick up your boots in town at one of the lodging destinations, we’ve got you covered.

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

During the 2014 fiscal year, the City continued to utilize bond issues from the previous fiscal years to fund projects and capital assets planned and approved during the past fiscal year. These are major initiatives that represent a significant long term commitment to revitalization strategies that support commercial and industrial growth and improved quality of life for current residents.

### **CAFR Program**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Kingsville for its comprehensive annual financial report for the fiscal year ended September 30, 2013. This was the twenty-sixth consecutive year that the City has

received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

### **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 Mr. Vincent Capell City Manager 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, C.P.A.  
Director of Finance



**King'sville**  
TEXAS





Government Finance Officers Association

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

Presented to

**City of Kingsville  
Texas**

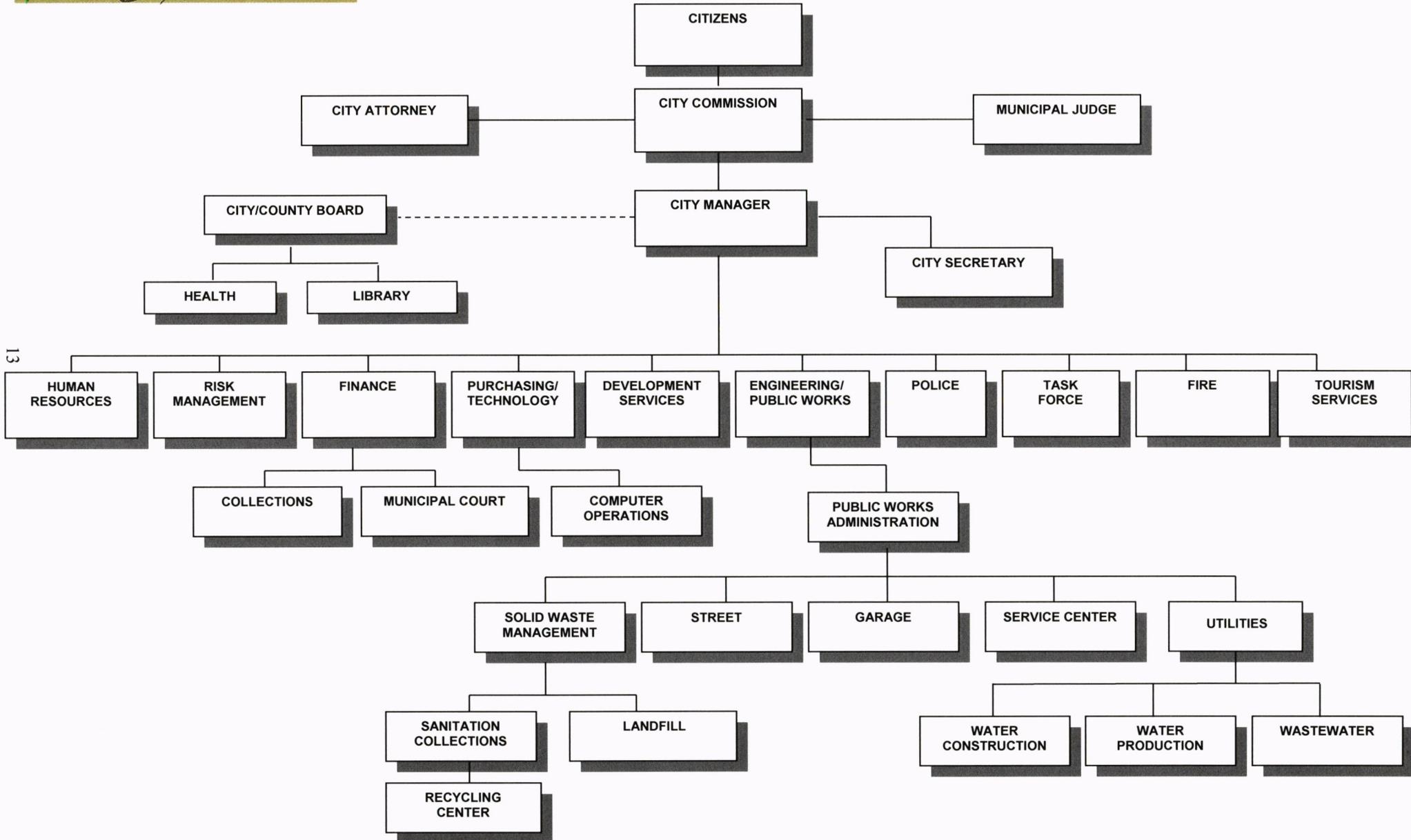
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2013**

Executive Director/CEO



# CITY OF KINGSVILLE ORGANIZATIONAL CHART



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As of September 30, 2014



**King'sville**  
TEXAS





JOHN WOMACK & CO., P.C.  
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**Independent Auditor's Report**

To the City Council  
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, 2014, 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, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information 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.

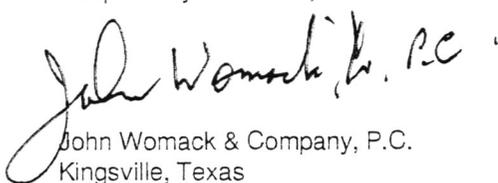
The combining and individual nonmajor fund financial statements and budgetary comparison schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and budgetary comparison schedules 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 May 13, 2015 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,

  
John Womack & Company, P.C.  
Kingsville, Texas  
May 13, 2015

## 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, 2014. 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 \$30.2 million.
- The fund balance of the General Fund increased from \$11.1 million to \$11.5 million. This represents a 4.31% increase over the prior year's fund balance, and furthermore, represents 63.9% of the \$18.0 million in expenditures. The General Fund's Unassigned Fund Balance was \$4.8 million, or 26.6% of general fund expenditures.
- Total assets, were \$69.2 million; total liabilities were \$39.0 million.
- The ratio of total assets to total liabilities for governmental activities was 1.95 times; for business-type activities the ratio was 1.67 times.
- The quick ratio (current assets to current liabilities) was 2.989 times for governmental activities and 5.02 times for business-type activities.
- Total net position was \$30.2 million, which was a decrease from \$30.9 million for the prior year, or about 2.4%. Governmental activities' net position decreased by 11.97%, while business-type activities' net position increased by 7.85%.

### 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 demonstrate 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.
  - 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**

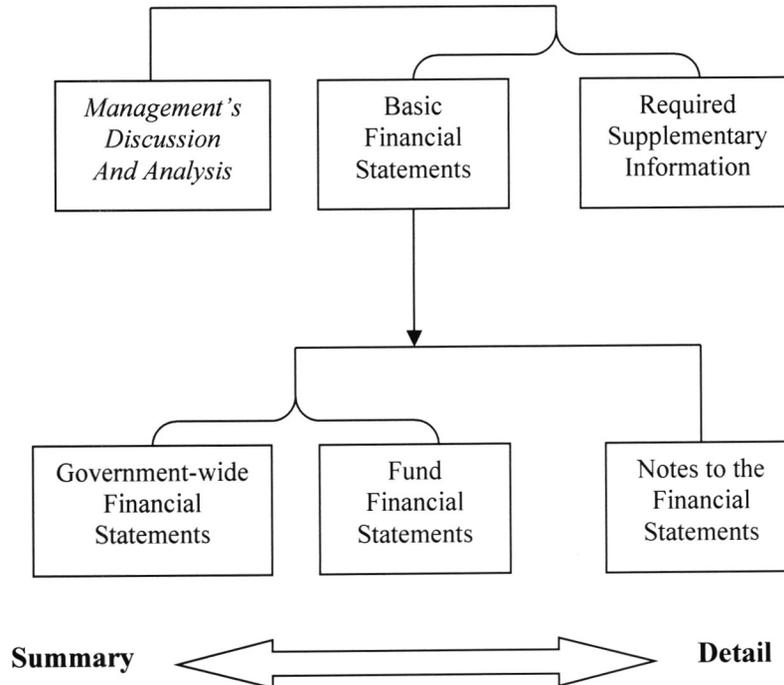


Figure A-1 shows how the required parts of this annual financial report are arranged and relate to one another. In addition to these required elements, a section with combining statements that provides details about the non-major governmental funds and internal service funds is included.

**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 more 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, 2014, the net position totaled \$30.2 million, \$742 thousand less than the prior year. The composition of this net position is \$14.1 million for governmental activities and \$16.1 million for business-type activities, which is comprised primarily of the Combined Utility System.

A large portion of the City's net position, 28.8%, are invested in capital assets (e.g., land, infrastructure, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities, and the City has over 2.5% of its net position set aside for the retirement of debt. Approximately 11.9% 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, 2014 and 2015 (in thousands of dollars)**

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current & other assets	\$ 15,739	\$ 18,128	\$ 19,966	\$ 23,497	\$ 35,705	\$ 41,625
Capital assets	13,214	13,044	20,252	19,094	33,466	32,138
<b>Total assets</b>	<b>28,953</b>	<b>31,172</b>	<b>40,218</b>	<b>42,591</b>	<b>69,171</b>	<b>73,763</b>
Long-term liabilities	9,572	9,966	20,136	21,661	29,708	31,627
Other liabilities	5,281	5,200	3,978	5,999	9,259	11,199
<b>Total liabilities</b>	<b>14,853</b>	<b>15,166</b>	<b>24,114</b>	<b>27,660</b>	<b>38,967</b>	<b>42,826</b>
Deferred inflows of resources	19	10	-	-	19	10
Net investment in capital assets	7,857	7,197	842	2,766	8,699	9,963
Restricted	4,552	5,952	6,362	540	10,914	6,492
Unrestricted	1,672	2,847	8,900	11,625	10,572	14,472
<b>Total net position</b>	<b>\$ 14,081</b>	<b>\$ 15,996</b>	<b>\$ 16,104</b>	<b>\$ 14,931</b>	<b>\$ 30,185</b>	<b>\$ 30,927</b>

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

Current & Other Assets decreased \$2.4 million from \$18.1 million in FY13 to \$15.7 million in FY14 or 15.18%. The City set aside \$5.1 million to finance one-time purchases for infrastructure, construction of the new city hall and capital outlays. Capital assets, net of accumulated depreciation, increased \$171 thousand from \$13.0 million in FY13 to \$13.2 million in FY14 or 1.31%. Other liabilities increased \$82 thousand from \$5.2 million in FY13 to \$5.3 million in FY14 or 1.57%. This was due to increased accounts payable.

As a result of more accurately reflecting the restrictions on net position, Restricted Net Position decreased by \$1.4 million from \$6.0 million in FY13 to \$4.6 million in FY14 as follows:

(\$79,712)	decreased	Federal and State programs
\$173,216	increased	Debt Service
(\$983,311)	decreased	Capital projects
\$7,115	increased	Municipal Court Building Security funds
(\$642,035)	decreased	Law Enforcement
\$13,492	increased	Municipal Court Technology fund
\$110,829	increased	Tourism funds (previously a component unit)
\$0	no change	Other Purposes

Total net position decreased by \$1.9 million from \$16 million in FY13 to \$14.1 million in FY14 or 11.97%.

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

The Combined Utility System's net position was \$16.1 million, which is 53.4% of total net position and is \$1.2 million more than the prior year. The Combined Utility System contributed all of the total unrestricted business-type net position.

Current & Other Assets decreased \$3.5 million from \$23.5 million in FY13 to \$20.0 million in FY14 or 15.03%. Restricted Cash decreased from \$10.1 million to \$6.7 million due to the decrease in funds set aside for capital outlay. Capital assets, net of accumulated depreciation, increased \$1.2 million from \$19.1 million in FY13 to \$20.3 million in FY14 or 6.06% due to additional equipment purchases net of equipment and vehicle retirements, auction sales and annual straight-line depreciation costs.

Long-term liabilities decreased \$1.6 million from \$21.7 million in FY13 to \$20.1 million in FY14 or 7.04%. Investment in capital assets net of related debt decreased \$1.9 million from \$2.8 million in FY13 to \$843 thousand in FY14 or 69.54% due to FY14 retirements.

Restricted net position increased \$5.8 million from \$540 thousand in FY13 to \$6.4 million in FY14 or 1,078.26%. Restricted net position was adjusted to more accurately reflect money set aside for capital assets. Debt service decreased \$249 thousand from \$249 thousand in FY13 to \$0 in FY14 or 100%. Prior restricted net position for debt service did not meet the requirement for legally restricting the net position. Capital projects increased \$6.1 million from \$291 thousand in FY13 to \$6.4 million in FY14 or 2,087.32%. The large change from FY13 to FY14 was due to the recalculations of restrictions on net position as stated throughout this section.

Unrestricted net position decreased \$2.7 million from \$11.6 million in FY13 to \$8.9 million in FY14 or 23.45%.

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 at September 30, 2014 and 2013**  
(in thousands of dollars)

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenue:						
Program revenue:						
Charges for services	\$ 3,513	\$ 4,166	\$ 12,858	\$ 12,145	\$ 16,371	\$ 16,311
Operating grants & contributions	299	404	-	-	299	404
Capital grants & contributions	2	3	-	-	2	3
General revenues:						
Property taxes	\$6,211	\$6,056	-	-	\$6,211	\$6,056
Sales taxes	\$4,543	\$4,338	-	-	\$4,543	\$4,338
Other taxes	\$1,077	\$1,021	-	-	\$1,077	\$1,021
Investment earnings	83	212	128	38	211	250
Other	2	-	-	-	2	-
<b>Total revenues</b>	<b>15,730</b>	<b>16,200</b>	<b>12,986</b>	<b>12,183</b>	<b>28,716</b>	<b>28,383</b>
Expenses:						
General government	4,127	3,958	-	-	4,127	3,958
Public safety	10,189	9,100	-	-	10,189	9,100
Public works	3,727	3,343	-	-	3,727	3,343
Health & other public services	798	755	-	-	798	755
Tourism	482	405	-	-	482	405
Interest on long-term debt	310	362	-	-	310	362
Water and wastewater	-	-	7,118	6,520	7,118	6,520
Solid waste	-	-	2,707	2,542	2,707	2,542
<b>Total expenses</b>	<b>19,633</b>	<b>17,923</b>	<b>9,825</b>	<b>9,062</b>	<b>29,458</b>	<b>26,985</b>
Increase in net position before transfers	(3,903)	(1,723)	3,161	3,121	(742)	1,398
Transfers	1,988	1,850	(1,988)	(1,850)	-	-
Increase (decrease) in net position	(1,915)	127	1,173	1,271	(742)	1,398
Net position, beginning	15,996	16,003	14,931	13,825	30,927	29,828
Prior period adjustment	-	(134)	-	(165)	-	(299)
<b>Total net position</b>	<b>\$ 14,081</b>	<b>\$ 15,996</b>	<b>\$ 16,104</b>	<b>\$ 14,931</b>	<b>\$ 30,185</b>	<b>\$ 30,927</b>

## Governmental Activities

As shown in Table A-2, revenues were split between governmental activities and business-type activities 54.78% and 45.22%, respectively, with expenses for each at 66.65% and 33.35%. Net position decreased 11.97% from the prior period for governmental activities, increased 7.86% for business-type activities, and decreased 2.4% overall.

- The cost of all *governmental* activities for the fiscal year 2014 was \$19.6 million.
- However, the amount that taxpayers paid for these services through City taxes and business fees was \$11.8 million.

Some of the cost was paid by:

- Those who directly benefited from the programs (\$3.5 million), and
- Other governments and organizations that subsidized certain programs with grants and contributions (\$301 thousand).
- Charges for services comprised 19.83% of governmental activities revenues including transfers and 99.01% of business-type activities' revenues including transfers.
- Taxes contributed 66.77% of governmental activities revenues including transfers. Investment and other earnings, with interest rates, generated .53% and .99% of governmental activities revenues and business-type activities, respectively.
- Public Safety (including Police, Fire, Emergency Management, Municipal Court, and Inspections) expenses accounted for 51.90% of governmental activities expenses and 18.98% of total expenses were for public works.
- Public Safety required the largest net amount of public funds after deducting program revenue, grants, and contributions. The total subsidy was \$7.57 million.
- General government comprises 21.02% of all governmental activities' expenses.

Charges for services revenue decreased \$653 thousand from \$4.2 million in FY13 to \$3.5 in FY14 or 15.67%. General revenue sales tax increased \$205 thousand from \$4.3 million in FY13 to \$4.5 million in FY14 or 4.73%. In FY13, the City received an additional \$66 thousand in one-time comptroller audit adjustments. In FY14, the City received an additional \$53 thousand in one-time comptroller audit adjustments.

Other Revenues increased from \$0 in FY13 to \$2 thousand in FY14.

General government expenses increased \$169 thousand from \$4.0 million in FY13 to \$4.1 million in FY14 or 4.27%. Public Safety expenses increased \$1.1 million from \$9.1 million in FY13 to \$10.2 million in FY14 or 11.97%. In FY14, Fire and Police Department personnel received \$142,592 in scheduled salary step increases along with a 1.5% Cost of Living (COLA) salary increase. Public Works expenses increased \$384 thousand from \$3.3 million in FY13 to \$3.7 million in FY14 or 11.49%

The decrease in net position before transfers increased \$2.1 million from a \$1.7 million deficit in FY13 to a \$3.9 million deficit in FY14. Transfers increased \$138 thousand from \$1.9 million in FY13 to \$2.0 million in FY14 or 7.46%. The City's net position was utilized to finance one-time purchases and this draw down increased in FY14.

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

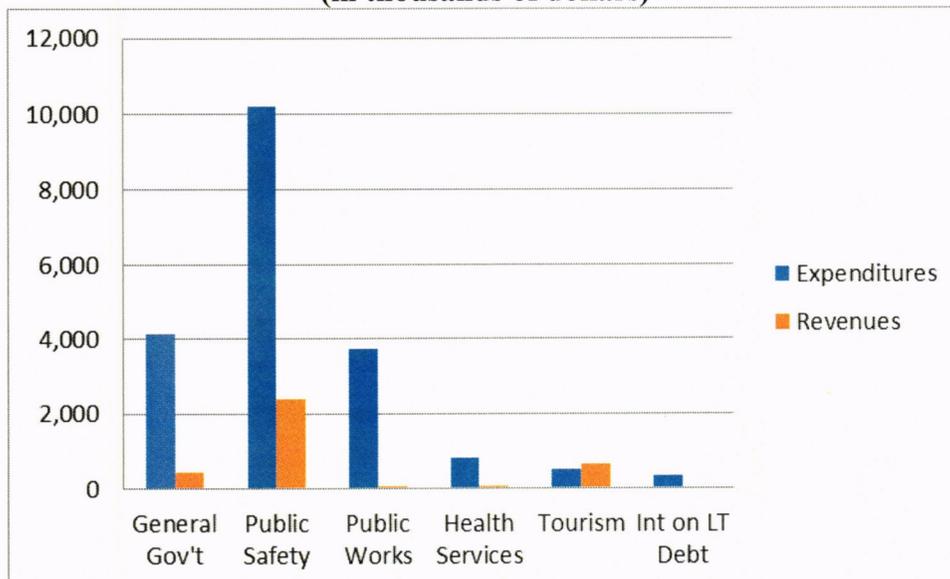
Charges for services revenue increased \$713 thousand from \$12.1 million in FY13 to \$12.9 million in FY14 or 5.87%. Water and wastewater sales stabilized due to an increase in much needed rains. Water and wastewater rates remained at FY12 rates.

The change in net position before transfers increased \$40 thousand from \$3.12 million in FY13 to \$3.16 million in FY14 or 1.28%. Transfers Out increased \$138 thousand from \$1.85 million in FY13 to \$1.99 million in FY14 or 7.46%. The City's net position is being used as designed in the Water and Waste Water Rate Model, but the use of its net position was more than in FY13. Prior to FY 14, the City had built up about 14 months of operating funds over the years. As a result, a rate study was performed, a model was built and rates adopted in a planned pull down of the excess months over the 3 to 4 months of operating expense in net position, which is the benchmark in the industry. The model is designed to implement smaller rate increases over a 5 year period to offset the increased infrastructure replacement and enhancement needs while pulling down the net position. At the end of FY14, net position was pulled down to 8 months of expenditures thus resulting in no utility rate increases. FY14 is in the fourth year of the 5 year rate model that gradually increases those rates with an annual average rate increase of 1 to 2% for water and a little over 3% annual average rate increase for waste water over the 5 year period. Even though the rate model calls for a gradual increase in rates, the City chose not to increase water and wastewater rates in FY13 and FY14.

Solid Waste expenses increased \$165 thousand from \$2.54 million in FY13 to \$2.71 million in FY14. Water and waste water expenses increased \$598 thousand from \$6.52 million in FY13 to \$7.12 million in FY14 or 9.17%.

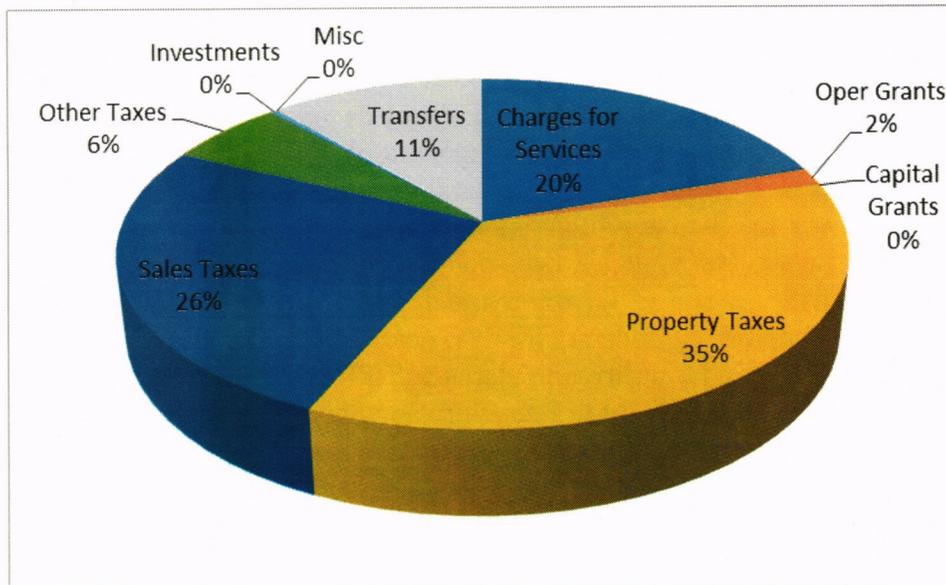
Graph 1 presents the cost of each of the City's major governmental functions, as well as the associated program revenues.

**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 72.45% of the expenses generated for business-type activities, with solid waste accounting for an additional 27.55%. It had operating revenues of \$6.5 million, operating income of \$1.7 million, and income before transfers of about \$1.6 million, with a profit after transfers of \$1.2 million for the fiscal year. Compared to the 2013 fiscal year, the System’s operating revenues were up by \$255 thousand, the operating income was up by \$707 thousand and net income after transfers was \$343 thousand lower. The major causes of these results were:

- Increased operating revenues are the result of an unusually dry spring and summer during 2014 over the previous year, which caused water revenues to increase by \$217 thousand, or 4.15% more than the preceding year.
- Wastewater fund revenue was down by \$473 thousand. There are bulk water sale customers along with wastewater only customers which would explain why there is not necessarily direct correlation with water sale increases.
- The operating expenses increased by \$586 thousand, primarily due to increases in all categories which include personnel, supplies, service, maintenance and depreciation.

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

### Governmental Funds

- Total assets of the General Fund increased \$238 thousand from \$13.2 million to \$13.4 million between FY13 and FY14. Most of this overall increase in total assets is an increase in Equity in Pooled Cash and Cash Equivalents of \$2.1 million, an increase in Cash and Cash Equivalents of \$2.5 million, a decrease in Due From Other Funds of \$3 million, an increase in inventory of \$8 thousand, a \$306 thousand increase in Accounts Receivable, and a decrease in Restricted Cash and Cash equivalents of \$1.7 million over FY13.
- For FY14, Deferred Revenues increased \$175 thousand. Total liabilities of the General Fund decreased by \$413 thousand to approximately \$1.08 million, a 27.62% decrease. The majority of the decrease is attributed to a \$269 thousand decrease in Current Accounts Payable, and a \$90 thousand decrease in Due to Other Funds, and a \$53 thousand decrease in Due to Other Governments for FY14 over FY13. This brings the ratio of total assets to total liabilities to 7.04 times in 2014 which is up from the same 6.15 ratio in 2013.
- See on page 27 the Budgetary Results of the General Fund section below for more details on the General Fund revenues and expenditures resulting in General Fund Excess of revenue over expenditures before other financing sources.
- The General Fund Unassigned Fund balance decreased \$141 thousand in FY14 to \$4.8 million from \$4.9 million in FY13. The Committed Fund Balance increased by \$255 thousand for Landfill Closure/Post Closure, and \$355 thousand for Capital Outlay. Overall Fund Balance increased \$476 thousand from \$11.1 million in FY13 to \$11.5 million in FY14.

### Police Forfeiture Funds

- Total assets of the Police Forfeiture Fund decreased \$2.7 million from \$6.3 million to \$3.7 million between FY13 and FY14. Most of this overall decrease in total assets is from a decrease in the net of Equity in Pooled Cash and Cash Equivalents of \$3.6 million, and an increase in Restricted Cash and Cash Equivalents of \$920 thousand as compared to the previous FY13.
- Total liabilities of the Police Forfeiture Fund decreased by \$1.8 million from \$4.6 million in FY13 to \$2.8 million in FY14. This brings the quick ratio (current assets to current liabilities) to 1.32 times in FY14 from 1.38 times in FY13. This is because they still had \$2.2 million in unsettled seizures pending up \$381 thousand and a decrease in Due to Other Funds and Governments which was down \$2.1 million at September 30, 2014.
- The Police Forfeiture Fund revenues decreased \$448 thousand or 28.98% from \$1.5 million in FY13 to \$1.1 million in FY14. Chapter 59 seizure and resulting awards affect revenues once cases are settled. The police department is making concerted efforts to improve their strategy of stopping the flow of money moving through the Interstate 77 corridor. This strategy includes becoming more concentrated with federal, state and local law enforcement agency presence.
- The Police Forfeiture Fund expenditures saw an increase of \$400 thousand from \$1.5 million in FY13 to \$1.9 million in FY14.

- The Police Forfeiture Fund Restricted Fund Balance decreased by \$845 thousand from approximately \$1.7 million in FY13 to \$890 thousand in FY14.

### **Debt Service Fund**

- The fund balance of the Debt Service Fund decreased \$37 thousand from \$626 thousand in FY13 to \$589 thousand in FY14. This was a decrease of 5.91% from FY13 to FY14. 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.

### **Capital Improvement Fund**

- The Capital Improvement Funds are no longer showed separately as they have been rolled into Other Governmental Funds.

### **Other Governmental Funds**

- Total assets of the Other Governmental Funds decreased \$3.1 million from \$5.6 million to \$2.5 million between FY13 and FY14. Assets were transferred out to the General Fund once assets are purchased. Once projects are completed or capital assets purchased, funds are no longer held open. Equity in Pooled Cash and Cash equivalents was \$12 thousand less with Restricted Cash and Cash equivalents decreasing \$2.9 million. Accounts Receivable increased \$8 thousand and Due From Other Funds and Governments decreased \$176 thousand between FY13 and FY14.
- Total liabilities of the Other Governmental Funds decreased by \$1.1 million to approximately \$428 thousand, a 72.29% decrease. The majority of the decrease is attributed to a \$1.1million decrease in Due to Other Funds and Governments.

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

General Fund taxes and business fee revenues were \$10.4 million, which was \$148 thousand or 1.43% above the final budget. Ad Valorem Delinquent and Penalty revenues were \$4 thousand or 3.41% below budget and \$7 thousand or 7.07% below budget respectively. The City usually budgets these estimated revenues conservatively low to adjust for possible anomalies that might occur in the collection process. Sales Tax Revenue was \$183 thousand or 4.19% above budget. Franchise revenue was \$4 thousand or .43% higher than the final budget. These variances are the result of conservative budgeting and changes in the local economy resulting from activity in the Oil and Gas industry.

Fines and Forfeitures revenue was less than the Final Budget for FY14 by \$17 thousand or 2.28%. There have been several new initiatives established for the Municipal Court which has allowed budgets for this department to be increased from \$697 thousand in FY13 to \$754 thousand in FY14.

Total Charges for Sanitation Services revenues were \$71 thousand or 1.82% less than the final budget. Sanitation Services Garbage Fees revenue were higher than the final budget by \$45 thousand or about 1.43% of the Final Budget for FY14. Sanitation Services Landfill Fees revenue were less than the final budget by \$75 thousand or about 12.60% of the Final Budget for FY14.

City Special Services expenditures were lower than the final budget by \$2.8 million. This favorable budget variance is mainly due to the expenditures that were budgeted for the construction of the new City Hall that did not occur in FY14 as anticipated. These funds remain committed and are expected to be completely expended by FY16.

Community Appearance Services expenditures were lower than the final budget by \$191 thousand. The reason for less than budgeted expenditures was due to demolition work that had to be delayed due to legislative issues.

Fire Department Total expenditures were lower than the final budget by \$199 thousand. Of this amount, \$136 thousand is related to Personal Services for the Fire Department or about 5.34% of the Fire Department Personal Services final budget. Police Department total expenditures were also lower than the final budget by \$197 thousand. Of this amount, \$124 thousand is related to Personal Services for the Police Department or about 3.11% of the Police Department Personal Services final budget. The City budgets at 100% of the City of Kingsville Compensation Plan. 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 \$28 thousand or 1.23%. The majority of this came from personnel expenditures. Of this amount, \$20 thousand is from Personnel for the Street Department or about 2.51% of the Street Department Personal Services final budget. This positive variance is due to position vacancies, but it resulted in some street projects that were delayed to FY14.

Landfill Department Total expenditures were lower than the final budget by \$1.9 million or 65.28%. The majority of this came from a \$1.8 million variance in Services for a transfer out that was delayed due to the City Hall Project being delayed and a \$111 thousand variance in Capital Outlay expenditures.

General Fund total revenues came in \$6 thousand or .04% below the final budget. The General Fund expenditures came in at \$5.6 million, or 23.66% below the final budget. Actual Expenditures exceeded Revenues by \$1.8 million, before transfers and other financing source.

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

General Fund revenues were amended by \$3,000 for donations received by the Police Department from Exxon Mobil.

Municipal Building department was amended by \$4,000 to cover additional charges for utilities.

The City Special department was amended \$47,200 to cover additional attorney fees of \$10,000, purchase of a van for \$17,200 and building maintenance of a city facility of \$20,000.

The Landfill department was amended \$117,105 to cover additional equipment repairs of \$93,319 and professional services in relation to ground water monitoring and a Title V Air Permit in the amount of \$23,786.

The Finance Administration budget was amended by \$13,000 for additional audit fees. The staffing changes required additional time to complete the audit for FY13.

Municipal Court's budget was amended by \$15,000 to cover additional temporary staffing requirements due to several employees on leave.

The Warrant Officer's department was amended \$1,060 to cover additional personnel expenditures due to the results of collective bargaining.

The Police department's budget was amended \$54,463 to cover \$1,000 additional expenditures as a result of receiving a donation and \$53,463 additional expenditures due to the results of collective bargaining.

The Fire department's budget was amended \$18,401 to cover a bad debt write-off of \$4,690, additional expenditures of \$2,000 as a result of receiving a donation and \$11,711 additional expenditures due to the results of collective bargaining.

The Service Center's budget was amended \$13,805 for \$4,704 in additional expenditures relating to the cathodic protection systems and TCEQ inspections and \$9,101 in rehabbing the welding and wastewater shed and a 20 inch valve.

The Street budget was amended \$571,350 for the purchase of paving equipment.

The Parks budget was amended \$4,482 to cover the rehabilitation of the jet located at the park.

The Library budget was amended \$50 to cover additional expenditures for computers and other services.

Planning's budget was amended \$114,666 to cover improvements to the city's website of \$16,166 and \$98,500 for corridor landscaping project.

Community Appearance's budget was amended \$20,275 to cover \$5,500 in additional expenditures for the removal of an abandoned sign structure and additional purchases of benches and trash receptacles for the downtown of \$14,775.

The Recycling Center's budget was amended \$22,540 for improvements made to the recycling center.

Additional information on the City's Original Budget to Final Budget and Final Budget to Actual can be found on Exhibit B-1, pages 79-86

**Non-major Governmental Funds**

Four special revenue funds comprise this portion of the financial statements. Total assets for the combined funds were \$2.5 million, total liabilities were \$428 thousand, and total fund balances were \$2.1 million, with \$2 thousand in Assigned Fund Balance and \$2.1 million in Restricted Fund Balance.

The Tourism Fund makes up 66.03% of the special revenue funds. The main source of funding for the Tourism Fund is from Hotel/Motel Occupancy Taxes. The remaining portion, 33.97%, of these special funds is the Federal and State Grants. Each of the special revenue funds are maintained separately because of special provisions for the receipt and expenditure of funds in compliance with Federal or State laws or regulations and the City’s bond ordinances, or other City Commission actions.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Table A-3: Capital Assets (net of depreciation) at September 30, 2014 and 2013  
(In thousands of dollars)**

	Governmental Activities			Business-type Activities		
	2014	2013	% Change FY 13-14	2014	2013	% Change FY 13-14
Land	\$ 469	\$ 469	0.00%	\$ 402	352	14.20%
Building & improvements	2,129	1,723	23.56%	13,827	13,800	0.20%
Equipment	987	700	41.00%	2,449	2,150	13.91%
Vehicles	2,355	2,349	0.26%	1,698	1,757	-3.36%
Road network	6,593	6,861	-3.91%	-	-	0.00%
Construction in progress	682	942	-27.60%	1,876	1,035	81.26%
Total	<u>13,215</u>	<u>13,044</u>	1.31%	<u>20,252</u>	<u>19,094</u>	6.06%

As shown in Table A-3, at September 30, 2014, the City had invested \$33.5 million (net of 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 \$260 thousand from \$942 in FY13 to \$682 in FY14 with the start of projects funded with Certificate of Obligations. The decrease indicates that various projects incomplete at the end of FY13 were completed in FY14.

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

Building and improvements increased \$27 thousand from \$13.80 million in FY13 to \$13.83 million in FY14 or .20% as the result of normal depreciation and retirements. Equipment increased \$299 thousand from \$2.15 million in FY13 to \$2.45 million in FY14 or 13.91%.

Construction in progress increased \$841 thousand from \$1.04 million in FY13 to \$1.88 million in FY14 or 81.26% indicating new construction projects were started and not yet complete.

Additional information on the City's Capital Assets can be found on Note E, pages 60-61 of the Notes to the Financial Statements.

**Table A-4: Long-Term Liabilities at September 30, 2014 and 2013  
(in thousands of dollars)**

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Certificates of obligation	\$ 7,087	\$ 7,797	\$ 9,868	\$ 20,238	\$ 16,955	\$ 28,035
Limited tax refunding bonds	1,130	1,260	8,900	-	10,030	1,260
Premium on bonds payable	115	125	342	179	457	304
Capital Leases	417	58	300	355	717	413
Other post-employment benefits	1,063	969	285	260	1,348	1,229
Total debt	9,812	10,209	19,695	21,032	29,507	31,241
Compensated absences	895	851	68	62	963	913
Landfill closure cost	-	-	2,231	2,131	2,231	2,131
Total long-term debt	\$ <u>10,707</u>	\$ <u>11,060</u>	\$ <u>21,994</u>	\$ <u>23,225</u>	\$ <u>32,701</u>	\$ <u>34,285</u>

### Long-term Debt

Table A-4 indicates that total long-term debt decreased by \$1.58 million from FY13 to FY14 or 4.62%. Of that, landfill closure costs increased \$100 thousand or 4.69%, while compensated absences increased 5.48%. Certificates of Obligation decreased \$11.1 million which is about a 39.52% decrease from the previous Fiscal Year. Other Post-Employment Benefits increased by \$119 thousand. Total debt outstanding at fiscal year-end was \$30.0 million, from \$31.2 million for the prior year.

In addition, there were overall reductions of \$11.1 million in certificates of obligation bonds through scheduled principal payments. Governmental Activities' certificate of obligations had \$710 thousand in debt reduction and the Business-type activities had a reduction of \$10.4 million in certificate of obligations. Limited refunding bonds increased \$8.8 million dollars overall due to the refunding that was done in the Business type activities. Additional information on the City's Long-Term Obligations can be found on Note H, Item # 1-3, and pages 62-65 of the Notes to the Financial Statements.

The FY14 tax rates were \$0.65404 for the General Fund and \$0.18816 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 \$11.8 million each year based on the assessed value of \$714,248,395. 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, pages 53-54 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 2014. The unenhanced bond ratings for general obligation bonds were maintained at A1 from Moody's Investors Service, Inc. (Moody's) and reaffirmed A+ from Standard & Poor's Ratings Service (S&P). The City no longer has revenue bonds outstanding, and therefore does not maintain revenue bond ratings.

## **FISCAL YEAR 2014-2015 ADOPTED OPERATING BUDGET**

Total Revenues and Expenditures budgeted for FY 14-15 are \$40,889,860 and \$52,312,524, respectively. The \$11,422,664 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 FY15 General Fund Budget contains a projected operating surplus of \$32 thousand along with a savings from FY14 to be used for capital equipment and other items.

The net deficits for FY14 and FY15 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 two largest revenues – sales and 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 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**

FY15 expenditures for personnel services are proposed to increase \$1.2 million or 7.93% from \$15,340,236 budgeted in FY14 to \$16,556,582 budgeted in FY15. Most of this increase is

attributed to taking over operations of the city parks, recreation facilities and golf course from the County. Along with these additional departments, increases to employee compensation for scheduled step increases under the City's Compensation Plan and a 1.5% cost of living adjustment (COLA) for general employees.

### **Capital Outlays**

City staff capital outlay requests for FY2015 totaled \$8,381,157; of which \$7,252,677 was approved. The capital outlay items approved promotes employee efficiency, effectiveness, and safety and is a combination of large and small items. It includes:

- \$416 thousand for vehicle and heavy equipment purchases and improvements to the Laserfiche web portal
- \$30 thousand for a cargo van for the Tourism Department
- \$60 thousand for Police Department equipment
- \$152 thousand for (6) new Police Department vehicle
- \$43 thousand for a license plate reader system
- \$231 thousand for utility system improvements
- \$120 thousand for heavy equipment for the utility fund
- \$550 thousand for the rehabilitation and fencing of Water Well #19 pump house
- \$700 thousand for the renovation and construction of the new Utility Billings and Collections office building
- \$150 thousand for various pumps for the utility water production system
- \$547 thousand for the Dewatering Centrifuge
- \$57 thousand for the construction of a 24 inch Force Main
- \$77 thousand for additional dumpsters and a Landfill permit amendment
- \$3.3 million for street construction and maintenance and storm drainage improvements
- \$500 thousand for technology and furnishings for the new City Hall
- \$390 thousand for Fire Department equipment and station improvements

### **Preserving Bonding Capacity**

The FY15 Budget includes the use of the General Fund's fund balance and other operational resources to purchase small dollar capital outlays and other one-time or periodic expenditures. Fund Balance was drawn down to minimum reserve levels to take care of necessary capital expenditures. Although these assets constitute small dollars individually, over time they add up to large amounts that can consume large portions of the city's debt capacity. Paying for small dollar assets using the City's limited long-term bonding authority negatively impacts and reduces the City's ability to use those same bonds for major streets, sewer, water and other infrastructure projects. Efforts will be made in FY16 to increase the General Fund's Fund Balance to more than the minimum 3 months of budgeted expenditures requirement.

### **Proposed Street Improvements**

City staff submitted street improvement project requests totaling \$3.3 million which is part of the overall total of \$8.4 million capital outlay requests, all of which were approved. All street improvement projects are budgeted and paid for from Certificate of Obligation bond proceeds from 2011 and 2013.

## CITY'S FINANCIAL MANAGEMENT

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

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

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



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**CITY OF KINGSVILLE**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2014**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<i>Cash and cash equivalents</i>	\$ 6,902,359	\$ 7,417,650	\$ 14,320,009
<i>Equity in pooled cash and cash equivalents</i>	814,257	3,078,173	3,892,430
Receivables ( net of allowances for uncollectibles):			
<i>Taxes</i>	1,400,478	--	1,400,478
<i>Accounts</i>	342,962	1,718,276	2,061,238
<i>Accrued Interest</i>	6,043	6,211	12,254
<i>Internal Balances</i>	(642,911)	642,911	--
<i>Due from other governments</i>	541,304	--	541,304
<i>Inventory, at cost</i>	222,386	287,061	509,447
Restricted assets:			
<i>Cash and cash equivalents</i>	5,839,614	5,794,116	11,633,730
<i>Equity in pooled cash and cash equivalents</i>	312,078	954,405	1,266,483
<i>Accounts</i>	--	67,104	67,104
Long-term assets:			
<i>Land and construction in progress</i>	1,150,885	2,277,597	3,428,482
<i>Capital assets, net of related depreciation</i>	12,063,668	17,974,546	30,038,214
<b>Total Assets</b>	<u>28,953,123</u>	<u>40,218,050</u>	<u>69,171,173</u>
<b>LIABILITIES</b>			
<i>Accounts payable</i>	1,088,458	1,235,962	2,324,420
<i>Accrued wages payable</i>	170,846	29,186	200,032
Payable from restricted assets:			
<i>Accrued interest payable</i>	55,128	81,978	137,106
<i>Customer deposits</i>	2,394,355	773,798	3,168,153
Due to:			
<i>Other governments</i>	435,562	--	435,562
<i>Others</i>	1,225	--	1,225
Liabilities due within one year:			
<i>Accumulated unpaid compensated absences</i>	226,680	38,500	265,180
<i>Leases payable</i>	86,068	56,629	142,697
<i>Contractual obligations payable</i>	822,984	1,762,016	2,585,000
Liabilities due beyond one year:			
<i>Accumulated unpaid compensated absences</i>	667,898	29,775	697,673
<i>Leases payable</i>	331,294	243,254	574,548
<i>Accrued other post-employment benefits</i>	1,062,506	284,518	1,347,024
<i>Contractual obligations payable</i>	7,394,542	17,005,459	24,400,001
<i>Premium on bonds</i>	115,289	342,358	457,647
<i>Landfill closure costs</i>	--	2,231,027	2,231,027
<b>Total Liabilities</b>	<u>14,852,835</u>	<u>24,114,460</u>	<u>38,967,295</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
<i>Deferred outflows of resources</i>	19,407	--	19,407
<b>Total Deferred Inflows of Resources</b>	<u>19,407</u>	<u>--</u>	<u>19,407</u>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	7,857,043	842,427	8,699,470
Restricted For:			
Federal and State Programs	34,434	--	34,434
Debt Service	769,175	--	769,175
Capital Projects	1,613,008	6,361,728	7,974,736
Municipal Court Security	80,006	--	80,006
Law Enforcement	1,329,259	--	1,329,259
Municipal Court Technology	49,149	--	49,149
Tourism	674,276	--	674,276
Other Purposes	2,918	--	2,918
Unrestricted	1,671,613	8,899,435	10,571,048
<b>Total Net Position</b>	<u>\$ 14,080,881</u>	<u>\$ 16,103,590</u>	<u>\$ 30,184,471</u>

The accompanying notes are an integral part of this statement.

**CITY OF KINGSVILLE**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
<i>General government and administration</i>	\$ 4,127,259	\$ 427,047	\$ 50,196	\$ --
<i>Public safety</i>	10,189,111	2,374,591	245,219	2,074
<i>Public works</i>	3,727,188	54,893	--	--
<i>City/County</i>	797,635	30,038	--	--
<i>Tourism</i>	482,331	626,066	3,234	--
<i>Interest on long-term debt</i>	309,706	--	--	--
<b>Total Government Activities</b>	<u>19,633,230</u>	<u>3,512,635</u>	<u>298,649</u>	<u>2,074</u>
<b>Business-type Activities:</b>				
Water Improvement	4,569,960	5,021,529	--	--
Stormwater	834	228,883	--	--
Solid Waste	2,706,916	3,776,750	--	--
Wastewater	2,547,557	3,830,649	--	--
<b>Total Business-type Activities</b>	<u>9,825,267</u>	<u>12,857,811</u>	<u>--</u>	<u>--</u>
<b>Total Primary Government</b>	<u>\$ 29,458,497</u>	<u>\$ 16,370,446</u>	<u>\$ 298,649</u>	<u>\$ 2,074</u>

General Revenues:  
*Property Taxes*  
*Sales Taxes*  
*Franchise Taxes*  
*Alcoholic Beverage Taxes*  
*Unrestricted Investment Earnings*  
*Miscellaneous Income*  
*Transfers*  
    Total General Revenues and Transfers  
    Change in Net Position  
Net Position - Beginning  
Net Position - Ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (3,650,016)		\$ (3,650,016)
(7,567,227)		(7,567,227)
(3,672,295)		(3,672,295)
(767,597)		(767,597)
146,969		146,969
(309,706)		(309,706)
<u>(15,819,872)</u>		<u>(15,819,872)</u>
--	\$ 451,569	451,569
--	228,049	228,049
--	1,069,834	1,069,834
--	1,283,092	1,283,092
--	<u>3,032,544</u>	<u>3,032,544</u>
<u>(15,819,872)</u>	<u>3,032,544</u>	<u>(12,787,328)</u>
6,211,394	--	6,211,394
4,543,435	--	4,543,435
1,019,888	--	1,019,888
57,136	--	57,136
83,492	127,777	211,269
2,000	--	2,000
1,987,639	(1,987,638)	1
<u>13,904,984</u>	<u>(1,859,861)</u>	<u>12,045,123</u>
(1,914,888)	1,172,684	(742,204)
15,995,769	14,930,906	30,926,675
<u>\$ 14,080,881</u>	<u>\$ 16,103,590</u>	<u>\$ 30,184,471</u>

**CITY OF KINGSVILLE**

BALANCE SHEET - GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2014

	General Fund	Police Forfeiture Fund
<b>ASSETS</b>		
Assets:		
Cash and cash equivalents	\$ 5,412,652	\$ 1,868,747
Equity in pooled cash and cash equivalents	2,291,774	11,691
Receivables ( net of allowances for uncollectibles):		
Taxes	1,278,025	--
Accounts	1,056,922	38,106
Assessments	68,019	--
Accrued Interest	6,123	--
Due from:		
Other funds	14,416	11,818
Other governments	215,439	--
Inventory, at cost	222,386	--
Restricted assets:		
Cash and cash equivalents	2,721,205	1,702,956
Equity in pooled cash and cash equivalents	80,006	49,956
Accounts	67,104	--
Total Assets	<u>\$ 13,434,071</u>	<u>\$ 3,683,274</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND EQUITY</b>		
Liabilities:		
Accounts payable	\$ 730,473	\$ 45,894
Accrued wages payable	156,292	11,291
Payable from restricted assets:		
Customer deposits	--	2,181,501
Due to:		
Other funds	42,271	297,241
Other governments	151,821	257,204
Others	1,225	--
Total Liabilities	<u>1,082,082</u>	<u>2,793,131</u>
Deferred Inflows of Resources:		
Deferred Revenue	825,723	--
Total Deferred Inflows of Resources	<u>825,723</u>	<u>--</u>
Equity:		
Fund balances:		
Nonspendable:		
Inventory	208,104	--
Restricted:		
Debt service	--	--
Capital outlay	49,738	--
Municipal court building security	80,006	--
Municipal court technology	--	49,149
Law enforcement	--	840,994
Tourism	--	--
Federal and state programs	--	--
Community Enrichment	--	--
Committed:		
Landfill	4,424,387	--
Sanitation capital outlay	308,389	--
Capital outlay	1,663,567	--
Assigned:		
Drug Awareness	--	--
Unassigned:	4,792,075	--
Total equity	<u>11,526,266</u>	<u>890,143</u>
Total Liabilities, Deferred Inflows of Resources, and Equity	<u>\$ 13,434,071</u>	<u>\$ 3,683,274</u>

The accompanying notes are an integral part of this statement.

EXHIBIT A-3

Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ --	\$ 502,000	\$ 7,783,399
--	46,162	2,349,627
122,453	--	1,400,478
--	57,431	1,152,459
--	--	68,019
--	22	6,145
72,285	--	98,519
--	325,865	541,304
--	--	222,386
528,985	1,594,251	6,547,397
--	--	129,962
--	--	67,104
<u>\$ 723,723</u>	<u>\$ 2,525,731</u>	<u>\$ 20,366,799</u>
\$ --	\$ 55,571	\$ 831,938
--	3,263	170,846
--	--	2,181,501
12,328	322,926	674,766
--	26,537	435,562
--	--	1,225
<u>12,328</u>	<u>408,297</u>	<u>4,295,838</u>
122,453	19,407	967,583
<u>122,453</u>	<u>19,407</u>	<u>967,583</u>
--	--	208,104
588,942	--	588,942
--	1,416,328	1,466,066
--	--	80,006
--	--	49,149
--	--	840,994
--	674,276	674,276
--	2,140	2,140
--	2,918	2,918
--	--	4,424,387
--	--	308,389
--	--	1,663,567
--	2,365	2,365
--	--	4,792,075
<u>588,942</u>	<u>2,098,027</u>	<u>15,103,378</u>
<u>\$ 723,723</u>	<u>\$ 2,525,731</u>	<u>\$ 20,366,799</u>



**King'sville**  
TEXAS

A stylized logo consisting of a dark brown letter 'S' with a white star inside its lower curve, positioned between the word 'King'sville' and 'TEXAS'.

**CITY OF KINGSVILLE**

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET POSITION  
 SEPTEMBER 30, 2014

Total fund balances - governmental funds balance sheet	\$ 15,103,378
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.	13,214,552
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	464,535
The assets and liabilities of internal service funds are included in governmental activities in the SNP.	205,449
Payables for bond principal which are not due in the current period are not reported in the funds.	(8,217,526)
Payables for capital leases which are not due in the current period are not reported in the funds.	(417,362)
Payables for bond interest which are not due in the current period are not reported in the funds.	(55,128)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(894,578)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.	(1,177,795)
Equity in a joint venture is not reported in the funds.	<u>(4,144,644)</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 14,080,881</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, 2014

	General Fund	Police Forfeiture Fund
	<u>                    </u>	<u>                    </u>
Revenue:		
<i>Taxes</i>	\$ 10,446,902	\$ --
<i>Licenses and permits</i>	371,219	--
<i>Charges for services</i>	4,448,358	--
<i>Fines and forfeitures</i>	736,588	1,029,642
<i>Special assessments</i>	2,571	--
<i>Interest and miscellaneous</i>	100,060	67,213
<i>Donations</i>	2,000	--
<i>Federal and state grants</i>	50,196	--
Total revenues	<u>16,157,894</u>	<u>1,096,855</u>
Expenditures:		
Current:		
<i>General government and administration</i>	4,047,337	3,123
<i>Public Safety</i>	7,740,534	1,888,244
<i>Public works</i>	5,416,883	--
<i>City/County</i>	771,719	--
<i>Tourism</i>	--	--
<i>Other expenditures</i>	53,888	--
Debt service:		
<i>Principal retired</i>	--	--
<i>Interest</i>	--	--
<i>Paying agent fees</i>	--	--
Total expenditures	<u>18,030,361</u>	<u>1,891,367</u>
Excess (deficiency) of revenues (under) expenditures	(1,872,467)	(794,512)
Other financing sources (uses):		
<i>Transfers in</i>	2,310,136	1
<i>Transfers out</i>	(457,789)	(50,000)
<i>Gain on Sale of Assets</i>	38,000	--
<i>Lease proceeds</i>	458,350	--
Total other financing sources (uses)	<u>2,348,697</u>	<u>(49,999)</u>
Net change in fund balances	476,230	(844,511)
Fund balances/equity, October 1	11,050,036	1,734,654
Fund balances/equity, September 30	<u>\$ 11,526,266</u>	<u>\$ 890,143</u>

The accompanying notes are an integral part of this statement.

EXHIBIT A-5

Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ 1,362,971	\$ 625,556	\$ 12,435,429
--	--	371,219
--	510	4,448,868
--	--	1,766,230
--	--	2,571
890	8,500	176,663
--	--	2,000
--	250,527	300,723
<u>1,363,861</u>	<u>885,093</u>	<u>19,503,703</u>
--	3,234	4,053,694
--	247,203	9,875,981
--	1,142,948	6,559,831
--	--	771,719
--	480,742	480,742
--	--	53,888
1,452,714	--	1,452,714
374,900	--	374,900
2,800	--	2,800
<u>1,830,414</u>	<u>1,874,127</u>	<u>23,626,269</u>
(466,553)	(989,034)	(4,122,566)
429,577	28,212	2,767,926
--	(1,010,136)	(1,517,925)
--	--	38,000
--	--	458,350
<u>429,577</u>	<u>(981,924)</u>	<u>1,746,351</u>
(36,976)	(1,970,958)	(2,376,215)
625,918	4,068,985	17,479,593
<u>\$ 588,942</u>	<u>\$ 2,098,027</u>	<u>\$ 15,103,378</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, 2014

Net change in fund balances - total governmental funds	\$ (2,376,215)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	1,286,814
The depreciation of capital assets used in governmental activities is not reported in the funds.	(1,109,607)
Trade-in or disposal of capital assets decrease net position in the SOA but not in the funds.	(6,668)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	21,979
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	839,241
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	98,626
(Increase) decrease in accrued interest from beginning of period to end of period.	(487)
The net revenue (expense) of internal service funds is reported with governmental activities.	(418,558)
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(136,565)
Solid waste activities are included in the general fund but are included in business activities in the SOA	344,902
Proceeds of leases do not provide revenue in the SOA, but are reported as current resources in the funds.	<u>(458,350)</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ (1,914,888)</u>

The accompanying notes are an integral part of this statement.

**CITY OF KINGSVILLE**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2014**

	Enterprise Fund	Nonmajor Internal Service Fund
	Utility Fund	Insurance Fund
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 5,008,000	\$ 752,384
Equity in pooled cash and cash equivalents	3,034,967	1,738
Receivables ( net of allowances for uncollectibles):		
Accounts	1,324,401	--
Accrued Interest	6,105	4
Due from:		
Other funds	723,893	39,150
Inventory, at cost	287,061	--
Restricted assets - noncurrent:		
Cash and cash equivalents	5,390,915	--
Equity in pooled cash and cash equivalents	116,002	--
Total current assets	<u>15,891,344</u>	<u>793,276</u>
Noncurrent assets:		
Capital assets:		
Land	181,743	--
Utility plant	38,151,537	--
Equipment	2,683,366	--
Vehicles	2,358,918	--
Construction in progress	1,626,074	--
Total capital assets	45,001,638	--
Less accumulated depreciation	(29,159,900)	--
Net capital assets	<u>15,841,738</u>	<u>--</u>
Total noncurrent assets	15,841,738	--
Total Assets	<u>\$ 31,733,082</u>	<u>\$ 793,276</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 1,181,973	\$ 267,421
Accrued wages payable	29,186	--
Due to:		
Other funds	80,982	105,814
Accumulated unpaid compensated absences	36,500	--
Current liabilities payable from restricted assets:		
Accrued interest payable	73,866	--
Contractual obligations payable	1,159,208	--
Customer deposits	773,798	212,854
Total current liabilities	<u>3,337,513</u>	<u>586,089</u>
Long-term liabilities, net of current portion		
Accumulated unpaid compensated absences	29,775	--
Accrued other post-employment benefits	202,901	--
Premium on bonds payable	342,358	--
Contractual obligations payable	16,027,730	--
Total long-term liabilities, net of current portion	<u>16,602,764</u>	<u>--</u>
Total Liabilities	<u>19,940,277</u>	<u>586,089</u>
Net Position:		
Invested in capital assets, net of related debt	(1,687,558)	--
Restricted for:		
Self insurance	--	207,187
Capital outlay	6,361,728	--
Unrestricted	7,118,635	--
Total net position	<u>11,792,805</u>	<u>207,187</u>
Total Liabilities and Net Position	<u>\$ 31,733,082</u>	<u>\$ 793,276</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, 2014*

Utility Fund Net Position - Proprietary Funds Statement of Net Position	\$ 11,792,805
Amounts reported for business-type activities in the statement of net position are different because:	
Solid Waste is a business-type activity that is included in the general fund. Assets and liabilities relating to Solid Waste are included in business-type activities in the government-wide statement of net position	4,267,579
The assets and liabilities of certain internal service funds are included in business type activities in the SNP.	43,206
Net Position of Business-type Activities - Statement of Net Position	<u>\$ 16,103,590</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF KINGSVILLE**

STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN FUND NET POSITION - PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Enterprise Fund	Nonmajor Internal Service Fund
	Utility Fund	Insurance Fund
OPERATING REVENUES:		
<i>Water</i>	\$ 5,237,622	\$ --
<i>Other income</i>	13,398	988
<i>Wastewater</i>	3,840,596	--
<i>Insurance premiums</i>	--	2,964,273
Total Operating Revenues	<u>9,091,616</u>	<u>2,965,261</u>
OPERATING EXPENSES:		
<i>Personal services</i>	2,208,364	--
<i>Supplies</i>	315,698	--
<i>Services</i>	1,473,041	3,383,819
<i>Maintenance</i>	1,125,629	--
<i>Water supply contract</i>	343,028	--
<i>Uncollectable accounts</i>	39,300	--
<i>Depreciation and amortization</i>	926,183	--
Total Operating Expenses	<u>6,431,243</u>	<u>3,383,819</u>
Operating Income (Loss)	<u>2,660,373</u>	<u>(418,558)</u>
NON-OPERATING REVENUES (EXPENSES):		
<i>Interest</i>	40,797	--
<i>Interest and fiscal agent charge</i>	(687,108)	--
Total Non-operating Revenues (Expenses)	<u>(646,311)</u>	<u>--</u>
Net Income (Loss) before Transfers	<u>2,014,062</u>	<u>(418,558)</u>
TRANSFERS IN (OUT):		
<i>To General Fund</i>	(1,250,000)	--
Total Transfers In (Out)	<u>(1,250,000)</u>	<u>--</u>
Net income (loss)	764,062	(418,558)
Net position, October 1	11,028,743	625,745
Net position, September 30	<u>\$ 11,792,805</u>	<u>\$ 207,187</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 STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2014*

Change in net position-utility fund \$ 764,062

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. 408,622

Change in net position of Business-type activities - statement of activities \$ 1,172,684

The notes to the financial statements are an integral part of this statement.

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

	Utility Fund	Internal Service Fund
<b>Cash Flows from Operating Activities:</b>		
<i>Cash Received from Customers</i>	\$ 9,061,724	\$ --
<i>Cash Receipts (Payments) for Quasi-external     Operating Transactions with Other Funds</i>	--	2,967,469
<i>Cash Payments to Employees for Services</i>	(2,181,287)	--
<i>Cash Payments to Other Suppliers for Goods and Services</i>	(2,699,460)	(3,262,590)
Net Cash Provided (Used) by Operating Activities	<u>4,180,977</u>	<u>(295,121)</u>
<b>Cash Flows from Non-capital Financing Activities:</b>		
<i>Proceeds (Payments) from (for) Interfund Borrowings</i>	730,380	(319,511)
<i>Transfers To Other Funds</i>	(1,250,000)	--
Net Cash Provided (Used) by Non-capital Financing Activities	<u>(519,620)</u>	<u>(319,511)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
<i>Principal and Interest Paid</i>	(10,705,821)	--
<i>Proceeds from Issuance of Refunding Bonds</i>	9,040,000	--
<i>Proceeds from Bond Premiums</i>	181,848	--
<i>Acquisition or Construction of Capital Assets</i>	(1,920,688)	--
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>(3,404,661)</u>	<u>--</u>
<b>Cash Flows from Investing Activities:</b>		
<i>Interest and Dividends on Investments</i>	34,687	(4)
Net Cash Provided (Used) for Investing Activities	<u>34,687</u>	<u>(4)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	291,383	(614,636)
Cash and Cash Equivalents at Beginning of Year	13,258,501	1,368,758
Cash and Cash Equivalents at End of Year	<u>\$ 13,549,884</u>	<u>\$ 754,122</u>
<b>Reconciliation of Operating Income to Net Cash     Provided by Operating Activities:</b>		
Operating Income (Loss)	\$ 2,660,373	\$ (418,558)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
<i>Depreciation</i>	926,183	--
<i>Provision for Uncollectible Accounts</i>	39,300	--
Change in Assets and Liabilities:		
<i>Decrease (Increase) in Receivables</i>	(68,649)	15,150
<i>Decrease (Increase) in Inventories</i>	17,373	--
<i>Increase (Decrease) in Accounts Payable</i>	540,563	121,229
<i>Increase (Decrease) in Accrued Wages Payable</i>	5,429	--
<i>Increase (Decrease) in Accrued Other Employment and     Post Employment Benefits</i>	15,754	--
<i>Increase (Decrease) in Accumulated Compensated Absences</i>	5,894	--
<i>Increase (Decrease) in Customer Deposits</i>	38,757	(12,942)
Total Adjustments	<u>1,520,604</u>	<u>123,437</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 4,180,977</u>	<u>\$ (295,121)</u>

The accompanying notes are an integral part of this statement.

**CITY OF KINGSVILLE**  
 STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 SEPTEMBER 30, 2014

	Agency Fund
	Court Cash Bond Account
<b>ASSETS</b>	
Assets:	
<i>Cash and cash equivalents</i>	\$ 67,346
Total Assets	<u>\$ 67,346</u>
<b>LIABILITIES AND EQUITY</b>	
Liabilities:	
<i>Payable from restricted assets:</i>	
<i>Customer deposits</i>	\$ 67,346
Total Liabilities	<u>67,346</u>
Net Position:	
Total Net Position	<u>--</u>
Total Liabilities and Net Position	<u>\$ 67,346</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, 2014

#### 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, 2014.

#### 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, 2014.

##### b. Discretely Presented Component Unit

The City did not have a Discretely Presented Component Unit at September 30, 2014.

##### 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, 2014

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

Internal service funds of a government (which traditionally provide services primarily to other funds of the government) are presented in the summary form as part of the proprietary fund financial statements. The City's internal service fund accounts for major medical activities. Since the principal users of the internal services are the City's governmental activities, financial statements of internal service funds are consolidated into the governmental column when presented at the government-wide level in the Statement of Net Position. The net activity of these services is offset against the appropriate functional activity in the Statement of Activities. This complies with the City's policy of eliminating internal activity from the government-wide statements. Interfund services provided and used are not eliminated in the process of consolidation.

**CITY OF KINGSVILLE**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*FOR THE YEAR ENDED SEPTEMBER 30, 2014*

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

The City reports the following major governmental funds:

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

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

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

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

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

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, 2014

#### 3. Implementation of New Standards

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

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

New pronouncements not yet in effect as of September 30, 2014, 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.

#### 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 2013 tax rate was \$.84220 of which \$.65404 was distributed to the General Fund and \$.18816 was applied to the Debt Service Fund. Using the twenty-five percent rule, the City's legal margin is \$190,283,118.

# CITY OF KINGSVILLE

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2014

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	13,519,460	1.89%
Wal-Mart Stores East LP #01-0442	Retail	8,321,030	1.17%
HBC Holding LTD	Apartments	6,521,890	0.91%
Collegiate Kingsville Partners LP	Apartments	6,288,720	0.88%
Eddie Yaklin Ford Lincoln Mercury Ltd	Auto Dealership	6,100,610	0.85%
Wal-Mart Stores Inc. # 01-0442	Retail	5,555,450	0.78%
Kingsville Two	Apartments	5,123,540	0.72%
HEB Grocery Inc.	Grocery	4,778,800	0.67%
Neessen Chevrolet Inc.	Auto Dealership	4,470,230	0.63%
Lowes Home Centers Inc.	Retail	4,296,710	0.60%

c. Inventory

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

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

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, 2014

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 2014.

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. 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.

h. Long-term Obligations

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

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

i. Pension Plans

It is the policy of the City to fund pension costs annually. Pension costs are composed of normal cost and, where applicable, amortization of unfunded actuarial accrued liability and unfunded prior service costs.

## CITY OF KINGSVILLE

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

j. Fund Equity

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

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

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

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

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

Fund balances of the governmental funds are classified as follows:

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

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

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

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

**CITY OF KINGSVILLE**

*NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014*

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, 2014, 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.

k. 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.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

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

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

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

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

C. Deposits and Investments

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

# CITY OF KINGSVILLE

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

### Cash and Investments

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

#### 1. Cash & Cash Equivalents

At September 30, 2014, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$16,317,345 and the bank balance was \$16,470,020. The City's cash deposits at September 30, 2014 and during the year ended September 30, 2014, 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)	\$ <u>14,862,653</u>	\$ <u>14,862,653</u>

# CITY OF KINGSVILLE

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2014

### 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	\$ 3,414,526	\$ --	\$ 2,583,866	\$ 123,835	\$ 6,122,227
Taxes - Property	543,929	204,088	--	--	748,017
Taxes - Franchise & Sales	951,848	--	--	--	951,848
Special Assessments	68,019	--	--	--	68,019
Gross Receivables	4,978,322	204,088	2,583,866	123,835	7,890,111
Less: Allowance for uncollectable	(3,357,335)	(81,635)	(865,590)	(56,731)	(4,361,291)
Net total receivable	\$ 1,620,987	\$ 122,453	\$ 1,718,276	\$ 67,104	\$ 3,528,820

**CITY OF KINGSVILLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**E. Capital Assets**

Capital asset activity for the year ended September 30, 2014, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 469,540	\$ --	\$ --	\$ 469,540
Construction in progress	941,553	9,100	(269,308)	681,345
Total capital assets not being depreciated	<u>1,411,093</u>	<u>9,100</u>	<u>(269,308)</u>	<u>1,150,885</u>
<i>Capital assets being depreciated:</i>				
Road network	18,568,152	--	--	18,568,152
Buildings and improvements	3,914,802	478,191	--	4,392,993
Equipment	3,408,870	611,401	--	4,020,271
Vehicles	5,601,110	457,429	(248,819)	5,809,720
Total capital assets being depreciated	<u>31,492,934</u>	<u>1,547,021</u>	<u>(248,819)</u>	<u>32,791,136</u>
Less accumulated depreciation for:				
Road network	(11,707,246)	(268,105)	--	(11,975,351)
Buildings and improvements	(2,191,761)	(72,541)	--	(2,264,302)
Equipment	(2,709,141)	(323,826)	--	(3,032,967)
Vehicles	(3,251,864)	(445,135)	242,151	(3,454,848)
Total accumulated depreciation	<u>(19,860,012)</u>	<u>(1,109,607)</u>	<u>242,151</u>	<u>(20,727,468)</u>
Total capital assets being depreciated, net	<u>11,632,922</u>	<u>437,414</u>	<u>(6,668)</u>	<u>12,063,668</u>
Governmental activities capital assets, net	<u>\$ 13,044,015</u>	<u>\$ 446,514</u>	<u>\$ (275,976)</u>	<u>\$ 13,214,553</u>
<b>Business-type activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 352,354	\$ 49,389	\$ --	\$ 401,743
Construction in progress	1,035,129	1,908,953	(1,068,228)	1,875,854
Total capital assets not being depreciated	<u>1,387,483</u>	<u>1,958,342</u>	<u>(1,068,228)</u>	<u>2,277,597</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	39,586,858	656,327	--	40,243,185
Equipment	4,012,923	738,397	(307,414)	4,443,906
Vehicles	4,707,128	243,018	--	4,950,146
Total capital assets being depreciated	<u>48,306,909</u>	<u>1,637,742</u>	<u>(307,414)</u>	<u>49,637,237</u>
Less accumulated depreciation for:				
Buildings and improvements	(25,787,265)	(628,493)	--	(26,415,758)
Equipment	(1,863,207)	(412,725)	281,039	(1,994,893)
Vehicles	(2,949,751)	(302,289)	--	(3,252,040)
Total accumulated depreciation	<u>(30,600,223)</u>	<u>(1,343,507)</u>	<u>281,039</u>	<u>(31,662,691)</u>
Total capital assets being depreciated, net	<u>17,706,686</u>	<u>294,235</u>	<u>(26,375)</u>	<u>17,974,546</u>
Business-type activities capital assets, net	<u>\$ 19,094,169</u>	<u>\$ 2,252,577</u>	<u>\$ (1,094,603)</u>	<u>\$ 20,252,143</u>

# CITY OF KINGSVILLE

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2014

Governmental depreciation was charged to functions as follows:

General Government	\$ 86,948
Public Safety	542,269
Public Works	460,656
City/County	19,734
	<u>\$ 1,109,607</u>

Business-type depreciation was charged to functions as follows:

Water	\$ 287,117
Wastewater	639,066
Solid Waste	417,324
	<u>\$ 1,343,507</u>

### F. Interfund Balances and Activity

#### 1. Due To and From Other Funds

Balances due to and due from other funds at September 30, 2014, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Internal Service Fund	\$ 14,416	Short-term loans
Police Forfeiture Fund	General Fund	11,818	Short-term loans
Debt Service Fund	Utility Fund	72,285	Short-term loans
Utility Fund	Debt Service Fund	12,328	Short-term loans
Utility Fund	Other Governmental Funds	322,926	Short-term loans
Utility Fund	Internal Service Fund	91,398	Short-term loans
Utility Fund	Police Forfeiture Fund	297,242	Short-term loans
	Subtotal	<u>723,894</u>	
Internal Service Fund	General Fund	30,453	Short-term loans
Internal Service Fund	Utility Fund	8,697	Short-term loans
	Subtotal	<u>39,150</u>	
	Total	<u>\$ 861,563</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, 2014, consisted of the following:

Transfers To	Transfers From	Amount	Reason
General Fund	Other Governmental Fund	\$ 1,010,136	Supplement other funds sources
General Fund	Utility Fund	1,250,000	Supplement other funds sources
General Fund	Police Forfeiture Fund	50,000	Supplement other funds sources
	Subtotal:	<u>2,310,136</u>	
Debt Service Fund	General Fund	429,577	Supplement other funds sources
Other Governmental Fund	General Fund	28,212	Supplement other funds sources
	Subtotal:	<u>457,789</u>	
	Total	<u>\$ 2,767,925</u>	

**CITY OF KINGSVILLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

G. Deferred Revenue

Deferred revenues are primarily used for the deferring of property taxes that are not "measurable" in Note B. An analysis of deferred taxes at September 30, 2014 is as follows:

	All Governmental Fund Types
Deferred Taxes	\$ 448,810
Deferred Assessments/Interest	499,365
Other	19,408
Total Deferred Revenue	<u>\$ 967,583</u>

H. 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, 2014, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>Governmental activities:</b>					
Certificates of obligation	\$ 7,796,767	\$ --	\$ 709,241	\$ 7,087,526	\$ 682,984
Limited Tax Refunding					
Bond	1,260,000	--	130,000	1,130,000	140,000
Premium on Bonds Payable	125,479	--	10,192	115,287	--
Capital leases	57,637	458,350	98,625	417,362	86,068
Total long-term debt	<u>9,239,883</u>	<u>458,350</u>	<u>948,058</u>	<u>8,750,175</u>	<u>909,052</u>
Accumulated compensated absences*	851,183	702,095	658,700	894,578	226,680
Other post-employment benefits	969,337	93,170	--	1,062,507	--
Governmental activity					
Total long-term debt	<u>\$ 11,060,403</u>	<u>\$ 1,253,615</u>	<u>\$ 1,606,758</u>	<u>\$ 10,707,260</u>	<u>\$ 1,135,732</u>
<b>Business-type activities:</b>					
Certificates of obligation	\$ 20,238,234	\$ --	\$ 10,370,759	\$ 9,867,475	\$ 1,032,016
Limited Tax Refunding Bond	--	9,040,000	140,000	8,900,000	730,000
Premium on Bonds Payable	178,566	181,848	18,056	342,358	--
Capital leases	354,930	--	55,047	299,883	56,629
Total long-term debt	<u>20,771,730</u>	<u>9,221,848</u>	<u>10,583,862</u>	<u>19,409,716</u>	<u>1,818,645</u>
Landfill closure cost	2,131,026	100,000	--	2,231,026	--
Other post-employment benefits	260,278	24,240	--	284,518	--
Accumulated compensated absences*	62,381	59,396	53,502	68,275	38,500
Business-type activities					
Long-term liabilities	<u>\$ 23,225,415</u>	<u>\$ 9,405,484</u>	<u>\$ 10,637,364</u>	<u>\$ 21,993,535</u>	<u>\$ 1,857,145</u>

In the governmental funds, the OPEB obligation will be liquidated by the General Fund (93%) and Special Revenue Fund (7%) based on the allocation of the cost of self-insurance for health benefits. The General Fund will typically liquidate 96% and Special Revenue Fund will liquidate 4% of the pension liability.

\* Other long-term liabilities

**CITY OF KINGSVILLE**

*NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014*

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

<u>Liability</u>	<u>Activity Type</u>
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

Certificates of obligation payable:	<u>2014</u>	<u>2013</u>
<p>\$11,780,000 Certificates of Obligation Series 2005 for General Improvements; due in annual installments of \$615,000 to \$990,000 through August 2025; interest at 3.00% to 4.125%. (100% Utility Fund). Refunded 2014.</p>	\$ --	\$ 9,515,000
<p>\$10,000,000 Certificates of Obligation, Series 2011 for General Improvements; paid in annual installments of \$540,000 to \$525,000 through 8/1/2032, with interest at 2.0% to 4.6% (53.8504% General Fund and 46.1496 % Utility Fund).</p>	8,715,000	9,240,000
<p>9,040,000 Limited Tax Refunding Bonds Series 2014 due in annual installments of \$730,000 to \$895,000 through September 30, 2025, with interest at 2.0% to 2.5% (100% Utility Fund)</p>	8,900,000	--
<p>\$1,200,000 Public Property Financial Contractual Obligation Series 2007 for General Improvements; due in annual installments of \$85,000 to \$90,000, through August 1, 2017; interest at 4.11%. (General Fund 71.667%, Utility Fund 35.83337%).</p>	265,000	415,000
<p>\$4,270,000 Certificates of Obligation Series 2009 for Capital Outlay; due in annual installments of \$680,000 to \$700,000 through February 1, 2021; interest at 3.00% to 3.85%. (General Fund 15.831%, Utility Fund 84.169%).</p>	1,765,000	2,430,000
<p>\$1,890,000 General Obligation Refunding Series 2009; due in annual installments of \$230,000 to \$260,000 through February 1, 2018; interest at 2.25% to 3.75%. (100% General Fund).</p>	980,000	1,205,000

# CITY OF KINGSVILLE

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

\$5,230,000 Certificates of Obligation Series 2013, due in annual installments of \$50,000 to \$360,000 through September, 2023; interest at 2.0% to 3.0% (18.45% to General Fund and 81.55% to Utility Fund)	5,230,000	5,230,000
\$1,260,000 Limited Tax Refunding Bonds, Series 2013, due in annual installments of \$140,000 to \$105,000 through September, 2023; interest at 2.0% (100% General Fund)	<u>1,130,000</u>	<u>1,260,000</u>
Total Certificates of Obligation Payable	<u>\$ 26,985,000</u>	<u>\$ 29,295,000</u>

### 2. Debt Service Requirements

Debt service requirements on long-term debt at September 30, 2014, are as follows:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2015	\$ 822,985	\$ 269,074	\$ 1,092,059
2016	842,052	247,638	1,089,690
2017	855,962	223,228	1,079,190
2018	777,843	196,808	974,651
2019	440,630	179,398	620,028
2020-2024	1,788,270	707,812	2,496,082
2025-2029	1,599,717	414,943	2,014,660
2030-2034	1,090,067	95,860	1,185,927
Totals	<u>\$ 8,217,526</u>	<u>\$ 2,334,761</u>	<u>\$ 10,552,287</u>

Year Ending September 30,	Business-type Activities		
	Certificates of Obligation		Revenue Bonds
	Principal	Interest	Total
2015	\$ 1,762,015	\$ 498,016	\$ 2,260,031
2016	1,802,948	456,410	2,259,358
2017	1,384,038	412,521	1,796,559
2018	1,302,157	380,142	1,682,299
2019	1,269,370	350,777	1,620,147
2020-2024	6,281,730	1,308,801	7,590,531
2025-2029	3,190,283	588,847	3,779,130
2030-2034	1,774,933	146,290	1,921,223
Totals	<u>\$ 18,767,474</u>	<u>\$ 4,141,804</u>	<u>\$ 22,909,278</u>

### 3. Advance Refunding of Debt

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

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

**CITY OF KINGSVILLE**

*NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014*

GASB Statement No. 7, "Advance Refundings Resulting in Defeasance of Debt," provides that refunded debt and assets placed in escrow for the payment of related debt service be excluded from the financial statements. As of September 30, 2014, outstanding balances of bond issues that have been refunded and defeased in-substance by placing existing assets and the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments are as follows:

Original <u>Bond Issue</u>	Original Amount	Defeased Balance as of 9/30/13	
Series 1998	\$ 3,000,000	\$ 1,140,000	
Series 2002	2,485,000	--	(1)
Series 2005	11,780,000	--	(2)
Total	<u>\$ 17,265,000</u>	<u>\$ 1,140,000</u>	

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

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

4. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of September 30, 2014, as follows:

<u>Year Ending September 30:</u>	Governmental Activities	Business-Type Activities	
2015	\$ 101,161	\$ 65,242	(1)
2016	70,427	65,242	
2017	70,427	65,243	
2018	70,428	65,242	
2019	70,427	65,242	
2020	70,427	--	
Total Minimum Rentals	<u>453,297</u>	<u>326,211</u>	
Less: Amount representing interest	<u>35,935</u>	<u>26,329</u>	
Present value of net minimum lease payments	<u>\$ 417,362</u>	<u>\$ 299,882</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.

I. Pension Plan

1. Texas Municipal Retirement System

Plan Description

The City provides pension benefits for all of its eligible employees, except firefighters, through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at [www.TMRS.com](http://www.TMRS.com).

**CITY OF KINGSVILLE**

*NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014*

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	Plan Year 2012	Plan Year 2013	Plan Year 2014
Employee deposit rate	7.0%	7.0%	7.0%
Matching ratio (city to employee)	1.5 to 1	1.5 to 1	1.5 to 1
Years required for vesting	5	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20	60/5, 0/20
Updated service credit	100%	100%	100%
repeating, transfers (Y/N)	Y	Y	Y
Annuity increase (to retirees)	70%	70%	70%
CPI repeating (Y/N)	Y	Y	Y

Contributions:

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and net pension obligation/(asset) are as follows:

	2012	2013	2014
Annual Required Contribution (ARC)	\$ 1,134,814	\$ 1,135,515	\$ 1,046,173
Interest on Net Pension Obligation	55,653	--	--
Adjustment to the ARC	(47,840)	--	--
Annual Pension Cost (APC)	1,142,628	1,135,515	1,046,173
Contributions Made	<u>(1,937,673)</u>	<u>(1,135,515)</u>	<u>(1,046,173)</u>
Increase (decrease) in Net Pension Obligation	(795,045)	--	--
Net Pension Obligation/(Asset), Beginning of year	795,045	--	--
Net Pension Obligation/(Asset), End of year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

The City fully funded their ARC as of 2012, and as a result it does not have a net pension obligation for the years ended September 30, 2014, 2013 and 2012.

Three Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation/ (Asset)
2012	\$ 1,105,220	\$ 1,937,673	175.32% \$	--
2013	\$ 1,135,515	\$ 1,135,515	100.00% \$	--
2014	\$ 1,046,173	\$ 1,046,173	100.00% \$	--

# CITY OF KINGSVILLE

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2014

The required contribution rates for fiscal year 2014 were determined as part of the December 31, 2011 and 2012 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2013 also follows:

Valuation Date	12/31/11	12/31/12	12/31/13
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Entry Age Normal
Amortization method	Level percent of payroll	Level percent of payroll	Level percent of payroll
Amortization period	26 years - closed period	24.9 years - closed period	24 years - closed period
Asset valuation method	10 -year Smoothed Market	10 -year Smoothed Market	10 -year Smoothed Market
Amortization Period for New Gains/Losses	30 Years	30 Years	30 Years
Assumptions			
Investment return *	7.5%	7.0%	7.0%
Projected salary increases *	Varies by age and service	Varies by age and service	Varies by age and service
* Includes Inflation at Cost-of-living adjustments	3.0%	3.0%	3.0%
	2.1%	2.1%	2.1%

Funding Status and Funding Progress - In June, 2011, SB 350 was enacted by the Texas Legislature, resulting in a restructure of the TMRS funds. This legislation provided for the actuarial valuation to be completed, as if restructuring had occurred on December 31, 2010. In addition, the actuarial assumptions were updated for the new fund structure, based on an actuarial experience study that was adopted by the TMRS Board at their May, 2011 meeting (the review compared actual to expected experience for the four-year period of January 1, 2006 through December 31, 2009). For a complete description of the combined impact of the legislation and new actuarial assumptions, including the effects on TMRS city rates and funding ratios, please see the December 31, 2011 TMRS Comprehensive Annual Financial Report (CAFR).

The funded status as of December 31, 2013, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/13	\$ 45,322,614	\$ 50,756,674	89.3%	\$ 5,434,060	\$ 10,054,288	54.0%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

**CITY OF KINGSVILLE**

*NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014*

2. Texas Statewide Emergency Services Personnel Retirement Fund

Plan Description

The Texas Emergency Services Retirement System (TESRS) administers a cost-sharing multiple employer pension system (the System) established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. Direct financial activity for the System is classified in the financial statements as pension trust funds. Of the nine member state board of trustees, at least five trustees must be active members of the pension system, one of whom must represent emergency medical services personnel. One trustee may be a retiree of the pension system, and three trustees must be persons who have experience in the fields of finance, securities investment, or pension administration. At August 31, 2014, there were 198 contributing fire and/or emergency services department members participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a member department.

At August 31, 2014, the pension system membership consisted of:

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

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

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

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

Funding Policy

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

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

# CITY OF KINGSVILLE

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

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

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

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

### Contributions Required and Contributions Made

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

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

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

### Actuarial Assumptions

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

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

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

# CITY OF KINGSVILLE

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2014

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

Asset Class	Target Allocation	Long-Term Expected Rate of Return
<b>Equities</b>		
Large cap domestic	32	5.2%
Small cap domestic	10	5.8
Developed international	21	5.5
Emerging markets	6	5.4
Master limited partnership	5	7.1
<b>Fixed Income</b>		
Domestic	21	1.4
International	5	1.6
Cash	--	
<b>Total</b>	<u>100</u>	

### Annual Required Contributions-City

The employer annual pension cost of \$8,416 for fiscal year ended August 31, 2014 was equal to the required and actual contributions. Three-year information is as follows:

	2012	2013	2014
Annual Required Contribution	\$ 10,099	\$ 8,416	\$ 7,916
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.

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

### 3. City of Kingsville Deferred Compensation Plan Restatement

In accordance with GASB Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code," Section 457, Deferred Compensation Plans, the Plans were amended in 1998 as the assets are held in trust to meet the Internal Revenue Service requirements.

The City does not have significant administrative involvement in the assets of its plan nor does it perform any investment function for the plan. Therefore, the plan is not presented as part of the City's Financial Statements.

**CITY OF KINGSVILLE**

*NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014*

J. Post Retirement Benefits

1. Post-Employment Health Care Benefits

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

Note: Actuarial valuations are done every two years.

Plan Description and Funding Policy

Employees who retire from the City of Kingsville are eligible to continue to participate in the City's health insurance program at the employee group rate which is determined annually by the City of Kingsville and approved by the City Commission. Retirees have 31 days to elect to continue with the City's self-funded health insurance plan (City of Kingsville Benefit Plan Trust) in which they were participating at the time of retirement unless otherwise stated in the plan document or collective bargaining agreement. As of September 30, 2014, a total of 6 eligible retirees were participating in the City's group health program. The City provides one-half of the funding for retiree premiums. Retiree's dependents are excluded from the calculation and are eligible to continue health coverage at the designated COBRA rates during their eligibility period.

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 2012, 2013 and 2014	FYE 2012	FYE 2013	FYE 2014
Normal Cost	\$ 79,447	\$ 89,960	\$ 74,115
Minimum Amortization of UAL	102,977	116,604	81,392
Interest Adjustment to Year-end	7,297	8,263	5,443
Annual Required Contribution	189,721	214,827	160,950
ARC Adjustment	(31,021)	(36,556)	(43,930)
Interest Adjustment to Net OPEB Obligation	34,743	40,942	43,036
OPEB Cost	193,443	219,213	160,056
Contributions Made	(38,454)	(13,160)	(42,647)
Increase in Net OPEB Obligation	154,989	206,053	117,409
Net OPEB Obligation - beginning of year	868,573	1,023,562	1,229,615
Net OPEB Obligation - end of year	\$ 1,023,562	\$ 1,229,615	\$ 1,347,024

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
09/30/12	\$193,443	19.88%	\$1,023,562
09/30/13	\$219,213	6.00%	\$1,229,615
09/30/14	\$160,056	26.65%	\$1,347,024

# CITY OF KINGSVILLE

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2014

### Funded Status and Funding Progress

The funded Status of the plan as of September 30, 2013, was as follows:

Actuarial Valuation Date	10/01/2013
Actuarial Value of Assets	\$ --
Actuarial Accrued Liability	\$ 2,278,181
Unfunded Actuarial Liability	\$ 2,278,181
Funded Ratio	0.0%
Annualized Covered Payroll	\$ 8,720,167
Ratio of Unfunded Actuarial Liability to Annual Covered Payroll	26.1%
Actuarial Cost Method	Entry-Age Normal

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

### Actuarial Methods and Assumptions

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

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

### K. 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.

## CITY OF KINGSVILLE

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2014

#### 2. Litigation

No reportable litigation was pending against the City at September 30, 2014.

#### L. 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, 2014 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:

\$570,504 addition to revenues and other financing sources comprised mainly of:

\$414,191 in Other Income-LF Lease Purchase - to record the purchase of one (1) Bomag BC-2 landfill compactor with dozer blade.

\$10,000 in Intergovernmental Revenue - Intergovernmental Revenue from Santa Gertrudis Independent School District for street and drainage improvements and repairs near the SGISD administration and school building.

\$71,402 in Purchasing/IT Department - Auction Revenue was originally budgeted conservatively. Increase in expected revenue was used to appropriate for increased vehicle and machinery maintenance in the Streets and Landfill departments and Professional services in Legal Department.

\$37,510 in Planning and Development Services - Demolition Recovery Revenue was originally budgeted conservatively. Increase in expected revenue was used to appropriate for improvements to the City of Kingsville Downtown Pavilion.

\$11,401 in Planning and Development Services - Noxious Matter Abatement Revenue was originally budgeted conservatively. Increase in expected revenue was used to appropriate for improvements to the City of Kingsville Downtown Pavilion.

\$100,000 in Finance Department - In Lieu of Tax Payments from Celanese were not included in the original budget. Increase in expected revenue was used to cover projected revenue shortfall in City Sales Tax and Court Fines.

(\$34,000) in Finance Department - City Sales Tax Revenue was reduced to cover projected revenue shortfall.

(\$40,000) in Finance Department - Court Fine Revenue was reduced to cover projected revenue shortfall.

\$1,036,558 addition to expenditures and other financing uses comprised mainly of:

\$32,212 in Non-Departmental - To transfer out to Fund 64 to cover project expense shortfall.

\$13,000 in Finance Department - To cover additional audit costs over original budgeted amounts.

# CITY OF KINGSVILLE

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2014

\$15,000 in Municipal Court - To cover personnel expenditures for two temporary employees while two full-time employees were on leave.

\$23,786 in Landfill Department - Ground water monitoring and Title V air permit.

\$20,000 in City Special Department - Building improvements to city property at 2211 S. Brahma.  
\$113,000 in Streets Department - To purchase pad roller for street construction.

\$88,500 in Corridor Landscaping Department - For additional work on Corridor Landscaping Project along 6th Street.

\$10,000 in Community Appearance - For additional contract services and tree replacement.

\$22,540 in Community Appearance - For improvements (improved ingress and egress fencing, etc.) to the Recycling Center.

\$193,319 in Landfill Department - For repairs and maintenance for the dozer and scraper, as well as engineering services for ground water, methane and rate study monitoring and Tier 5 air permitting.

\$458,350 in Street Department - For accounting purposes, to record the purchase of one asphalt paver and mudlin distributor on an international truck chassis.

\$14,775 in Community Appearance - For the purchase of 5 benches and 17 recycling receptacles for the downtown area.

\$16,166 in Planning Department - For improvements to the City's website.

\$17,200 in City Special - For purchase, along with even contribution from Kleberg County, of a new ADA compliant van for the Veteran's Service Office to transport Veterans of the community.

\$10,000 in City Special - For tentative settlement agreement in a pending suit. Fees to come from fund balance leftover from the prior fiscal year.

\$54,623 in Police Department - due to negotiated Collective Bargaining Agreement.

### M. 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, 2014, the liability for accrued vacation leave and accrued sick leave is approximately \$962,853. The amount applicable to the General Fund and Enterprise Fund of \$894,578 and \$68,275, respectively, and have been recorded in its respective fund.

## CITY OF KINGSVILLE

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2014

#### N. Contracts With South Texas Water Authority

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

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

#### PRICES AND TERMS

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

##### 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, 2014 was \$.426386 per thousand gallons of water delivered.
- b. Each contract year, the Authority may adjust the handling charge to cover reasonable increases in the Authority's expenses and to accumulate and maintain a reasonable amount of reserve funds, provided that the increase in any one contract year may not exceed 5% of the above stated initial handling charge and that the total reserve funds of the Authority reasonably projected at its maximum during any Fiscal Year shall not exceed \$1.171 million. If the actual or projected reserve exceeds \$1.171 million, the handling charge shall be reduced accordingly for the next contract year.
- c. The adjustment in the handling charge may exceed an increase of 5% in any contract year if the Authority obtains prior written approval of customers representing in the aggregate not less than 75% of the water purchased from the Authority during its preceding Fiscal Year.
- d. Notice of a change in handling charge shall be delivered to the City on or before the 10th day of August of each contract year. The notice shall state the amount of the new charge and the reason and calculations for the adjustment. The new handling charge shall be effective commencing at the beginning of the next contract year.

## CITY OF KINGSVILLE

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2014

- e. The City may object to the handling charge for any contract year after the initial year by delivering to the Authority a notice stating the nature of the City's objection to the Charge. The objection shall be resolved by following the dispute resolution procedures established in the contract. If the dispute is not resolved by the beginning of the subject contract year, the City shall pay at the new rate until the dispute is resolved. The handling charge determined through the dispute resolution procedure shall be effective as the beginning of that contract year unless otherwise agreed by the parties.
- f. Any change in the handling charge, by agreement, dispute resolution, or otherwise shall apply to all customers of the Authority, in accordance with the contract.
- g. At the end of the term of this contract, the City may request a retroactive adjustment in the price of water delivered in the last year of the Contract if the Authority's reserve fund exceeds \$1.171 million on the last day of that last contract year. The request shall be resolved by use of the dispute resolution procedures stated in the contract.

#### 2. Cost of Water

The cost of water shall be as 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 \$1.881103 to \$1.899529.

#### 3. Water Supply Contract

The City and STWA signed a new 1 year contract on September 22, 2014 for the 2014-15 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 \$343,028 and \$263,747 in 2014 and 2013, respectfully.

#### O. Risk Management

1. The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City obtained general; law enforcement, error and omissions; automobile, mobile equipment, real and personal property liability coverage; workers' compensation and unemployment insurance at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State to form the Texas Municipal League Intergovernmental Risk Pool, (TML), a Self-Funded Pool currently operating as a common risk management and insurance program for approximately 1,800 members. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of re-insurance. The City continues to carry commercial insurance for all other risks of loss, including employee health and accident insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. TML's annual Financial Statements can be obtained at 211 East Seventh Street, Third Floor, Austin, Texas 78701.

**CITY OF KINGSVILLE**

*NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014*

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 \$267,421 at September 30, 2014 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 2014 and 2013 were:

	Beginning-of Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2013	\$ 212,364	\$ 2,430,261	\$ 2,496,433	\$ 146,192
2014	\$ 146,192	\$ 2,789,002	\$ 2,667,773	\$ 267,421

The liability at year end is equal to three months of paid claims subsequent to September 30, 2014 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.

P. 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, 2014 is \$2,231,026, based on 33.6% usage (filled) of the landfill through September 30, 2014. It is estimated that an additional \$4,405,313 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 \$6,636,339 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, 2014. 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.

Q. 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.

## **CITY OF KINGSVILLE**

### *NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2014*

#### R. Non-Budgeted Funds

Budgets are prepared for all governmental funds except the Federal and State Grant Funds and Capital Projects Fund adopted project - length budgets. The Police Forfeiture Fund and Other Special Revenues fund budgets were not adopted nor were there any special commission action taken with regard to these funds. The budgets are prepared on a basis consistent generally accepted accounting principles. All annual appropriations lapse at fiscal year end.

#### S. Subsequent Event

1. Management has reviewed subsequent events and transactions that occurred after the balance sheet date through May 13, 2015 (the date of the Audit Report). The financial statements include all Type I events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management and those charged with governance have determined that there are no non-recognized Type II subsequent events that require additional disclosure.



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**CITY OF KINGSVILLE**  
 GENERAL FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

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

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Taxes:</b>				
<i>General Property Taxes:</i>				
Current Taxes	\$ 4,531,326	\$ 4,531,326	\$ 4,497,959	\$ (33,367)
Delinquent taxes	125,000	125,000	120,735	(4,265)
Penalty & Interest	97,376	97,376	90,491	(6,885)
Late Rendition Fee	4,803	4,803	4,736	(67)
In Lieu of Tax Payments	116,879	116,879	112,522	(4,357)
Total General Property Taxes	<u>4,875,384</u>	<u>4,875,384</u>	<u>4,826,443</u>	<u>(48,941)</u>
City Sales Tax	<u>4,360,835</u>	<u>4,360,835</u>	<u>4,543,435</u>	<u>182,600</u>
Mixed Drink Tax	<u>43,095</u>	<u>43,095</u>	<u>57,136</u>	<u>14,041</u>
Bingo Tax	<u>4,422</u>	<u>4,422</u>	<u>--</u>	<u>(4,422)</u>
<i>Business Taxes:</i>				
Electric Franchise Tax	745,609	745,609	740,136	(5,473)
Telephone Franchise Tax	120,919	120,919	107,530	(13,389)
Gas Franchise Tax	63,330	63,330	82,067	18,737
Cable T.V. Franchise Tax	85,685	85,685	90,155	4,470
Total Business Taxes	<u>1,015,543</u>	<u>1,015,543</u>	<u>1,019,888</u>	<u>4,345</u>
Total Taxes	<u>10,299,279</u>	<u>10,299,279</u>	<u>10,446,902</u>	<u>147,623</u>
<b>Permits and Licenses:</b>				
Plumbing Permits	15,600	15,600	24,683	9,083
Electric Permits	28,500	28,500	48,707	20,207
Building Permits	89,000	89,000	141,686	52,686
Moving Permits	400	400	660	260
Other Permits	68,700	68,700	101,830	33,130
Amusement Licenses	100	100	60	(40)
Beer & Mixed Drink Licenses	6,500	6,500	6,118	(382)
Electrical Licenses	3,500	3,500	2,930	(570)
Contractor Licenses	30,000	30,000	26,655	(3,345)
Food Handler Licenses	13,500	13,500	15,030	1,530
Other Licenses	1,500	1,500	2,860	1,360
Total Permits and Licenses	<u>257,300</u>	<u>257,300</u>	<u>371,219</u>	<u>113,919</u>
<b>Charges for Services:</b>				
<i>General Service Fees:</i>				
Zoning Fees	3,500	3,500	4,000	500
Platting Fees	2,000	2,000	5,463	3,463
Police Accident Reports	2,738	2,738	3,365	627
Arrest Fees	16,500	16,500	17,658	1,158
Fire Reports	--	--	32	32
Ambulance Service	635,558	635,558	529,785	(105,773)
Other Service Fees	19,500	19,500	20,159	659
Total General Service Fees	<u>679,796</u>	<u>679,796</u>	<u>580,462</u>	<u>(99,334)</u>
<i>City/County Services:</i>				
Weed Control	<u>42,000</u>	<u>42,000</u>	<u>30,038</u>	<u>(11,962)</u>

**CITY OF KINGSVILLE**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**EXHIBIT B-1**  
 Page 2 of 8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<i>Sanitation Services:</i>				
<i>Garbage Fees</i>	3,172,870	3,172,870	3,218,265	45,395
<i>Landfill Fees</i>	597,314	597,314	522,034	(75,280)
<i>Demolition Recovery Revenue</i>	85,000	85,000	48,524	(36,476)
<i>Miscellaneous</i>	53,888	53,888	49,035	(4,853)
Total Sanitation Services	3,909,072	3,909,072	3,837,858	(71,214)
Total Charges for Services	4,630,868	4,630,868	4,448,358	(182,510)
<i>Fines and Forfeits:</i>				
<i>Court Fines</i>	703,134	703,134	682,349	(20,785)
<i>Minor Fines</i>	5,716	5,716	13,220	7,504
<i>Collection of State Taxes</i>	23,981	23,981	19,349	(4,632)
<i>Other Court Fines</i>	20,919	20,919	21,670	751
Total Fines and Forfeits	753,750	753,750	736,588	(17,162)
Special Assessments	20,010	20,010	2,571	(17,439)
<i>Interest and Miscellaneous:</i>				
<i>Interest from Investments</i>	51,826	51,826	24,158	(27,668)
<i>Auction Revenue</i>	90,000	90,000	1,600	(88,400)
<i>Sale of City Publications</i>	1,115	1,115	936	(179)
<i>Sale of Recycle Item</i>	22,138	22,138	13,199	(8,939)
<i>Miscellaneous</i>	22,557	23,557	60,167	36,610
Total Interest and Miscellaneous	187,636	188,636	100,060	(88,576)
Donations	--	2,000	2,000	--
Federal and state grants	--	--	50,196	50,196
Total Revenues	16,148,843	16,151,843	16,157,894	6,051
<i>Expenditures:</i>				
<b>City Administration Department</b>				
<i>City Commission:</i>				
<i>Personal Services</i>	77,734	79,209	79,141	68
<i>Supplies</i>	4,050	2,287	1,908	379
<i>Services</i>	44,450	44,738	42,146	2,592
Total City Commission	126,234	126,234	123,195	3,039
<i>City Manager:</i>				
<i>Personal Services</i>	248,468	248,468	244,694	3,774
<i>Supplies</i>	4,510	2,810	2,175	635
<i>Services</i>	20,100	21,800	22,464	(664)
Total City Manager	273,078	273,078	269,333	3,745

**CITY OF KINGSVILLE**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**EXHIBIT B-1**  
Page 3 of 8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Municipal Building:				
<i>Supplies</i>	2,000	900	689	211
<i>Services</i>	100,200	110,300	109,817	483
<i>Building Maintenance</i>	30,000	25,000	24,271	729
<i>Lease Payments</i>	10,200	10,200	8,825	1,375
Total Municipal Building	142,400	146,400	143,602	2,798
Risk Management:				
<i>Personal Services</i>	92,975	94,999	95,004	(5)
<i>Supplies</i>	19,222	9,372	9,116	256
<i>Services</i>	20,043	28,143	27,298	845
<i>Equipment Maintenance</i>	600	326	--	326
Total Risk Management	132,840	132,840	131,418	1,422
City Special:				
<i>Personal Services</i>	240,989	236,989	236,989	--
<i>Supplies</i>	1,883	1,347	1,065	282
<i>Services</i>	678,823	714,673	640,941	73,732
<i>Building Maintenance</i>	--	15,886	13,309	2,577
<i>Capital Outlay</i>	2,700,000	2,700,000	--	2,700,000
Total City Special	3,621,695	3,668,895	892,304	2,776,591
Total City Administration Department	4,296,247	4,347,447	1,559,852	2,787,595
<b>Management Services Department</b>				
Personnel:				
<i>Personal Services</i>	133,652	136,602	136,469	133
<i>Supplies</i>	4,400	5,412	4,976	436
<i>Services</i>	35,148	31,186	30,143	1,043
Total Personnel	173,200	173,200	171,588	1,612
Municipal Court:				
<i>Personal Services</i>	188,740	213,857	213,895	(38)
<i>Supplies</i>	5,824	4,838	10,853	(6,015)
<i>Services</i>	4,920	2,784	2,538	246
<i>Capital Outlay</i>	6,100	6,100	--	6,100
Total Municipal Court	205,584	227,579	227,286	293
Finance:				
<i>Personal Services</i>	404,929	407,557	407,545	12
<i>Supplies</i>	8,700	6,080	5,915	165
<i>Services</i>	61,419	71,084	70,307	777
Total Finance	475,048	484,721	483,767	954

**CITY OF KINGSVILLE**  
 GENERAL FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

**EXHIBIT B-1**  
 Page 4 of 8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Purchasing:</b>				
<i>Personal Services</i>	138,378	135,446	134,710	736
<i>Supplies</i>	5,900	7,320	10,217	(2,897)
<i>Services</i>	15,500	14,080	11,580	2,500
Total Purchasing	159,778	156,846	156,507	339
<b>Warrant Enforcement:</b>				
<i>Personal Services</i>	64,908	67,228	66,874	354
<i>Supplies</i>	8,367	5,466	5,828	(362)
<i>Services</i>	2,800	844	874	(30)
<i>Equipment Maintenance</i>	1,500	1,429	1,147	282
Total Warrant Enforcement	77,575	74,967	74,723	244
<b>Computer Operations:</b>				
<i>Personal Services</i>	61,962	69,894	69,727	167
<i>Supplies</i>	41,000	35,219	107,136	(71,917)
<i>Services</i>	139,055	139,023	129,785	9,238
<i>Equipment Maintenance</i>	2,200	746	--	746
<i>Capital Outlay</i>	67,614	69,881	--	69,881
Total Computer Operations	311,831	314,763	306,648	8,115
<b>Total Management Services Department</b>	<b>1,403,016</b>	<b>1,432,076</b>	<b>1,420,519</b>	<b>11,557</b>
<b>Legal Department</b>				
<i>Personal Services</i>	172,948	172,948	172,983	(35)
<i>Supplies</i>	2,800	2,770	2,824	(54)
<i>Services</i>	43,275	43,305	21,080	22,225
Total Legal Department	219,023	219,023	196,887	22,136
<b>Urban Development Department</b>				
<b>Planning:</b>				
<i>Personal Services</i>	154,548	147,048	144,572	2,476
<i>Supplies</i>	4,560	3,060	2,396	664
<i>Services</i>	46,735	88,056	84,261	3,795
<i>Building Maintenance</i>	--	88,500	--	88,500
Total Planning	205,843	326,664	231,229	95,435
<b>Permits and Licenses:</b>				
<i>Personal Services</i>	156,278	156,278	151,719	4,559
<i>Supplies</i>	8,165	6,935	4,076	2,859
<i>Services</i>	12,245	12,175	9,653	2,522
<i>Equipment Maintenance</i>	750	663	161	502
<i>Debt Service</i>	3,500	3,587	3,587	--
<i>Capital Outlay</i>	25,000	22,200	22,199	1
Total Permits and Licenses	205,938	201,838	191,395	10,443

**CITY OF KINGSVILLE**  
 GENERAL FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

**EXHIBIT B-1**  
 Page 5 of 8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Community Appearance:				
<i>Personal Services</i>	230,468	228,768	238,555	(9,787)
<i>Supplies</i>	19,298	33,473	33,343	130
<i>Services</i>	289,825	305,670	106,598	199,072
<i>Equipment Maintenance</i>	5,700	3,100	1,702	1,398
<i>Building Maintenance</i>	26,500	24,500	24,305	195
<i>Debt Service</i>	9,500	4,000	3,532	468
Total Community Appearance	581,291	599,511	408,035	191,476
Engineering:				
<i>Personal Services</i>	110,368	112,021	112,057	(36)
<i>Supplies</i>	3,569	3,569	1,657	1,912
<i>Services</i>	41,872	40,219	22,998	17,221
<i>Equipment Maintenance</i>	520	520	214	306
<i>Capital Outlay</i>	10,000	10,000	9,035	965
Total Engineering	166,329	166,329	145,961	20,368
Total Urban Development Department	1,159,401	1,294,342	976,620	317,722
<b>Police Department</b>				
<i>Personal Services</i>	3,911,636	3,977,790	3,854,106	123,684
<i>Supplies</i>	211,544	204,820	171,719	33,101
<i>Services</i>	416,750	426,258	401,476	24,782
<i>Equipment Maintenance</i>	82,524	74,845	63,459	11,386
<i>Building Maintenance</i>	45,000	43,900	41,014	2,886
<i>Debt Service</i>	20,000	14,405	12,816	1,589
Total Police Department	4,687,454	4,742,017	4,544,590	197,427
<b>Fire Department</b>				
<i>Personal Services</i>	2,532,340	2,544,051	2,408,266	135,785
<i>Supplies</i>	264,398	222,039	224,357	(2,318)
<i>Services</i>	191,749	205,908	161,253	44,655
<i>Equipment Maintenance</i>	63,631	58,831	56,679	2,152
<i>Building Maintenance</i>	22,970	57,970	53,402	4,568
<i>Debt Service</i>	35,235	35,235	34,279	956
<i>Capital Outlay</i>	169,060	169,060	155,375	13,685
Total Fire Department	3,279,383	3,293,094	3,093,611	199,483

**CITY OF KINGSVILLE**  
 GENERAL FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

**EXHIBIT B-1**  
 Page 6 of 8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Volunteer Fire Department</b>				
<i>Personal Services</i>	18,121	20,677	16,420	4,257
<i>Supplies</i>	36,029	39,738	50,961	(11,223)
<i>Services</i>	33,386	34,433	25,367	9,066
<i>Equipment Maintenance</i>	6,000	3,000	2,536	464
<i>Building Maintenance</i>	9,850	5,538	7,049	(1,511)
Total Volunteer Fire Department	103,386	103,386	102,333	1,053
<b>Public Works Department</b>				
Public Works Administration:				
<i>Personal Services</i>	63,780	65,710	65,717	(7)
<i>Supplies</i>	9,260	7,470	6,649	821
<i>Services</i>	37,260	42,397	43,419	(1,022)
<i>Equipment Maintenance</i>	2,700	--	--	--
<i>Building Maintenance</i>	23,105	25,232	24,632	600
<i>Lease Payments</i>	3,000	3,000	2,452	548
<i>Capital Outlay</i>	--	9,101	9,100	1
Total Public Works Administration	139,105	152,910	151,969	941
Garage:				
<i>Personal Services</i>	386,293	386,293	359,791	26,502
<i>Supplies</i>	24,034	22,561	21,642	919
<i>Services</i>	9,068	10,541	8,255	2,286
<i>Equipment Maintenance</i>	3,200	3,200	3,181	19
Total Garage	422,595	422,595	392,869	29,726
Sanitation:				
<i>Personal Services</i>	783,790	784,437	786,864	(2,427)
<i>Supplies</i>	181,181	176,685	173,092	3,593
<i>Services</i>	27,193	27,828	25,297	2,531
<i>Equipment Maintenance</i>	176,073	190,452	195,843	(5,391)
<i>Building Maintenance</i>	5,000	--	--	--
<i>Capital Outlay</i>	347,199	347,199	297,789	49,410
Total Sanitation	1,520,436	1,526,601	1,478,885	47,716
Street:				
<i>Personal Services</i>	808,015	798,515	778,474	20,041
<i>Supplies</i>	101,842	104,704	98,307	6,397
<i>Services</i>	283,522	256,092	251,816	4,276
<i>Equipment Maintenance</i>	52,000	67,425	67,043	382
<i>Building Maintenance</i>	380,600	408,743	412,716	(3,973)
<i>Capital Outlay</i>	--	571,350	570,547	803
Total Street	1,705,979	2,277,329	2,249,330	27,999

**CITY OF KINGSVILLE**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**EXHIBIT B-1**  
Page 7 of 8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Landfill:</b>				
<i>Personal Services</i>	393,597	393,597	373,684	19,913
<i>Supplies</i>	140,646	139,593	106,430	33,163
<i>Services</i>	157,573	1,943,541	188,813	1,754,728
<i>Equipment Maintenance</i>	33,500	90,554	88,752	1,802
<i>Building Maintenance</i>	21,500	21,500	21,085	415
<i>Debt Service</i>	66,000	66,000	65,242	758
<i>Capital Outlay</i>	265,000	265,000	153,863	111,137
<b>Total Landfill</b>	<b>1,077,816</b>	<b>2,919,785</b>	<b>997,869</b>	<b>1,921,916</b>
<b>Recycling Center:</b>				
<i>Personal Services</i>	34,137	34,137	29,871	4,266
<i>Supplies</i>	1,580	1,457	306	1,151
<i>Services</i>	6,123	5,974	5,418	556
<i>Equipment Maintenance</i>	1,500	1,500	670	830
<i>Building Maintenance</i>	21,000	43,540	3,155	40,385
<b>Total Recycling Center</b>	<b>64,340</b>	<b>86,608</b>	<b>39,420</b>	<b>47,188</b>
<b>Total Public Works Department</b>	<b>4,930,271</b>	<b>7,385,828</b>	<b>5,310,342</b>	<b>2,075,486</b>
<b>Health Department</b>				
<i>Personal Services</i>	227,304	227,304	227,311	(7)
<i>Supplies</i>	35,950	31,606	22,776	8,830
<i>Services</i>	32,725	41,322	35,381	5,941
<i>Equipment Maintenance</i>	4,400	4,447	3,785	662
<i>Building Maintenance</i>	10,000	5,700	2,789	2,911
<b>Total Health Department</b>	<b>310,379</b>	<b>310,379</b>	<b>292,042</b>	<b>18,337</b>
<b>Parks and Recreation Department</b>				
<i>Services</i>	200,000	200,000	200,000	--
<i>Building Maintenance</i>	--	4,482	4,307	175
<b>Total Parks and Recreation Department</b>	<b>200,000</b>	<b>204,482</b>	<b>204,307</b>	<b>175</b>
<b>Library Department</b>				
<i>Personal Services</i>	189,968	190,615	192,812	(2,197)
<i>Supplies</i>	35,400	34,455	34,190	265
<i>Services</i>	30,259	28,510	31,945	(3,435)
<i>Equipment Maintenance</i>	3,700	4,306	4,306	--
<i>Building Maintenance</i>	8,500	9,990	12,117	(2,127)
<b>Total Library Department</b>	<b>267,827</b>	<b>267,877</b>	<b>275,370</b>	<b>(7,493)</b>

**CITY OF KINGSVILLE**  
 GENERAL FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

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

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Other Expenses				
<i>Uncollectable Accounts</i>	19,880	18,677	53,888	(35,211)
Total Other Expenses	19,880	18,677	53,888	(35,211)
Total Expenditures	20,876,267	23,618,628	18,030,361	5,588,267
Excess (deficiency) of revenues (under) expenditures	(4,727,424)	(7,466,785)	(1,872,467)	5,594,318
Other financing sources (uses):				
<i>Operating transfers in</i>	4,315,900	4,473,381	2,310,136	(2,163,245)
<i>Operating transfers out</i>	(710,477)	(896,170)	(457,789)	438,381
<i>Gain on disposal of assets</i>	--	--	38,000	38,000
<i>Lease proceeds</i>	--	458,350	458,350	--
Total other financing sources (uses)	3,605,423	4,035,561	2,348,697	1,686,864
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(1,122,001)	(3,431,224)	476,230	3,907,454
Fund balances/equity, October 1	11,050,036	11,050,036	11,050,036	--
Fund balances/equity, September 30	\$ 9,928,035	\$ 7,618,812	\$ 11,526,266	\$ 3,907,454

**CITY OF KINGSVILLE**  
**POLICE FORFEITURE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**EXHIBIT B-2**  
Page 1 of 2

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Fines and Forfeits:				
<i>Court Fines</i>	\$ 820,000	\$ 820,000	\$ 724,922	\$ (95,078)
<i>Confiscated Revenue</i>	1,226,826	1,226,826	288,104	(938,722)
<i>Minor Fines</i>	14,259	14,259	16,616	2,357
Total Fines and Forfeits	<u>2,061,085</u>	<u>2,061,085</u>	<u>1,029,642</u>	<u>(1,031,443)</u>
Interest and Miscellaneous:				
<i>Interest from Investments</i>	4,480	4,480	3,191	(1,289)
<i>Auction Revenue</i>	37,000	37,000	59,207	22,207
<i>Miscellaneous</i>	3,515	3,515	4,815	1,300
Total Interest and Miscellaneous	<u>44,995</u>	<u>44,995</u>	<u>67,213</u>	<u>22,218</u>
Reimbursements - Interdepartmental Revenue	<u>30,000</u>	<u>30,000</u>	<u>--</u>	<u>(30,000)</u>
Total Revenues	<u>2,136,080</u>	<u>2,136,080</u>	<u>1,096,855</u>	<u>(1,039,225)</u>
Expenditures:				
Municipal Court:				
<i>Supplies</i>	8,700	8,700	--	8,700
<i>Services</i>	9,000	9,000	1,495	7,505
<i>Debt Service</i>	<u>3,600</u>	<u>3,600</u>	<u>1,628</u>	<u>1,972</u>
Total Municipal Court	<u>21,300</u>	<u>21,300</u>	<u>3,123</u>	<u>18,177</u>
<b>Police Department</b>				
<i>Personal Services</i>	110,000	110,000	109,992	8
<i>Supplies</i>	44,845	93,546	146,396	(52,850)
<i>Services</i>	151,716	151,876	98,671	53,205
<i>Equipment Maintenance</i>	--	3,087	11,258	(8,171)
<i>Capital Outlay</i>	<u>434,083</u>	<u>382,135</u>	<u>338,353</u>	<u>43,782</u>
Total Police Department	<u>740,645</u>	<u>740,645</u>	<u>704,670</u>	<u>35,975</u>
<b>Task Force</b>				
<i>Personal Services</i>	829,082	829,082	779,976	49,106
<i>Supplies</i>	126,000	128,700	100,921	27,779
<i>Services</i>	133,400	127,660	93,586	34,074
<i>Equipment Maintenance</i>	31,500	37,500	26,100	11,400
<i>Building Maintenance</i>	12,000	24,000	21,610	2,390
<i>Debt Service</i>	25,700	22,700	11,469	11,231
<i>Capital Outlay</i>	<u>38,000</u>	<u>38,000</u>	<u>149,912</u>	<u>(111,912)</u>
Total Task Force	<u>1,195,682</u>	<u>1,207,642</u>	<u>1,183,574</u>	<u>24,068</u>
Total Expenditures	<u>1,957,627</u>	<u>1,969,587</u>	<u>1,891,367</u>	<u>78,220</u>
Excess (deficiency) of revenues (under) expenditures	178,453	166,493	(794,512)	(961,005)

**CITY OF KINGSVILLE**  
*POLICE FORFEITURE FUND*  
*BUDGETARY COMPARISON SCHEDULE*  
*FOR THE YEAR ENDED SEPTEMBER 30, 2014*

**EXHIBIT B-2**  
 Page 2 of 2

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Other financing sources (uses):				
<i>Operating transfers in</i>	--	--	1	1
<i>Operating transfers out</i>	(50,000)	(50,000)	(50,000)	--
Total other financing sources (uses)	<u>(50,000)</u>	<u>(50,000)</u>	<u>(49,999)</u>	<u>1</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	128,453	116,493	(844,511)	(961,004)
Fund balances/equity, October 1	1,734,654	1,734,654	1,734,654	--
Fund balances/equity, September 30	<u>\$ 1,863,107</u>	<u>\$ 1,851,147</u>	<u>\$ 890,143</u>	<u>\$ (961,004)</u>

**CITY OF KINGSVILLE**

REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS  
 TEXAS MUNICIPAL RETIREMENT SYSTEM  
 YEAR ENDED SEPTEMBER 30, 2014

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

Other Post-employment Benefit Plan:

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

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

Texas Emergency Services Retirement Plan:

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

(1) The actuarial accrued liability is based upon the entry age actuarial cost method.

(2) Changes in actuarial assumptions were reflected in this valuation.

(3) Changes in an actuarial assumption and method were reflected in this valuation.

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

**CITY OF KINGSVILLE**

*NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2014*

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

Texas Emergency Services Retirement System Notes:

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

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

Actuarial assumptions:

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

Projected salary increases N/A

\*Includes inflation at 3.50%

Cost-of-living adjustments None

C O M B I N I N G   S T A T E M E N T S   &   B U D G E T A R Y   C O M P A R I S O N   S C H E D U L E S

**CITY OF KINGSVILLE**  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2014

	Special Revenue Funds	Capital Projects Fund <u>Capital</u> Improvements Fund	Total Nonmajor Governmental Funds (See Exhibit A-3)
<b>ASSETS</b>			
Assets:			
<i>Cash and cash equivalents</i>	\$ --	\$ 502,000	\$ 502,000
<i>Equity in pooled cash and cash equivalents</i>	46,162	--	46,162
Receivables ( net of allowances for uncollectibles):			
<i>Accounts</i>	57,431	--	57,431
<i>Accrued Interest</i>	--	22	22
<i>Due from:</i>			
<i>Other governments</i>	325,865	--	325,865
Restricted assets:			
<i>Cash and cash equivalents</i>	654,251	940,000	1,594,251
Total Assets	<u>\$ 1,083,709</u>	<u>\$ 1,442,022</u>	<u>\$ 2,525,731</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND EQUITY</b>			
Liabilities:			
<i>Accounts payable</i>	\$ 29,877	\$ 25,694	\$ 55,571
<i>Accrued wages payable</i>	3,263	--	3,263
<i>Payable from restricted assets:</i>			
<i>Due to:</i>			
<i>Other funds</i>	322,926	--	322,926
<i>Other governments</i>	26,537	--	26,537
Total Liabilities	<u>382,603</u>	<u>25,694</u>	<u>408,297</u>
Deferred Inflows of Resources:			
Deferred Revenue	19,407	--	19,407
Total Deferred Inflows of Resources	<u>19,407</u>	<u>--</u>	<u>19,407</u>
Equity:			
Fund balances:			
Restricted:			
<i>Capital outlay</i>	--	1,416,328	1,416,328
<i>Tourism</i>	674,276	--	674,276
<i>Federal and state programs</i>	2,140	--	2,140
<i>Community Enrichment</i>	2,918	--	2,918
Assigned:			
<i>Drug Awareness</i>	2,365	--	2,365
Total equity	<u>681,699</u>	<u>1,416,328</u>	<u>2,098,027</u>
Total Liabilities, Deferred Inflows of Resources, and Equity	<u>\$ 1,083,709</u>	<u>\$ 1,442,022</u>	<u>\$ 2,525,731</u>

**CITY OF KINGSVILLE**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Special Revenue Funds	Capital Projects Fund Capital Improvements Fund	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenue:			
<i>Taxes</i>	\$ 625,556	\$ --	\$ 625,556
<i>Charges for services</i>	510	--	510
<i>Interest and miscellaneous</i>	504	7,996	8,500
<i>Federal and state grants</i>	250,527	--	250,527
Total revenues	<u>877,097</u>	<u>7,996</u>	<u>885,093</u>
Expenditures:			
Current:			
<i>General government and administration</i>	3,234	--	3,234
<i>Public Safety</i>	247,203	--	247,203
<i>Public works</i>	--	1,142,948	1,142,948
<i>Tourism</i>	480,742	--	480,742
Total expenditures	<u>731,179</u>	<u>1,142,948</u>	<u>1,874,127</u>
Excess (deficiency) of revenues (under) expenditures	145,918	(1,134,952)	(989,034)
Other financing sources (uses):			
<i>Transfers in</i>	--	28,212	28,212
<i>Transfers out</i>	(35,000)	(975,136)	(1,010,136)
Total other financing sources (uses)	<u>(35,000)</u>	<u>(946,924)</u>	<u>(981,924)</u>
Net change in fund balances	110,918	(2,081,876)	(1,970,958)
Fund balances/equity, October 1	570,781	3,498,204	4,068,985
Fund balances/equity, September 30	<u>\$ 681,699</u>	<u>\$ 1,416,328</u>	<u>\$ 2,098,027</u>

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**CITY OF KINGSVILLE**  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 SEPTEMBER 30, 2014

	<u>Tourism Fund</u>	<u>Federal Grants</u>
<b>ASSETS</b>		
Assets:		
<i>Equity in pooled cash and cash equivalents</i>	\$ 3,861	\$ 23,743
Receivables ( net of allowances for uncollectibles):		
<i>Accounts</i>	57,431	--
Due from:		
<i>Other governments</i>	--	325,439
Restricted assets:		
<i>Cash and cash equivalents</i>	654,251	--
Total Assets	<u>\$ 715,543</u>	<u>\$ 349,182</u>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND EQUITY</b>		
Liabilities:		
<i>Accounts payable</i>	\$ 29,877	\$ --
<i>Accrued wages payable</i>	3,263	--
Due to:		
<i>Other funds</i>	--	322,926
<i>Other governments</i>	8,127	18,410
Total Liabilities	<u>41,267</u>	<u>341,336</u>
Deferred Inflows of Resources:		
Deferred Revenue	--	7,789
Total Deferred Inflows of Resources	<u>--</u>	<u>7,789</u>
Equity:		
Fund balances:		
Restricted:		
<i>Tourism</i>	674,276	--
<i>Federal and state programs</i>	--	57
<i>Community Enrichment</i>	--	--
Assigned:		
<i>Drug Awareness</i>	--	--
Total equity	<u>674,276</u>	<u>57</u>
Total Liabilities, Deferred Inflows of Resources, and Equity	<u>\$ 715,543</u>	<u>\$ 349,182</u>

EXHIBIT C-3

<u>State Grants</u>	<u>Other Special Revenues</u>	<u>Total Nonmajor Special Revenue Funds (See Exhibit C-1)</u>
\$ 13,275	\$ 5,283	\$ 46,162
--	--	57,431
426	--	325,865
--	--	654,251
<u>\$ 13,701</u>	<u>\$ 5,283</u>	<u>\$ 1,083,709</u>
\$ --	\$ --	\$ 29,877
--	--	3,263
--	--	322,926
--	--	26,537
<u>--</u>	<u>--</u>	<u>382,603</u>
<u>11,618</u>	<u>--</u>	<u>19,407</u>
<u>11,618</u>	<u>--</u>	<u>19,407</u>
--	--	674,276
2,083	--	2,140
--	2,918	2,918
--	2,365	2,365
<u>2,083</u>	<u>5,283</u>	<u>681,699</u>
<u>\$ 13,701</u>	<u>\$ 5,283</u>	<u>\$ 1,083,709</u>

**CITY OF KINGSVILLE**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Tourism Fund	Federal Grants
Revenue:		
<i>Taxes</i>	\$ 625,556	\$ --
<i>Charges for services</i>	510	--
<i>Interest and miscellaneous</i>	504	--
<i>Federal and state grants</i>	--	247,643
Total revenues	<u>626,570</u>	<u>247,643</u>
Expenditures:		
Current:		
<i>General government and administration</i>	--	3,234
<i>Public Safety</i>	--	244,409
<i>Tourism</i>	480,742	--
Total expenditures	<u>480,742</u>	<u>247,643</u>
Excess (deficiency) of revenues (under) expenditures	145,828	--
Other financing sources (uses):		
<i>Transfers out</i>	(35,000)	--
Total other financing sources (uses)	<u>(35,000)</u>	<u>--</u>
Net change in fund balances	110,828	--
Fund balances/equity, October 1	563,448	57
Fund balances/equity, September 30	<u>\$ 674,276</u>	<u>\$ 57</u>

EXHIBIT C-4

State Grants	Other Special Revenues	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
\$ --	\$ --	\$ 625,556
--	--	510
--	--	504
<u>2,884</u>	<u>--</u>	<u>250,527</u>
<u>2,884</u>	<u>--</u>	<u>877,097</u>
--	--	3,234
2,794	--	247,203
--	--	480,742
<u>2,794</u>	<u>--</u>	<u>731,179</u>
90	--	145,918
--	--	<u>(35,000)</u>
--	--	<u>(35,000)</u>
90	--	110,918
1,993	5,283	570,781
<u>\$ 2,083</u>	<u>\$ 5,283</u>	<u>\$ 681,699</u>

**CITY OF KINGSVILLE**  
 TOURISM FUND  
 SPECIAL REVENUE FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

EXHIBIT C-5

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
General Property Taxes:				
Hotel/Motel Property Tax	\$ 499,270	\$ 499,270	\$ 625,556	\$ 126,286
Total General Property Taxes	<u>499,270</u>	<u>499,270</u>	<u>625,556</u>	<u>126,286</u>
Sanitation Services:				
Miscellaneous	600	600	510	(90)
Total Sanitation Services	<u>600</u>	<u>600</u>	<u>510</u>	<u>(90)</u>
Total Charges for Services	<u>600</u>	<u>600</u>	<u>510</u>	<u>(90)</u>
Interest and Miscellaneous:				
Interest from Investments	450	450	326	(124)
Miscellaneous	--	--	178	178
Total Interest and Miscellaneous	<u>450</u>	<u>450</u>	<u>504</u>	<u>54</u>
Donations	<u>400</u>	<u>400</u>	<u>--</u>	<u>(400)</u>
 Total Revenues	 <u>500,720</u>	 <u>500,720</u>	 <u>626,570</u>	 <u>125,850</u>
 Expenditures:				
<b>Tourism Department</b>				
Personal Services	228,791	201,835	201,722	113
Supplies	14,250	24,069	22,155	1,914
Services	230,992	261,994	243,800	18,194
Equipment Maintenance	300	1,400	1,276	124
Building Maintenance	62,270	58,205	7,578	50,627
Lease Payments	<u>7,000</u>	<u>6,100</u>	<u>4,211</u>	<u>1,889</u>
Total Tourism Department	<u>543,603</u>	<u>553,603</u>	<u>480,742</u>	<u>72,861</u>
 Total Expenditures	 <u>543,603</u>	 <u>553,603</u>	 <u>480,742</u>	 <u>72,861</u>
Excess (deficiency) of revenues (under) expenditures	(42,883)	(52,883)	145,828	198,711
Other financing sources (uses):				
Operating transfers out	(35,000)	(35,000)	(35,000)	--
Total other financing sources (uses)	<u>(35,000)</u>	<u>(35,000)</u>	<u>(35,000)</u>	<u>--</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(77,883)	(87,883)	110,828	198,711
Fund balances/equity, October 1	563,448	563,448	563,448	--
Fund balances/equity, September 30	<u>\$ 485,565</u>	<u>\$ 475,565</u>	<u>\$ 674,276</u>	<u>\$ 198,711</u>

**CITY OF KINGSVILLE**  
 FEDERAL GRANTS FUND  
 SPECIAL REVENUE FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

EXHIBIT C-6

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Federal and state grants	\$ --	\$ 66,125	\$ 247,643	\$ 181,518
Total Revenues	--	66,125	247,643	181,518
Expenditures:				
Planning:				
<i>Services</i>	--	--	3,234	(3,234)
Total Planning	--	--	3,234	(3,234)
<b>Police Department</b>				
<i>Personal Services</i>	--	66,125	100,261	(34,136)
<i>Supplies</i>	--	--	14,579	(14,579)
<i>Capital Outlay</i>	--	--	32,294	(32,294)
Total Police Department	--	66,125	147,134	(81,009)
<b>Task Force</b>				
<i>Personal Services</i>	--	--	39,307	(39,307)
<i>Supplies</i>	--	--	57,968	(57,968)
Total Task Force	--	--	97,275	(97,275)
Total Expenditures	--	66,125	247,643	(181,518)
Excess (deficiency) of revenues (under) expenditures	--	--	--	--
Total other financing sources (uses)	--	--	--	--
Excess of revenues and other financing sources over (under) expenditures and other financing uses	--	--	--	--
Fund balances/equity, October 1	--	57	57	--
Fund balances/equity, September 30	\$ --	\$ 57	\$ 57	\$ --

**CITY OF KINGSVILLE**  
 STATE GRANTS FUND  
 SPECIAL REVENUE FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

EXHIBIT C-7

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Federal and state grants	\$ --	\$ 3,000	\$ 2,884	\$ (116)
Total Revenues	--	3,000	2,884	(116)
Expenditures:				
<b>Police Department</b>				
<i>Services</i>	--	--	810	(810)
Total Police Department	--	--	810	(810)
<b>Fire Department</b>				
<i>Supplies</i>	--	--	1,984	(1,984)
Total Fire Department	--	--	1,984	(1,984)
Total Expenditures	--	--	2,794	(2,794)
Excess (deficiency) of revenues (under) expenditures	--	3,000	90	(2,910)
Fund balances/equity, October 1	--	1,993	1,993	--
Fund balances/equity, September 30	\$ --	\$ 4,993	\$ 2,083	\$ (2,910)

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**CITY OF KINGSVILLE**  
**DEBT SERVICE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

EXHIBIT C-8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Taxes:</b>				
<i>General Property Taxes:</i>				
<i>Current Taxes</i>	\$ 1,303,611	\$ 1,303,611	\$ 1,293,977	\$ (9,634)
<i>Delinquent taxes</i>	58,519	58,519	38,629	(19,890)
<i>Penalty &amp; Interest</i>	43,889	43,889	30,365	(13,524)
<b>Total Taxes</b>	<u>1,406,019</u>	<u>1,406,019</u>	<u>1,362,971</u>	<u>(43,048)</u>
<b>Interest and Miscellaneous:</b>				
<i>Interest from Investments</i>	3,822	3,822	890	(2,932)
<b>Total Interest and Miscellaneous</b>	<u>3,822</u>	<u>3,822</u>	<u>890</u>	<u>(2,932)</u>
<b>Total Revenues</b>	<u>1,409,841</u>	<u>1,409,841</u>	<u>1,363,861</u>	<u>(45,980)</u>
<b>Expenditures:</b>				
<b>Debt Service</b>				
<i>Principal retired</i>	1,525,000	1,525,000	1,452,714	72,286
<i>Interest</i>	362,572	362,572	374,900	(12,328)
<i>Paying agent fees</i>	2,800	2,800	2,800	--
<b>Total Debt Service</b>	<u>1,890,372</u>	<u>1,890,372</u>	<u>1,830,414</u>	<u>59,958</u>
<b>Total Expenditures</b>	<u>1,890,372</u>	<u>1,890,372</u>	<u>1,830,414</u>	<u>59,958</u>
Excess (deficiency) of revenues (under) expenditures	(480,531)	(480,531)	(466,553)	13,978
<b>Other financing sources (uses):</b>				
<i>Operating transfers in</i>	429,577	429,577	429,577	--
<b>Total other financing sources (uses)</b>	<u>429,577</u>	<u>429,577</u>	<u>429,577</u>	<u>--</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(50,954)	(50,954)	(36,976)	13,978
Fund balances/equity, October 1	625,918	625,918	625,918	--
Fund balances/equity, September 30	<u>\$ 574,964</u>	<u>\$ 574,964</u>	<u>\$ 588,942</u>	<u>\$ 13,978</u>



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**CITY OF KINGSVILLE**  
 CAPITAL IMPROVEMENTS FUND  
 CAPITAL PROJECTS FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

EXHIBIT C-9

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Interest and Miscellaneous:				
<i>Interest from Investments</i>	\$ 5,851	\$ 5,851	\$ 7,996	\$ 2,145
Total Interest and Miscellaneous	<u>5,851</u>	<u>5,851</u>	<u>7,996</u>	<u>2,145</u>
Total Revenues	<u>5,851</u>	<u>5,851</u>	<u>7,996</u>	<u>2,145</u>
Expenditures:				
Sanitation:				
<i>Supplies</i>	<u>57,500</u>	<u>57,500</u>	<u>57,440</u>	<u>60</u>
Total Sanitation	<u>57,500</u>	<u>57,500</u>	<u>57,440</u>	<u>60</u>
Street:				
<i>Supplies</i>	<u>--</u>	<u>2,441</u>	<u>2,440</u>	<u>1</u>
<i>Building Maintenance</i>	<u>1,319,128</u>	<u>1,316,687</u>	<u>927,553</u>	<u>389,134</u>
Total Street	<u>1,319,128</u>	<u>1,319,128</u>	<u>929,993</u>	<u>389,135</u>
Landfill:				
<i>Building Maintenance</i>	<u>4,033</u>	<u>4,033</u>	<u>--</u>	<u>4,033</u>
<i>Capital Outlay</i>	<u>127,303</u>	<u>155,515</u>	<u>155,515</u>	<u>--</u>
Total Landfill	<u>131,336</u>	<u>159,548</u>	<u>155,515</u>	<u>4,033</u>
Total Expenditures	<u>1,507,964</u>	<u>1,536,176</u>	<u>1,142,948</u>	<u>393,228</u>
Excess (deficiency) of revenues (under) expenditures	(1,502,113)	(1,530,325)	(1,134,952)	395,373
Other financing sources (uses):				
<i>Operating transfers out</i>	<u>(975,136)</u>	<u>(975,136)</u>	<u>(975,136)</u>	<u>--</u>
Total other financing sources (uses)	<u>(975,136)</u>	<u>(1,003,348)</u>	<u>(946,924)</u>	<u>(56,424)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(2,477,249)	(2,533,673)	(2,081,876)	451,797
Fund balances/equity, October 1	<u>3,498,204</u>	<u>3,498,204</u>	<u>3,498,204</u>	<u>--</u>
Fund balances/equity, September 30	<u>\$ 1,020,955</u>	<u>\$ 964,531</u>	<u>\$ 1,416,328</u>	<u>\$ 451,797</u>



**King'sville**  
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A stylized logo element consisting of a dark brown shape resembling the letter 'S' with a small white star inside, and a white five-pointed star to its right.

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**CITY OF KINGSVILLE**

**EXHIBIT C-10**

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
YEAR ENDED SEPTEMBER 30, 2014

	Balance October 1, 2014	Additions	Deductions	Balance September 30, 2014
<b>Corporation Court Cash Bond Account Fund</b>				
<b>ASSETS</b>				
Cash & Investments	\$ 41,473	\$ 105,158	\$ 79,285	\$ 67,346
Total Assets	<u>\$ 41,473</u>	<u>\$ 105,158</u>	<u>\$ 79,285</u>	<u>\$ 67,346</u>
<b>LIABILITIES</b>				
Cash Bonds Held	\$ 41,473	\$ 105,158	\$ 79,285	\$ 67,346
Total Liabilities	<u>\$ 41,473</u>	<u>\$ 105,158</u>	<u>\$ 79,285</u>	<u>\$ 67,346</u>



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

	Fiscal Year				
	2014	2013	2012	2011	2010
<b>Governmental Activities</b>					
Net investment in Capital Assets	\$ 7,857,043	\$ 7,196,801	\$ 8,641,553	\$ 8,703,647	\$ 7,242,987
Restricted	4,552,225	5,952,091	3,139,930	-	911,541
Unrestricted	<u>1,671,613</u>	<u>2,846,877</u>	<u>4,221,605</u>	<u>6,456,755</u>	<u>5,818,599</u>
Total governmental activities net position	<u>\$ 14,080,881</u>	<u>\$ 15,995,769</u>	<u>\$ 16,003,088</u>	<u>\$ 15,160,402</u>	<u>\$ 13,973,127</u>
<b>Business-type activities</b>					
Net Investment in Capital Assets	\$ 842,427	\$ 2,766,006	\$ 4,049,345	\$ 3,398,641	\$ 3,028,078
Restricted	6,361,728	539,925	1,086,225	1,403,545	2,225,545
Unrestricted	<u>8,899,435</u>	<u>11,624,979</u>	<u>8,689,906</u>	<u>6,601,689</u>	<u>5,843,383</u>
Total Business-Type Activities Net Position	<u>\$ 16,103,590</u>	<u>\$ 14,930,910</u>	<u>\$ 13,825,476</u>	<u>\$ 11,403,875</u>	<u>\$ 11,097,006</u>
<b>Primary Government</b>					
Net investment in Capital Assets	\$ 8,699,470	\$ 9,962,807	\$ 12,690,898	\$ 12,102,288	\$ 10,271,065
Restricted	10,913,953	6,492,016	4,226,155	2,086,412	3,137,086
Unrestricted	<u>10,571,048</u>	<u>14,471,856</u>	<u>12,911,511</u>	<u>13,058,444</u>	<u>11,661,982</u>
Total Primary Government Net Position	<u>\$ 30,184,471</u>	<u>\$ 30,926,679</u>	<u>\$ 29,828,564</u>	<u>\$ 27,247,144</u>	<u>\$ 25,070,133</u>

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

SCHEDULE 1

		Fiscal Year							
		2009	2008	2007	2006	2005			
\$	7,229,724	\$	7,980,938	\$	7,410,484	\$	7,190,499	\$	5,751,650
	2,946,915		2,727,155		2,649,969		2,314,775		-
	<u>5,341,187</u>		<u>3,037,771</u>		<u>2,079,519</u>		<u>1,085,412</u>		<u>1,150,966</u>
\$	<u>15,517,826</u>	\$	<u>13,745,864</u>	\$	<u>12,139,972</u>	\$	<u>10,590,686</u>	\$	<u>6,902,616</u>
\$	1,028,641	\$	4,376,931	\$	4,311,656	\$	4,315,474	\$	4,033,396
	1,704,129		3,056,231		2,496,143		2,174,298		2,528,455
	<u>7,191,437</u>		<u>1,229,553</u>		<u>679,366</u>		<u>113,403</u>		<u>(1,908,572)</u>
\$	<u>9,924,207</u>	\$	<u>8,662,715</u>	\$	<u>7,487,165</u>	\$	<u>6,603,175</u>	\$	<u>4,653,279</u>
\$	8,258,365	\$	12,357,869	\$	11,722,140	\$	11,505,973	\$	9,785,046
	4,651,044		5,783,386		5,146,112		4,489,073		4,854,017
	<u>12,532,624</u>		<u>4,267,324</u>		<u>2,758,885</u>		<u>1,198,815</u>		<u>(757,606)</u>
\$	<u>25,442,033</u>	\$	<u>22,408,579</u>	\$	<u>19,627,137</u>	\$	<u>17,193,861</u>	\$	<u>13,881,457</u>

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

	Fiscal Year				
	2014	2013	2012	2011	2010
<b>Expenses</b>					
Governmental Activities:					
General Government	\$ 4,127,259	\$ 3,957,983	\$ 3,285,875	\$ 2,974,363	\$ 2,853,471
Public Safety	10,189,111	9,100,303	9,475,608	9,144,528	8,450,026
Public Works	3,727,188	3,342,824	2,823,707	2,521,159	2,838,815
City/County	797,635	754,701	811,546	801,490	782,399
Tourism	482,331	404,947	389,259	484,470	421,233
Interest on Long-Term Debt	309,706	362,523	335,136	319,288	190,913
<b>Total Governmental Activities Expenses</b>	<b>19,633,230</b>	<b>17,923,281</b>	<b>17,121,131</b>	<b>16,245,298</b>	<b>15,536,857</b>
Business-Type Activities:					
Water	4,569,960	4,232,121	4,570,338	3,847,697	3,474,155
Solid Waste	2,706,916	2,541,678	2,417,443	2,669,749	2,273,372
Waste Water	2,547,557	2,287,392	2,451,466	2,392,136	3,201,052
Storm Water	834	1,074	-	-	-
<b>Total Business-Type Activity Expenses</b>	<b>9,825,267</b>	<b>9,062,265</b>	<b>9,439,247</b>	<b>8,909,582</b>	<b>8,948,579</b>
<b>Total Primary Government Expenses</b>	<b>\$ 29,458,497</b>	<b>\$ 26,985,546</b>	<b>\$ 26,560,378</b>	<b>\$ 25,154,880</b>	<b>\$ 24,485,436</b>
<b>Program Revenue (see schedule 3)</b>					
Governmental Activities					
Charges for Services:					
General Government	\$ 427,047	\$ 373,672	\$ 265,724	\$ 357,478	\$ 160,225
Public Safety	2,374,591	2,718,033	1,975,762	2,486,253	2,476,666
Public Works	54,893	531,161	23,470	48,367	60,302
City/County	30,038	23,118	21,581	32,587	20,302
Tourism	626,066	519,940	542,582	483,424	422,584
Operating Grants and Contributions	298,649	403,484	308,366	479,148	486,855
Capital Grants and Contributions	2,074	2,673	19,700	92,993	-
	<b>3,813,358</b>	<b>4,572,081</b>	<b>3,157,185</b>	<b>3,980,250</b>	<b>3,626,934</b>
Business-Type Activities:					
Charges for Services:					
Water	5,021,529	5,239,019	5,064,986	4,516,381	3,769,784
Waste Water	3,830,649	3,357,948	3,815,313	3,646,165	3,572,534
Solid Waste	3,776,750	3,303,720	3,329,276	3,363,894	2,708,503
Storm Water	228,883	243,952	-	-	-
Operating Grants and Contributions	-	-	-	-	700
Capital Grants and Contributions	-	-	-	-	-
<b>Total Business-Type Activities Program Revenues</b>	<b>12,857,811</b>	<b>12,144,639</b>	<b>12,209,575</b>	<b>11,526,440</b>	<b>10,051,521</b>
<b>Total Primary Government Program Revenues</b>	<b>\$ 16,671,169</b>	<b>\$ 16,716,720</b>	<b>\$ 15,366,760</b>	<b>\$ 15,506,690</b>	<b>\$ 13,678,455</b>

SCHEDULE 2

		Fiscal Year				
		2009	2008	2007	2006	2005
\$	2,481,859	\$ 2,438,913	\$ 2,569,502	\$ 2,303,626	\$ 2,238,161	
	8,175,281	8,167,213	7,266,533	6,787,270	6,787,640	
	2,770,070	2,414,167	2,340,083	2,576,604	2,474,543	
	761,837	731,158	688,378	648,270	673,849	
	440,694	421,633	312,153	290,697	288,215	
	262,818	292,623	300,810	300,163	328,631	
	<u>14,892,559</u>	<u>14,465,707</u>	<u>13,477,459</u>	<u>12,906,630</u>	<u>12,791,039</u>	
	3,687,376	3,153,345	2,454,389	3,495,064	3,542,762	
	2,201,955	2,516,322	2,043,922	1,931,459	2,007,918	
	2,692,116	2,020,090	2,031,746	1,334,749	1,372,391	
	-	-	-	-	-	
	<u>8,581,447</u>	<u>7,689,757</u>	<u>6,530,057</u>	<u>6,761,272</u>	<u>6,923,071</u>	
\$	<u>23,474,006</u>	<u>22,155,464</u>	<u>20,007,516</u>	<u>19,667,902</u>	<u>19,714,110</u>	
\$	309,430	\$ 284,438	\$ 250,769	\$ 254,972	\$ 282,481	
	2,981,961	2,980,370	2,637,213	2,191,585	1,452,667	
	661	-	-	-	240	
	9,117	8,924	5,871	6,776	3,525	
	440,694	421,633	312,153	290,697	288,215	
	294,364	260,506	168,700	177,828	473,600	
	176,363	30,000	55,609	600,341	1,131,399	
	<u>4,212,590</u>	<u>3,985,871</u>	<u>3,430,315</u>	<u>3,522,199</u>	<u>3,632,127</u>	
	4,808,714	4,325,645	3,834,915	4,026,953	3,676,035	
	3,378,346	3,036,567	2,772,879	2,825,020	2,799,958	
	3,510,389	2,958,287	2,519,463	2,578,493	2,070,306	
	-	650	21,031	28,441	24,230	
	172,469	-	-	-	86,251	
	-	-	-	-	-	
	<u>11,869,918</u>	<u>10,321,149</u>	<u>9,148,288</u>	<u>9,458,907</u>	<u>8,656,780</u>	
\$	<u>16,082,508</u>	<u>14,307,020</u>	<u>12,578,603</u>	<u>12,981,106</u>	<u>12,288,907</u>	

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

	Fiscal Year				
	2014	2013	2012	2011	2010
<b>Net (Expense)/Revenue</b>					
Governmental Activities	\$ (15,819,872)	\$ (13,351,200)	\$ (13,963,946)	\$ (12,265,048)	\$ (11,909,923)
Business-Type Activities	3,032,544	3,082,374	2,770,328	2,616,858	1,102,942
<b>Total Primary Government Net Expenses</b>	<u>\$ (12,787,328)</u>	<u>\$ (10,268,826)</u>	<u>\$ (11,193,618)</u>	<u>\$ (9,648,190)</u>	<u>\$ (10,806,981)</u>
<b>General Revenues - Other Changes in Net Position</b>					
Governmental Activities					
Taxes					
Property Taxes	\$ 6,111,394	\$ 5,956,227	\$ 5,891,693	\$ 5,898,032	\$ 5,467,439
Franchise Taxes	1,019,888	971,761	977,459	981,170	976,187
Sales Taxes	4,543,435	4,338,360	4,204,521	4,582,312	3,699,421
Other Taxes	57,136	49,137	45,703	46,381	49,591
Payment in Lieu of Taxes	100,000	100,000	100,000	100,000	100,000
Investment Earnings	83,492	211,942	83,886	87,229	147,868
Miscellaneous (loss)	2,000	399	295,794	220	36,672
Transfers	1,987,639	1,849,660	2,662,842	2,439,847	1,002,840
<b>Total Governmental Activities</b>	<u>13,904,984</u>	<u>13,477,486</u>	<u>14,261,898</u>	<u>14,135,191</u>	<u>11,480,018</u>
Business-Type Activities					
Investment Earnings	127,777	37,971	137,410	129,857	78,863
Other	-	-	-	-	-
Transfers	(1,987,638)	(1,849,660)	(2,662,842)	(2,439,847)	(1,002,838)
<b>Total Business-Type Activities</b>	<u>(1,859,861)</u>	<u>(1,811,689)</u>	<u>(2,525,432)</u>	<u>(2,309,990)</u>	<u>(923,975)</u>
<b>Total Primary Government</b>	<u>\$ 12,045,123</u>	<u>\$ 11,665,797</u>	<u>\$ 11,736,466</u>	<u>\$ 11,825,201</u>	<u>\$ 10,556,043</u>
<b>Changes in Net Position</b>					
Governmental Activities (loss)	\$ (1,914,888)	\$ 126,286	\$ 297,952	\$ 1,870,143	\$ (429,905)
Business-Type Activities	1,172,684	1,270,685	244,896	306,868	178,967
<b>Total Primary Government (loss)</b>	<u>\$ (742,204)</u>	<u>\$ 1,396,971</u>	<u>\$ 542,848</u>	<u>\$ 2,177,011</u>	<u>\$ (250,938)</u>

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

SCHEDULE 2  
(Continued)

		Fiscal Year				
		2009	2008	2007	2006	2005
\$	(10,679,969)	\$ (10,479,836)	\$ (10,047,144)	\$ (9,384,431)	\$ (9,158,912)	
	<u>3,288,471</u>	<u>2,631,392</u>	<u>2,618,231</u>	<u>2,697,635</u>	<u>1,733,709</u>	
\$	<u><u>(7,391,498)</u></u>	<u><u>(7,848,444)</u></u>	<u><u>(7,428,913)</u></u>	<u><u>(6,686,796)</u></u>	<u><u>(7,425,203)</u></u>	
\$	5,251,584	\$ 4,835,723	\$ 4,147,121	\$ 4,012,188	\$ 3,733,214	
	989,368	996,518	985,016	1,012,220	1,026,424	
	3,872,834	3,891,958	3,784,310	3,795,341	3,390,122	
	50,319	49,676	44,886	39,183	39,132	
	100,000	100,000	100,000	100,000	100,000	
	239,018	506,573	391,675	170,314	130,266	
	(23,926)	5,311	693	(30,052)	119	
	<u>1,972,734</u>	<u>1,699,969</u>	<u>2,293,521</u>	<u>1,961,699</u>	<u>1,936,252</u>	
	<u>12,451,931</u>	<u>12,085,728</u>	<u>11,747,222</u>	<u>11,060,893</u>	<u>10,355,529</u>	
	29,285	249,258	559,280	603,158	353,232	
	-	(5,130)	-	30,775	5,161	
	<u>(1,972,734)</u>	<u>(1,699,968)</u>	<u>(2,293,522)</u>	<u>(1,961,699)</u>	<u>(1,936,252)</u>	
	<u>(1,943,449)</u>	<u>(1,455,840)</u>	<u>(1,734,242)</u>	<u>(1,327,766)</u>	<u>(1,577,859)</u>	
\$	<u><u>10,508,482</u></u>	<u><u>10,629,888</u></u>	<u><u>10,012,980</u></u>	<u><u>9,733,127</u></u>	<u><u>8,777,670</u></u>	
\$	1,771,962	\$ 1,605,892	\$ 1,700,078	\$ 1,676,642	\$ 1,196,617	
	<u>1,345,022</u>	<u>1,175,552</u>	<u>883,989</u>	<u>1,369,869</u>	<u>155,850</u>	
\$	<u><u>3,116,984</u></u>	<u><u>2,781,444</u></u>	<u><u>2,584,067</u></u>	<u><u>3,046,511</u></u>	<u><u>1,352,467</u></u>	

**CITY OF KINGSVILLE**

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

	Fiscal Year				
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Fund					
Reserved	\$ 1,589,496	\$ 1,035,938	\$ 2,167,647	\$ 1,553,672	\$ 445,405
Unreserved	4,032,056	5,936,909	6,695,729	7,643,773	8,209,389
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Unassigned	-	-	-	-	-
Total General Fund	<u>\$ 5,621,552</u>	<u>\$ 6,972,847</u>	<u>\$ 8,863,376</u>	<u>\$ 9,197,445</u>	<u>\$ 8,654,794</u>
All Other Governmental Funds					
Reserved	\$ 8,699	\$ 9,331	\$ 66,454	\$ 28,416	\$ 8,301
Unreserved, Reported in					
Special Revenue Funds	41,016	332,879	793,897	1,521,263	2,187,562
	379,116	343,697	363,062	353,284	3,064,926
	108,402	274,014	311,414	355,415	397,850
Restricted					
Debt Service Funds	-	-	-	-	-
Special Revenue Funds	-	-	-	-	-
Capital Projects Funds	-	-	-	-	-
Unassigned, Reported in					
Special Revenue Funds	-	-	-	-	-
Total All Other Governmental Funds	<u>\$ 537,233</u>	<u>\$ 959,921</u>	<u>\$ 1,534,827</u>	<u>\$ 2,258,378</u>	<u>\$ 5,658,639</u>

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

SCHEDULE 3

		Fiscal Year					
		2010	2011	2012	2013	2014	
\$	279,242	\$	-	\$	-	\$	-
	8,441,728		-		-		890,143.00
	-		186,270		208,104		208,104
	-		124,067		124,837		129,744
	-		4,191,118		4,771,546		6,396,343
	-		5,917,128		5,629,480		4,792,075
\$	<u>8,720,970</u>	\$	<u>10,418,583</u>	\$	<u>10,733,967</u>	\$	<u>11,050,036</u>
\$	483	\$	-	\$	-	\$	-
	2,434,595		-		-		-
	702,976		-		-		-
	431,185		-		-		-
	-		654,664		733,821		625,918
	-		10,303		451,571		570,780
	-		4,349,466		3,066,934		3,498,203
	-		2,509,776		1,681,034		1,734,655
\$	<u>3,569,239</u>	\$	<u>7,524,209</u>	\$	<u>5,933,360</u>	\$	<u>6,429,556</u>
							890,143
\$	<u>3,577,112</u>	\$	<u>3,577,112</u>	\$	<u>3,577,112</u>	\$	<u>3,577,112</u>

**CITY OF KINGSVILLE**

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

	Fiscal Year				
	2005	2006	2007	2008	2009
<b>Revenues</b>					
Property Taxes	\$ 3,804,469	\$ 4,141,313	\$ 4,266,405	\$ 4,940,897	\$ 5,303,987
Taxes-Other	4,743,894	5,137,441	5,126,365	5,359,785	5,354,064
Licenses, Fees and Permits	226,716	172,814	189,269	210,267	217,657
Fines and Penalties	1,163,398	1,844,000	2,230,194	2,519,475	2,521,442
Charges for Services	3,128,451	3,211,482	3,225,782	3,585,591	4,017,155
Special Assessment	240	-	3,966	-	-
Intergovernmental	455,182	174,136	211,535	240,829	463,770
Investment Earnings/Other	202,335	282,200	511,883	628,723	314,091
Donations	3,299	2,890	1,842	-	1,890
<b>Total Revenues</b>	<b>13,727,984</b>	<b>14,966,276</b>	<b>15,767,241</b>	<b>17,485,567</b>	<b>18,194,056</b>
<b>Expenditures</b>					
General Government	2,357,112	2,398,046	2,673,852	2,461,771	2,675,542
Public Safety	6,644,503	6,703,918	7,411,077	8,848,662	8,176,498
Public Works	3,472,610	3,561,348	3,291,447	3,772,521	6,377,218
City/County	672,019	655,411	686,184	710,931	859,333
Tourism	288,215	290,697	312,153	421,633	440,694
Other	60,258	2,532	-	-	53,376
Capital Outlay	-	-	-	-	-
Debt Service					
Interest	411,195	378,281	362,456	374,201	1,760,000
Principal	885,000	910,000	975,000	1,270,000	2,156,860
<b>Total Expenditures</b>	<b>14,790,912</b>	<b>14,900,233</b>	<b>15,712,169</b>	<b>17,859,719</b>	<b>22,499,521</b>
Excess of Revenues over/ (under) Expenditures	(1,062,928)	66,043	55,072	(374,152)	(4,305,465)
<b>Other Financing Sources (uses)</b>					
Gain on Sale of Assets	-	-	-	-	-
Lease Proceeds	-	-	-	181,772	-
Bonds Issued	-	450,000	1,200,000	-	4,270,000
Bond Issuance Costs	-	-	-	-	(175,273)
Bond Issuance Premium	-	-	-	-	128,181
Refunding Bonds Issued	-	-	-	-	1,890,000
Payment to Refunding Bonds					
Escrow Agent	-	-	-	-	-
Transfers In	1,340,861	1,338,041	1,250,000	1,250,000	2,211,690
Transfers Out	(56,280)	(88,041)	-	-	(957,037)
<b>Total Other Financing Sources (uses)</b>	<b>1,284,581</b>	<b>1,700,000</b>	<b>2,450,000</b>	<b>1,431,772</b>	<b>7,367,561</b>
<b>Net Change In Fund Balances</b>	<b>\$ 221,653</b>	<b>\$ 1,766,043</b>	<b>\$ 2,505,072</b>	<b>\$ 1,057,620</b>	<b>\$ 3,062,096</b>
Debt Services as a Percentage of Noncapital Expenditures	8.76%	8.65%	8.51%	9.21%	17.41%

SCHEDULE 4

		Fiscal Year							
		2010	2011	2012	2013	2014			
\$	5,268,890	\$	5,998,518	\$	6,019,795	\$	6,056,227	\$	6,211,394
	5,448,277		6,093,287		5,769,313		5,834,703		6,224,035
	194,004		175,386		185,708		228,156		771,719
	1,990,136		1,975,760		1,367,469		2,193,241		1,766,230
	4,106,546		4,245,457		4,453,626		4,417,144		-
	19,910		45,192		15,725		9,965		2,571
	544,351		548,805		326,628		393,927		300,723
	209,382		273,989		178,110		372,414		176,663
	2,007		220		295,794		399		2,000
	<u>17,783,503</u>		<u>19,356,614</u>		<u>18,612,168</u>		<u>19,506,176</u>		<u>15,455,335</u>
	2,998,296		3,519,126		3,406,264		3,971,730		4,053,694
	8,251,125		9,470,845		9,221,523		9,198,397		9,875,981
	6,440,127		4,360,930		5,447,175		5,343,531		6,559,831
	750,783		813,991		773,413		768,239		771,719
	420,379		484,470		389,081		401,893		480,742
	37,237		37,053		17,187		35,230		53,888
	-		-		-		-		-
	1,590,000		291,020		536,062		469,062		377,700
	428,796		1,453,000		1,266,933		1,417,329		1,452,714
	<u>20,916,743</u>		<u>20,430,435</u>		<u>21,057,638</u>		<u>21,605,411</u>		<u>23,626,269</u>
	<u>(3,133,240)</u>		<u>(1,073,821)</u>		<u>(2,445,470)</u>		<u>(2,099,235)</u>		<u>(8,170,934)</u>
	-		11,000		58,500		23,000		38,000
	-		-		-		414,191		458,350
	-		5,385,040		-		965,000		-
	-		-		-		-		-
	-		80,361		-		58,408		-
	-		-		-		1,260,000		-
	-		-		-		(1,247,918)		-
	1,684,912		1,682,936		1,677,920		1,880,045		2,767,926
	(574,890)		(432,936)		(427,920)		(441,587)		(1,517,925)
	<u>1,110,022</u>		<u>6,726,401</u>		<u>1,308,500</u>		<u>2,911,139</u>		<u>1,746,351</u>
\$	<u>(2,023,218)</u>	\$	<u>5,652,580</u>	\$	<u>(1,136,970)</u>	\$	<u>811,904</u>	\$	<u>(6,424,583)</u>
	9.65%		8.54%		8.56%		8.73%		7.75%

**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
2005	\$ 494,578,206	\$ 21,411,787	\$ 70,088,910	\$ 67,093,679	\$ 518,985,224	\$ 0.70196	\$ 586,078,903
2006	518,890,658	24,066,085	70,375,100	65,948,903	547,382,940	0.71000	613,331,843
2007	560,137,513	29,501,037	79,767,230	70,371,329	599,034,451	0.68544	669,405,780
2008	575,350,800	31,069,213	78,941,550	68,941,277	616,420,286	0.76780	685,361,563
2009	600,156,971	28,662,138	76,930,280	66,981,930	638,767,459	0.80187	705,749,389
2010	629,910,921	31,453,548	76,203,240	66,282,243	671,285,466	0.80187	737,567,709
2011	649,713,780	31,463,010	70,658,350	69,436,322	682,398,818	0.84220	751,835,140
2012	660,216,670	24,266,424	72,655,450	73,884,909	683,253,635	0.84220	757,138,544
2013	664,122,931	23,606,860	80,127,290	74,423,849	693,433,232	0.84220	767,857,081
2014	676,002,957	26,907,000	88,736,830	77,398,392	714,248,395	0.84220	791,646,787

Source: Kleberg County Tax Assessor Office

Notes: 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
2005	0.44924	0.25272	0.70196	1.59449	0.60779	0.05543
2006	0.45633	0.25367	0.71000	1.60032	0.60779	0.05516
2007	0.46453	0.22091	0.68544	1.45303	0.57100	0.05471
2008	0.50040	0.26740	0.76780	1.40529	0.64640	0.05688
2009	0.54154	0.26033	0.80187	1.33925	0.67530	0.05590
2010	0.56672	0.23515	0.80187	1.32165	0.67546	0.05731
2011	0.62543	0.21677	0.84220	1.35520	0.69546	0.06189
2012	0.63752	0.20468	0.84220	1.46380	0.75100	0.06189
2013	0.66395	0.17825	0.84220	1.49410	0.74481	0.06189
2014	0.65404	0.18816	0.84220	1.51890	0.74481	0.08511

Source: Kleberg County Tax Assessor Office

**CITY OF KINGSVILLE**

PRINCIPAL PROPERTY TAX PAYERS,  
CURRENT YEAR AND NINE YEARS AGO

SCHEDULE 7

Taxpayer	2014			2005		
	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	\$ 14,026,900	1	1.96%	\$ 11,112,130	1	1.56%
Wal-Mart Stores Texas, LLC US 00442	7,439,740	2	1.04%			
Javelina Station LP	7,247,330	3	1.01%			
HBC Holding LTD	7,037,950	4	0.99%			
King Ranch Saddle Shop Inc.	7,034,920	5	0.98%			
Eddie Yaklin Ford Lincoln Mercury LTD	6,550,980	6	0.92%	4,190,930	5	0.59%
Kingsville Two	6,048,550	7	0.85%	3,723,380	7	0.52%
Wal-Mart Stores Inc #01-0442	5,408,590	8	0.76%	5,636,860	3	0.79%
HEB Grocery Inc.	4,830,640	9	0.68%	4,165,210	6	0.58%
Neessen Chevrolet Inc.	4,369,370	10	0.61%			
Wal-Mart Stores East LP #01-0442			-	7,275,840	2	1.02%
Southwestern Bell Telephone Co.			-	4,722,740	4	0.66%
Yaklin Eddie L.			-	3,602,640	8	0.50%
Cantwell Chrysler (Kingsville) LTD			-	2,645,270	9	0.37%
Gotcher Construction Inc.				2,365,220	10	0.33%
<b>Total</b>	<b>\$ 69,994,970</b>		<b>9.80%</b>	<b>\$ 49,440,220</b>		<b>6.92%</b>

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
2005	\$ 3,653,715	\$ 3,455,881	94.6%	\$ 161,451	\$ 3,617,332	99.00%
2006	3,886,219	3,726,279	95.9%	142,453	3,868,732	99.55%
2007	4,136,029	3,911,104	94.6%	184,232	4,095,336	99.02%
2008	4,734,428	4,530,260	95.7%	155,842	4,686,102	98.98%
2009	5,207,851	4,990,889	95.8%	162,817	5,153,706	98.96%
2010	5,385,014	5,174,338	96.1%	154,951	5,329,289	98.97%
2011	5,759,638	5,557,746	96.5%	131,539	5,689,285	98.78%
2012	5,751,687	5,564,076	96.7%	110,081	5,674,157	98.65%
2013	5,831,373	5,618,741	96.4%	85,148	5,703,889	97.81%
2014	5,987,424	5,791,937	96.7%	-	5,791,937	96.74%

Source: Kleberg County Tax Assessor Office

Notes: 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				
	2005	2006	2007	2008	2009
Building Materials, Hardware, etc.	\$ 18,040	\$ 19,277	\$ 20,422	\$ 22,706	\$ 21,737
General Merchandise	45,847	48,006	48,275	50,463	47,022
Food Stores	11,832	12,052	13,915	15,702	16,560
Automotive Dealers and Gasoline	16,104	18,875	18,190	19,162	19,592
Apparel and Accessory Stores	4,388	4,597	4,207	3,775	4,570
Home Furniture, Furnishing, and Equipment	3,993	3,223	4,252	860	2,647
Eating and Drinking Places	28,526	30,359	32,427	36,009	35,596
All Other Outlets	13,934	16,028	17,996	18,062	14,785
<b>Total</b>	<b>\$ 142,664</b>	<b>\$ 152,417</b>	<b>\$ 159,684</b>	<b>\$ 166,739</b>	<b>\$ 162,509</b>
City Direct Sales Tax Rate	1.5%	1.5%	1.5%	1.5%	1.5%

**Source:** Texas Comptroller of Public Accounts

**Notes:** 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							
		2010	2011	2012	2013	2014			
\$	22,382	\$	23,997	\$	24,742	\$	25,717	\$	26,377
	45,818		45,585		46,642		46,063		47,472
	16,567		17,093		17,751		19,363		20,521
	20,459		21,096		23,282		22,359		22,701
	4,620		4,943		5,662		6,161		6,089
	-		693		2,497		5,663		5,795
	37,506		40,727		43,511		44,846		46,716
	14,447		15,306		17,576		18,356		17,483
\$	<u>161,799</u>	\$	<u>169,440</u>	\$	<u>181,663</u>	\$	<u>188,528</u>	\$	<u>193,154</u>
	1.5%		1.5%		1.5%		1.5%		1.5%

**CITY OF KINGSVILLE**

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

SCHEDULE 10

<u>Fiscal Years</u>	<u>City Property Tax Relief</u>	<u>City Sales Tax</u>	<u>Kleberg County Property Tax Relief</u>	<u>State Sales Tax</u>
2005	1.00%	0.50%	0.50%	6.25%
2006	1.00%	0.50%	0.50%	6.25%
2007	1.00%	0.50%	0.50%	6.25%
2008	1.00%	0.50%	0.50%	6.25%
2009	1.00%	0.50%	0.50%	6.25%
2010	1.00%	0.50%	0.50%	6.25%
2011	1.00%	0.50%	0.50%	6.25%
2012	1.00%	0.50%	0.50%	6.25%
2013	0.50%	1.00%	0.50%	6.25%
2014	0.50%	1.00%	0.50%	6.25%

**Source:** Texas Comptroller of Public Accounts

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



**King'sville**  
TEXAS

**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
2005	\$ 7,408,000	\$ -	\$ 13,970	\$ 1,125,000	\$ 15,042,000
2006	7,273,000	-	-	990,000	13,897,000
2007	7,403,000	-	-	845,000	13,612,000
2008	6,524,208	-	181,772	695,000	12,935,792
2009	6,293,192	-	159,036	540,000	15,421,808
2010	5,335,990	-	135,299	370,000	14,484,007
2011	9,556,290	-	110,518	190,000	18,503,710
2012	8,899,248	-	84,647	-	17,400,752
2013	9,056,766	-	57,637	-	20,238,233
2014	8,217,528	-	417,362	-	18,767,474

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

SCHEDULE 11

Capital Lease	Total Primary Government	Percentage of Personal Income	Per Capita
\$ -	\$ 23,588,970	4.12%	\$ 890.86
-	22,160,000	3.83%	835.22
-	21,860,000	3.53%	817.10
-	20,336,772	3.05%	760.54
-	22,414,036	2.79%	797.79
-	20,325,296	3.08%	723.29
-	28,360,518	2.38%	861.08
-	26,384,647	2.69%	737.25
354,930	29,352,636	3.76%	1,103.52
299,882	27,702,246	2.73%	742.01

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

SCHEDULE 12

Fiscal Year	<u>General Bonded Debt Outstanding</u>		Percentage of Actual Taxable Value of Property	Per Capita
		General Obligation Bonds		
2005	\$	7,408,000	1.2600%	\$ 279.77
2006		7,273,000	1.1900%	274.12
2007		7,403,000	1.1100%	276.72
2008		6,524,208	0.9500%	243.60
2009		6,293,192	0.8900%	234.72
2010		5,335,990	0.7200%	203.56
2011		9,556,290	1.3980%	362.90
2012		8,899,248	1.3045%	327.24
2013		9,056,766	1.1795%	340.49
2014		8,217,526	1.0380%	220.11

**Notes:** 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, 2013

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	\$ 74,381,170	100%	\$ 74,381,170
Kleberg County	4,995,000	50%	2,497,500
Subtotal, Overlapping Debt			76,878,670
City Direct Debt; Bonds			8,217,526
Capital Leases			331,294
Total Direct and Overlapping Debt			<u>\$ 85,427,490</u>

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

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

**CITY OF KINGSVILLE**

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

	Fiscal Year				
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Debt Limit	\$ 129,498,770	\$ 136,836,546	\$ 150,649,270	\$ 163,120,473	\$ 162,365,819
Total Net Debt Applicable to Limit	<u>9,454,598</u>	<u>9,315,986</u>	<u>7,091,586</u>	<u>6,168,793</u>	<u>5,895,349</u>
Legal Debt Margin	\$ <u><u>120,044,172</u></u>	\$ <u><u>127,520,560</u></u>	\$ <u><u>143,557,684</u></u>	\$ <u><u>156,951,680</u></u>	\$ <u><u>156,470,470</u></u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	7.30%	6.81%	4.71%	3.78%	3.63%

**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				
	2010	2011	2012	2013	2014
\$	184,391,927	\$ 187,958,785	\$ 189,284,636	\$ 191,964,270	\$ 197,911,697
	<u>4,904,805</u>	<u>8,901,626</u>	<u>8,165,426</u>	<u>8,430,848</u>	<u>7,628,579</u>
\$	<u>179,487,122</u>	<u>\$ 179,057,159</u>	<u>\$ 181,119,210</u>	<u>\$ 183,533,422</u>	<u>\$ 190,283,118</u>
	2.66%	4.74%	4.31%	4.39%	3.85%

Assessed Value		\$	<u>791,646,787</u>
Debt Limit (25% of assessed value)			<u>197,911,697</u>
Debt Applicable to Limit:			
General Obligation Bonds	\$	8,217,521	
Less: Amount Set Aside for Repayment of General Obligation Debt		<u>588,942</u>	
Total Net Debt Applicable to Limit			<u>7,628,579</u>
Legal Debt Margin		\$	<u>190,283,118</u>

**CITY OF KINGSVILLE**

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

SCHEDULE 15

Waste Water Revenue Bonds and Certificates of Obligation Bonds (a)							
Fiscal Year	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage	
				Principal	Interest		
2005	\$ 6,086,253	\$ 3,634,213	\$ 2,452,040	\$ 240,000	\$ 324,670	4.34	
2006	6,605,466	3,482,212	3,123,254	505,000	583,460	2.87	
2007	6,375,409	3,329,444	3,045,965	525,000	556,922	2.82	
2008	7,285,503	3,820,260	3,465,243	435,000	480,813	3.78	
2009	8,193,448	4,253,942	3,939,506	455,000	521,378	4.03	
2010	6,500,945	4,012,820	2,488,125	475,000	503,192	2.54	
2011	7,880,275	4,406,943	3,473,332	487,000	601,778	3.19	
2012	8,376,945	4,987,855	3,389,090	683,067	620,735	2.60	
2013	8,824,532	4,956,345	3,868,187	832,670	601,948	2.70	
2014	9,078,218	5,465,760	3,612,458	997,285	806,694	2.00	

Sanitation C. O. Bonds Series 2001 (b), 2007, and 2009							
Fiscal Year	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage	
				Principal	Interest		
2005	\$ 2,892,724	\$ 1,642,222	\$ 1,250,502	\$ 325,000	\$ 85,065	3.05	
2006	2,799,958	1,784,879	1,015,079	325,000	87,048	2.46	
2007	2,851,654	1,487,099	1,364,555	335,000	75,023	3.33	
2008	3,036,568	1,936,988	1,099,580	391,209	80,436	2.33	
2009	3,510,389	1,840,539	1,669,850	808,000	62,241	1.92	
2010	3,572,534	2,408,876	1,163,658	632,801	163,422	1.46	
2011	3,642,049	2,669,749	972,300	288,256	144,941	2.24	
2012	3,815,313	2,417,443	1,397,870	609,892	101,135	1.97	
2013	3,303,720	2,136,838	1,166,882	594,848	86,903	1.71	
2014	3,776,750	2,289,592	1,487,158	613,474	68,481	2.18	

**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
2005	26,479	572,794	21,632	28.3	N/A	4,339	5.0%
2006	26,532	578,636	21,809	28.4	N/A	4,246	4.2%
2007	26,753	619,025	24,761	27.9	N/A	4,156	4.4%
2008	26,782	619,952	26,740	27.8	N/A	4,026	4.5%
2009	26,812	625,497	28,095	29.2	N/A	3,999	6.4%
2010	26,213	626,305	28,101	27.9	N/A	3,729	6.7%
2011	26,333	675,409 **	32,936	27.6	N/A	3,533	6.5%
2012	26,417	710,675 **	35,788 **	27.4	N/A	3,821	4.8%
2013	26,599	780,392	38,058	27.7	N/A	4,014	4.9%
2014	26,312	756,396	37,334	27.2	N/A	3,406	3.6%

\*\* Corrections from previous report, per Coastal Bend Council of Governments

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

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

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

**CITY OF KINGSVILLE**

TOP TEN EMPLOYERS,  
CURRENT YEAR AND NINE YEARS AGO

SCHEDULE 17

Employer	2014			2005 *		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Naval Air Station (Military)	1,577	1	8.64%	1,718	1	13.59%
Texas A&M - Kingsville	1,256	2	6.88%	1,143	2	9.04%
Kingsville I.S.D	552	3	3.02%	727	3	5.75%
King Ranch	376	4	2.06%	325	7	2.57%
Celanese	343	5	1.88%	425	4	3.36%
Kleberg County	320	6	1.75%			
Border Patrol	311	7	1.70%	361	6	2.86%
Wal-Mart	258	8	1.41%			
City of Kingsville	257	9	1.41%			
Christus Spohn Kleberg Hospital	215	10	1.18%	425	5	3.36%
Mundy Corporation				299	8	2.36%
HEB Grocery				150	9	1.19%
Kingsville Nursing & Rehabilitation				120	10	0.95%
<b>Total</b>	<b>\$ 5,465</b>		<b>29.95%</b>	<b>\$ 5,693</b>		<b>45.03%</b>

**Source:** Chamber of Commerce

Labor Force	18,250
Employment	17,597
Unemployment	653
Rate	3.6%

\* 2005 information from 2005 CAFR

**CITY OF KINGSVILLE**

SCHEDULE 18

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
City Commission	5	5	5	5	5	5	5	5	5	5
General Government	37	37	33	33	27	33	29	33	35	38
Fire	33	30	33	33	33	31	32	31	32	30
Health	12	12	11	12	12	12	12	12	10	10
Library	10	10	8	8	8	8	9	9	6	9
Police	67	67	63	60	63	62	64	64	65	60
Public Works	98	99	97	96	97	94	95	94	94	94
Task Force	<u>13</u>	<u>12</u>	<u>11</u>	<u>12</u>	<u>10</u>	<u>10</u>	<u>12</u>	<u>12</u>	<u>11</u>	<u>11</u>
Total	<u>275</u>	<u>272</u>	<u>261</u>	<u>259</u>	<u>255</u>	<u>255</u>	<u>258</u>	<u>260</u>	<u>258</u>	<u>257</u>

**Source:** City of Kingsville

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

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

Function/Program	Fiscal Year				
	2005	2006	2007	2008	2009
General Government					
Building Permits Issued	2,821	2,523	2,355	2,301	2,349
Building Inspections Conducted	-	1,337	1,477	1,934	1,575
Police					
Physical Arrest	1,902	1,791	2,208	1,829	1,955
Parking Violations	16	70	158	111	78
Traffic Violations	2,449	4,334	5,561	3,796	3,066
Fire					
Emergency Responses	1,883	1,973	2,108	2,159	2,831
Fire Extinguishers	363	424	438	521	546
Inspections	376	234	300	409	412
Refuse Collections					
Refuse Collected (tons per day; 365)	97	76	76	82	82
Recyclables Collected (tons per day; 365)	1		1	1	1
Other Public Works					
Street Resurfacing (miles)	4	3	6	4	3
Potholes Repaired	2,200	2,000	1,900	2,900	4,900
Parks and Recreation					
Athletic Field Permits Issued	-	-	-	-	-
Community Center Admissions	-	-	-	-	-
Library					
Volumes in Collection	61,648	63,086	65,306	66,015	64,749
Total Volumes Borrowed	51,791	53,209	56,446	50,526	48,643
Health					
Environmental Health	16,298	17,670	17,153	5,028	1,770
Consumer Health	1,984	1,854	2,222	2,440	2,519
Weed Control	2,533	3,224	2,575	2,527	2,401
Animal Control	7,406	7,925	7,484	10,956	8,535
Water					
New Connections	45	45	99	50	31
Water Main Breaks	415	537	780	445	608
Average Daily Consumption (thousands of gallons)	3,184	3,579	3,059	3,447	3,836
Peak Daily Consumption (thousands of gallons)	4,987	4,955	4,462	4,778	5,300
Wastewater					
Average Daily Sewer Treatment (thousands of gallons)	2,000	2,000	2,000	1,700	2,100

**Sources:** Various City Departments

SCHEDULE 19

	Fiscal Year				
2010	2011	2012	2013	2014	
1,997	1,964	2,392	2,078	2,137	
1,324	1,654	2,267	1,878	1,129	
1,999	2,590	1,519	1,356	1,590	
39	47	243	80	1,110	
3,416	4,611	3,240	4,443	4,604	
2,990	2,214	2,797	2,880	3,297	
600	398	460	573	612	
480	383	462	354	400	
127	70	74	65	83	
1	1	1	1	1	
3	3	2	3	2	
4,900	5,000	2,400	3,000	4,000	
-	-	-	-	-	
-	-	-	-	-	
65,013	59,245	58,503	59,630	57,326	
49,012	45,420	47,997	44,502	39,780	
1,742	1,763	1,846	496	390	
2,464	2,348	1,833	2,556	2,087	
2,569	2,915	2,827	3,082	2,924	
6,748	8,681	9,220	9,201	9,589	
25	28	48	51	32	
556	339	244	271	267	
3,076	3,818	4,036	3,661	3,470	
5,451	5,633	5,554	5,040	6,023	
2,200	1,800	2,200	2,200	2,300	

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

<u>Function/Program</u>	Fiscal Year				
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Police					
Stations	1	1	1	1	1
Patrol Units	54	53	45	43	47
Fire Stations	2	2	2	2	2
Refuse Collections					
Collection Trucks	18	18	18	18	20
Other Public Works					
Street (miles)	105	106	106	106	113
Highway (miles)					
Streetlights	546	554	554	554	569
Traffic Signals	4	4	4	4	4
Parks and Recreation					
Acreage	195	195	195	195	195
Playgrounds	9	9	9	9	9
Baseball/Softball Diamonds	12	12	12	12	12
Soccer/Football Fields	12	12	12	12	12
Community Centers	2	2	2	2	2
Water					
Water Mains (miles)	115	116	116	116	116
Fire Hydrants	686	692	692	696	705
Storage Capacity (thousands of gallons)	9,594	9,679	9,679	9,764	9,764
Wastewater					
Sanitary Sewers (miles)	92	95	95	96	96
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				
2010	2011	2012	2013	2014
1	1	1	1	1
48	55	64	65	53
2	2	2	2	2
16	13	13	17	17
121	121	121	121	144
569	584	584	584	1,276
4	4	4	4	4
195	195	195	195	195
9	9	9	9	9
12	12	12	12	12
12	12	12	12	12
2	2	2	2	2
117	123	120	120	120
801	812	808	808	808
9,764	9,764	9,764	9,764	9,764
97	97	98	99	138
16	16	16	17	33
4,000	4,000	6,000	6,000	6,000



**King'sville**  
TEXAS





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

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

City Council  
City of Kingsville  
P.O. Box 1458  
Kingsville, Texas 78364

Members of the City Council:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Kingsville, as of and for the year ended September 30, 2014, 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 May 13, 2015.

#### 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) 2014-1 and 2014-2, that we consider to be significant deficiencies.



## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Kingsville's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item(s) 2014-3 and 2014-4.

## City of Kingsville's Response to Findings

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

## Purpose of this Report

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

Respectfully submitted,

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

John Womack & Company, P.C.  
Kingsville, Texas  
May 13, 2015

**CITY OF KINGSVILLE**  
*SCHEDULE OF FINDINGS AND QUESTIONED COSTS*  
*FOR THE YEAR ENDED SEPTEMBER 30, 2014*

A. Summary of Auditor's Results

1. Financial Statements

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

2. Federal Awards

A Single Audit was not required in the current year.

B. Financial Statement Findings

**2014-1 Internal Control - Reconciliaiton of Asset and Liability Accounts**

Condition:  
 The City has not reconciled certain asset and liability accounts, primarily long term debt and self insurance accounts, on a timely basis during the year. year.

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

Cause:  
 Over the past several years, there have been continual changes and turnover in the finance/accounting department which has resulted in continual training in personnel. This trend continued with the turnover in the Finance Director position as well as the creation of an Accounting Supervisor position in Fiscal Year 2013.

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

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

Client Response/Corrective Action:  
 The City concurs with this finding, and has made substantial improvements in this area. There are still accounts that need attention and will be handled in FY 14-15. The City has taken an aggressive strategy in attracting and retaining the financial personnel necessary. Additional training is being provided in order to improve the necessary knowledge and skills. FY 14-15 starts with the Finance Department fully staffed with systems in place to complete the reconciliation of all liabilities and asset accounts.

## **CITY OF KINGSVILLE**

### *SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED SEPTEMBER 30, 2014*

#### **2014-2 Internal Control - Purchase Orders**

**Condition:**

The City, on several occasions, has issued purchase orders after goods and services have already been purchased. The purchase orders vary from a few days to approximately a month after ordering or purchasing the goods or services.

**Criteria:**

Approved purchase orders should be issued prior to the purchase of goods or services.

**Cause:**

Controls and procedures are not in place that ensure proper purchase order procedures.

**Effect:**

The effect of weak purchase order procedures is a possible circumvention of the approval process and of the budgeting process. This can potentially lead to fraud or budget overruns.

**Recommendation:**

We recommend that policies and procedures be reviewed and improved where necessary in order to ensure proper purchase order procedures.

**Client Response:**

The City concurs with this finding and Finance is working with Purchasing and all departments to initiate procedures that require all purchase orders to be created when goods and services are ordered. Many departments were waiting to receive the invoice before creating the purchase order and in FY 14-15, this practice has been stopped. All purchases that require purchase orders are being processed properly.

#### **2014-3 State Compliance - Economic Surveys**

**Condition:**

The City has not developed a questionnaire to help provide feedback on the economic impact that events held in Kingsville bring to the City. Certain expenditures of the Tourism Fund should be supported by surveys that indicate the events held actually were increasing tourism and the local hotel industry.

**Criteria:**

State law requires the use of questionnaire materials for research purposes to support the use of local hotel occupancy tax revenues.

**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.

**Recommendation:**

We recommend a questionnaire be developed and put in place at the hotels throughout the City to gain the necessary feedback to make future decisions and properly support the expenditures made by the City in the Tourism Fund.

**CITY OF KINGSVILLE**

*SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014*

**Client Response/Corrective Action:**

The City agrees with this finding and in FY 14-15 the Tourism Department created and distributed a survey to all hotels within the city limits. The survey remains at each hotel location lobby and is picked up weekly to create a report. The survey asks how many nights the stay was, if the accommodations were what they expected, and the reason why they came to our historic city, if they would return, and how they heard of Kingsville.

**2014-4 State Compliance - Public Funds Investment Act**

**Condition:**

Quarterly Investment Reports were not always presented to the Commission on a quarterly basis.

**Criteria:**

The Public Funds Investment Act requires that the Investment Officer present Investment Reports on a quarterly basis to the Commission for approval.

**Cause:**

Turnover in the Finance Director (Investment Officer) position and other relevant accounting department positions.

**Effect:**

Noncompliance with the Public Funds Investment Act could result in uninformed investment decisions by the Commission.

**Recommendation:**

We recommend that policies and procedures are developed to ensure that quarterly reports are presented to the Commission on a timely basis.

**Client Response:**

The City concurs with this finding and in FY 14-15 all Investment Reports have been completed and presented on time and will continue to be filed as required.

**C. Federal Award Findings and Questioned Costs**

NONE

**CITY OF KINGSVILLE**

*SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014*

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
<p><b>2013-1 Internal Control - Reconciliation of Asset and Liability Accounts</b></p> <p>Condition: The City has not reconciled certain asset and liability accounts, primarily cash, interfunds, and transfers, on a timely basis during the year.</p> <p>Criteria: Asset and liability accounts should be reconciled timely and all related journal entries made on a timely basis.</p> <p>Cause: Over the past several years, there have been continual changes and turnover in the finance/accounting department which has resulted in continual training in personnel. This trend continued with the turnover in the Finance Director position as well as the creation of an Accounting Supervisor position in Fiscal Year 2013.</p> <p>Effect: The effect is the possibility of inaccuracy in monthly reporting, and, potentially, an inability to recognize fraud or other inaccuracies in a timely manner.</p> <p>Recommendation: We recommend that the City implement procedures to ensure that personnel are provided proper training, asset and liability accounts are reconciled, and all related journal entries posted on a timely basis.</p> <p>Client Response/Corrective Action: The City concurs with this finding, and has made improvements in this area. The City has taken an aggressive strategy in attracting and retaining the financial personnel necessary. A strong, assertive effort is being made to realign the Finance Office staff salaries with the marketplace. Accountant II position has been replaced with an Accounting Supervisor position. This additional staff should assist in continuing to improve this aspect of our business.</p>	<p>Substantially Implemented</p>	<p>The new Finance Director, Accounting Manager, and Accounting Supervisor, hired in the prior year, have made substantial progress toward reconciliation of all asset and liability accounts, and are continuing to improve policies and procedures in the reconciliation process.</p>

**CITY OF KINGSVILLE**  
*SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS*  
*FOR THE YEAR ENDED SEPTEMBER 30, 2014*

Finding/Recommendation	Current Status	Management's Explanation If Not Implemented
<p><b>2013-2 Internal Control - New Employees Incorporated Into Payroll</b></p>	<p>Implemented</p>	<p>N/A</p>
<p>Condition: Payroll clerk currently has the ability to enter new employees into the payroll database.</p>		
<p>Criteria: Proper internal control measures would not allow the payroll clerk to enter new employees into the payroll database. This responsibility would be placed in the Human Resources Department.</p>		
<p>Cause: Lack of segregation of duties in this area.</p>		
<p>Effect/Potential Effect: Those who prepare payroll have a greater ability to manipulate the payroll system, and the possibility of incorrect or erroneous paychecks increases.</p>		
<p>Recommendation: We recommend the Human Resources Department assume the responsibility of entering new employees into the payroll system. The Human Resources Department should key in new employees and then those individuals who prepare payroll can review the input to verify the information, as well as ensure that timesheets are filled out correctly and entered correctly.</p>		
<p>Client Response/Corrective Action: The City has upgraded the payroll software, and as a result, will be making necessary changes to the payroll policies and procedures in Fiscal Year 2014. The Human Resources Department will eventually be responsible for entering new employees, changes in employee hourly rates, and terminations into the payroll system.</p>		
<p>Currently, the Finance Director reviews/approves all employee change authorizations by Human Resources as well as reviews the Payroll Direct Deposit and Payroll hand-written check supporting documentation for each payroll. In addition, payroll check stock is physically stored and controlled separate and apart from the payroll clerk.</p>		

**CITY OF KINGSVILLE**

*SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014*

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
<b>2013-3 State Compliance - Tourism Fund Expenditures</b>	Impemented	N/A

Condition:

During the course of testwork, one expenditure (\$900) was noted that should not have been paid for with local hotel occupancy tax revenues.

Criteria:

Local hotel occupancy tax revenues cannot fund expenditures that do not directly enhance tourism and the hotel and convention industry. Every event, program or facility funded with hotel occupancy tax revenues must be likely to do two things: 1) directly promote tourism, and 2) directly promote the convention and hotel industry.

Cause:

Currently, the City's policies and procedures do not adequately cover the proper coding of expenditures paid for with local hotel occupancy tax revenues.

Effect:

Inadequate control policies and procedures in this area can lead to coding of inappropriate expenditures to the Tourism Fund, which is funded with local hotel occupancy taxes.

Recommendation:

We recommend that the Tourism Fund be reimbursed by the General Fund for any expenditures identified as inappropriate to be paid for with local hotel occupancy taxes. We also recommend that a proper review of tourism expenditures be performed on a timely basis by an individual knowledgeable of the requirements.

Client Response/Corrective Action:

The Finance Director has agreed with this finding, and will make the necessary reimbursements by the General Fund. In addition, policies and procedures will be put into effect to ensure that only allowable expenditures are charged to the Tourism Fund in the future.

**CITY OF KINGSVILLE**

*SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014*

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
<p><b>2013-4 State Compliance - Economic Surveys</b></p> <p>Condition: The City has not developed a questionnaire to help provide feedback on the economic impact that events held in Kingsville bring to the City. Certain expenditures of the Tourism Fund should be supported by surveys that indicate the events held actually were increasing tourism and the local hotel industry.</p> <p>Criteria: State law requires the use of questionnaire materials for research purposes to support the use of local hotel occupancy tax revenues.</p> <p>Effect: Without the research material required, the City cannot adequately support expenditure of its local hotel occupancy tax revenue. This material would better predict the economic impact of events held in Kingsville, and would assist the City in determining future revenues and expenditures associated with these events.</p> <p>Recommendation: We recommend a questionnaire be developed and put in place at the hotels throughout the City to gain the necessary feedback to make future decisions and properly support the expenditures made by the City in the Tourism Fund.</p> <p>Client Response/Corrective Action: The City agrees with this finding and the Finance Director will develop procedures to ensure compliance with this requirement.</p>	<p>Not Implemented</p>	<p>The City hired a new Tourism Director. The Tourism Director will be responsible for implementing policies and procedures to ensure compliance with state laws regarding the use of hotel occupancy tax revenues.</p>

**CITY OF KINGSVILLE**  
*CORRECTIVE ACTION PLAN*  
*FOR THE YEAR ENDED SEPTEMBER 30, 2014*

**2014-1 Internal Control - Reconciliaiton of Asset and Liability Accounts**

The City concurs with this finding, and has made substantial improvements in this area. There are still accounts that need attention and will be handled in FY 14-15. The City has taken an aggressive strategy in attracting and retaining the financial personnel necessary. Additional training is being provided in order to improve the necessary knowledge and skills. FY 14-15 starts with the Finance Department fully staffed with systems in place to complete the reconciliation of all liabilities and asset accounts.

**2014-2 Internal Control - Purchase Orders**

The City concurs with this finding and Finance is working with Purchasing and all departments to initiate procedures that require all purchase orders to be created when goods and services are ordered. Many departments were waiting to receive the invoice before creating the purchase order and in FY 14-15, this practice has been stopped. All purchases that require purchase orders are being processed properly.

**2014-3 State Compliance - Economic Surveys**

The City agrees with this finding and in FY 14-15 the Tourism Department created and distributed a survey to all hotels within the city limits. The survey remains at each hotel location lobby and is picked up weekly to create a report. The survey asks how many nights the stay was, if the accomodations were what they expected, and the reason why they came to our historic city, if they would return, and how they heard of Kingsville.

**2014-4 State Compliance - Public Funds Investment Act**

The City concurs with this finding and in FY 14-15 all Investment Reports have been completed and presented on time and will continue to be filed as required.