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FOR THE YEAR ENDED SEPTEMBER 30, 2017



CITY OF KINGSVILLE, TX  
COMPREHENSIVE ANNUAL  
FINANCIAL REPORT

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# 2017

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# **Comprehensive Annual Financial Report**

September 30, 2017

## **CITY OF KINGSVILLE, TEXAS**

### **City Commission**

(for the fiscal year ended September 30, 2017)

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

### **City Manager**

Jesus A. Garza

### **Prepared By:**

#### **Department of Finance**

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David Bodiford - Accounting Supervisor

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**King'sville**  
TEXAS



P.O. BOX 1458 - KINGSVILLE, TEXAS 78364

March 29, 2018

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, 2017, 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, 2017, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Kingsville's financial statements for the fiscal year ended September 30, 2017, 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 Kingsville Police Department is comprised of 49 sworn peace officers performing varied and multiple tasks, serving a population of 26,071. We are located on US Highway 77, soon to be Interstate 69. The department is made up of four divisions with some split into bureaus.

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

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

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

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

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

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

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

The City's Fire Department operates two fire stations, and provides fire protection, advanced life support emergency medical services, transport, fire inspections, fire investigations, supports a volunteer firefighter division, and emergency management for the City of Kingsville. The Department staffs 2 fire engines, 2 MICU ambulances, and cross staffs a variety of other apparatus depending on the emergency utilizing a minimum of 8 full time personnel each day and augmented by volunteer firefighters when available. The above mentioned services are provided by 31 professional firefighters, 28 volunteer firefighters, and 4 support staff, which include the Fire Chief, Fire Marshal, Administrative Assistant, and a Part Time Customer Service Representative. Of the 31 professional firefighters, currently there are 13 certified EMT Paramedics, 4 EMT Intermediates, and 14 EMT Basics and in hopes of filling the remaining 1 department vacancy soon.

In addition, plans are in motion to increase overall full time professional staffing by applying for a Staffing for Adequate Fire & Emergency (SAFER) Grant in efforts to meet

our overall minimum staffing goal of 10 full time professional fire personnel on-duty each day in FY2019.

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 sufficient to continue serving the City for the next several decades.

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

In addition to operating the combined utility system, the City also provides garbage collection and disposal. Garbage collection is primarily limited to residential and commercial service. The City, with its automated garbage collection program, provides garbage pick-up twice a week for residential customers. 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 program, 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.

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. Community enrichment and culture services are major programs of the public library. The 10,250 square foot facility houses more than 55,000 items for leisure and research use. The library has over 30,000 registered patrons and has a circulation of approximately 40,000 items annually. Throughout the year, the library averages over 50,000 visits, and over 1,500 patrons engage in the library's very popular author lectures and book signings events, and the children's summer reading and activities program. The library also offers electronic resources and services such as Microsoft Office Suite, TexShare Databases, eBooks, digital audiobooks, streaming movies, free high-speed broadband Internet, Wi-Fi Internet access, Wi-Fi web printing, computer labs, a STREAM Maker's Space Lab with a 3D printer, an employment resource and exam proctoring center, public printers, and typewriters. The Robert J. Kleberg Public Library is a member of The Central Texas Library System and is accredited by the Texas State Library and Archives Commission.

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

The City of Kingsville and Kleberg County own and maintain extensive recreational facilities, which include 631 acres of parks and playgrounds, one swimming pool, 12 baseball and softball diamonds, 12 multi-purpose fields, a disc golf course, a walking/jogging path, 2 cricket pads, one recreational center, one BBQ hut, and an 18-hole golf course that is located at LE Ramey park. City of Kingsville, in the last several years, has also developed a new community Xeriscape Garden and Pavilion area in the downtown area which is being incorporated into the Parks Department inventory. In the 2016/2017 fiscal year a new Skate Park was added to the Parks inventory within the boundaries of an existing neighborhood park.

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

### **Annual Budget Process**

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

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

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

## **FINANCIAL CONDITION**

### **Local Economy**

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

### **Major Revenues**

The City's major sources of revenue are property, sales and other taxes, and business fees. The September 30, 2017, period showed the following changes in these sources from the prior year: (1) an increase in property tax receipts due to an increase in the property values, (2) an increase in charges for services and (3) a decrease in building permit fees and (4) an increase in sales taxes. This illustrates the resilience of the local economy despite negative revenue trends for other state and local governments in the nation. Real property tax collections as a percent of levy collected has remained stable. Current fiscal year collected taxes to date, as a percent of the net current tax levy, have increased slightly.

### **Employment**

The local unemployment rate stood at 5.6% for September, 2017 compared to 4.0% for Texas and 4.2% for the nation. Future Job growth for the City fell below the National average and was projected at 19.68% compared to 37.98% nationally for this same time period. Compared to the rest of the country, Kingsville's cost of living is 13% lower than the U.S. average. The median home cost in Kingsville is \$131,875 with a 27.05% appreciation rate over the last 10 years. Median household income is \$36,500 which has grown by 48.63% since 2000.

### **Diversification of Economy**

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

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

committed to its mission of teaching, research, and service in South Texas for the advancement of knowledge and of regional development.

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

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

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

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

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

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

## **Transportation**

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

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

### **Major Initiatives**

The City of Kingsville focused FY17 on continuing to improve the Quality of Life of residents via economic development, park and infrastructure improvements.

FY17 saw the completion of the renovation of the Cottage Building which became the Economic and Planning Development Center. This consolidated the staff and functions of the Planning & Development Services Department (previously split between two buildings) and the EDC - Economic Development Council (previously in the Chamber of Commerce Building). The consolidation of the three areas into one building has improved customer service and efficiency/productivity with the operation. The close knit relationship with the City and EDC led to new retail and restaurants opening and/or expanding during FY17.

The 2016 CO Series funds allocated for Park and Golf Course Improvements continued to be a priority. The biggest success during FY17 came with the substantial completion of the community's first official Skate Park. The Parks operation overall received a big boost with the filling of the Parks & Recreation Director position. Since taking over the management of the Park System from Kleberg County the City had not filled that role. Filling that role and better structuring existing parks staff led to improved maintenance operations as well as grant writing/applications and capital improvement oversight. FY17 also saw the creation of a Parks Maintenance Fund to serve as the seed to bring additional funds and focus to park maintenance. Improved park maintenance was the biggest priority for City Commission when the City took over management of the park system and FY17 finally saw staff and structures placed in to accomplish just that.

FY17 saw continued focus on Street Improvements with \$2,596,666 budgeted for work on streets.

## **Economic Development**

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

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

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

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

## **Current Construction Projects**

There is continued construction on the Wildwood Trails subdivision. Of the 184 lots that can be constructed on 71 lots have homes on them. 40% of the subdivision has been developed in 3 years.

The remainder of a mixed use project called Heritage Center is almost completed. The 20 apartments on top have been completed. On the bottom there will be 10 commercial units with 2 of the 10 have been built out and leased to a financial services firm and a pharmacist. This is approximately a \$950,000.00 dollar project.

The Marriot Towne Suites hotel should be finished by June 1, 2018. This is a 2.5 million dollar project which will add 72 rooms to our hotel room inventory.



The City has entered into a contract with Van Fleet Construction for \$800,000.00 to remodel the first floor of the Municipal Building at 210 E. Kleberg. The office remodel will allow the operations of the Utility Billing and Municipal Court to be more efficient and will enable us to provide better customer service.

Multiple small apartment projects, throughout the community are in progress. These projects typically contain 5 to 10 units especially near Texas A & M – Kingsville. These projects are giving the students more options when it comes to living off campus.

### **Future Construction Projects**

The Economic Development Corporation is working on additional businesses to locate in Kingsville. We believe that this calendar year businesses especially in the eating places category will be started.

We will also see an increase we believe in the number of remodeling projects in the Historic Development District.

### **Tourism**

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

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

The King Ranch's support and influence has left an indelible mark on the Kingsville's growth and culture that continues to this day. As a centennial city, the secret to city's longevity lays in the resilience of its people and the array of local attractions that draw a wide variety of guests who are seeking to immerse themselves in a bit of historical southern charm and a slower pace of life. Today Kingsville has become a multicultural city that offers something for everyone. Early on with Kingsville having mostly open range and the scarcely populated area, land was acquired to build a four-year Institution and naval air station.

Renowned in public research, Texas A&M University-Kingsville was chartered in 1917 but did not open its doors until 1925 due to the U.S. entering into the First World War. It has been South Texas oldest continuously operating public colleges for over 90 years

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

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

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

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

During the 2017 fiscal year, the City continued to utilize bond issues from the previous fiscal years to fund projects and capital assets planned and approved during the past fiscal year. These are major initiatives that represent a significant long term commitment to revitalization strategies that support commercial and industrial growth and improved quality of life for current residents.

### **Budget Program**

The Government Finance Officers Association (GFOA) awarded a Distinguished Budget Presentation Award to the City of Kingsville for its Budget document for the fiscal year ended September 30, 2016. This was the second year that the City submitted and received this prestigious award. This award is valid for a period of one year only.

### **CAFR Program**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Kingsville for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2016 continuing to confirm compliance with both GAAP and legal requirements. This was the twenty-eighth consecutive year that the City has received this prestigious award. A Certificate of Achievement is valid for a period of one year only. We believe that this CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility certification.

## **ACKNOWLEDGEMENTS**

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

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

Respectfully submitted,

Deborah Balli, CPA, CGFO  
Director of Finance



Government Finance Officers Association

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

Presented to

**City of Kingsville  
Texas**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

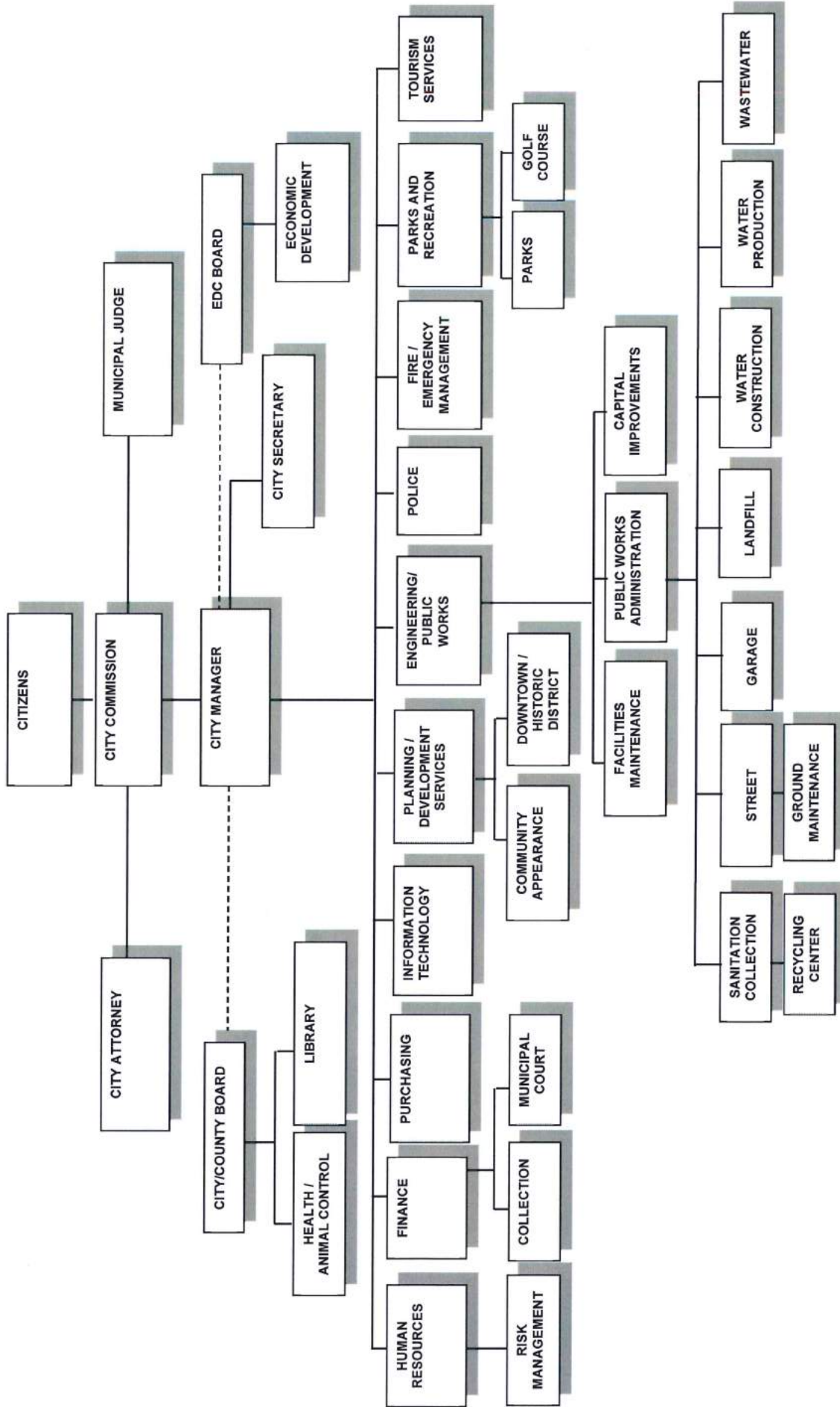
**September 30, 2016**

*Christopher P. Morill*

Executive Director/CEO



# CITY OF KINGSVILLE ORGANIZATIONAL CHART





*City of*  
**King'sville**  
TEXAS



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

JOHN L. WOMACK, CPA  
MARGARET KELLY, CPA

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

**Independent Auditor's Report**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kingsville ("the City") as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

**Auditor's Responsibility**

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

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

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





## 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, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Emphasis of Matter

### *Change in Accounting Principle*

As described in Note A to the financial statements, in 2017, City of Kingsville adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Our opinion is not modified with respect to this matter.

As described in Note A to the financial statements, in 2017, City of Kingsville adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 77, *Tax Abatements*. Our opinion is not modified with respect to this matter.

## Other Matters

### *Required Supplementary Information*

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

### *Other Information*

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

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and

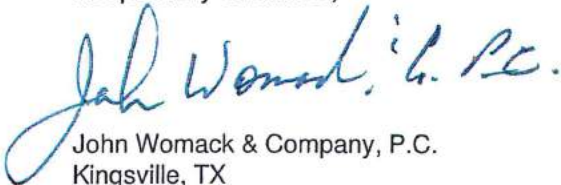
other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2018 on our consideration of City of Kingsville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Kingsville's internal control over financial reporting and compliance.

Respectfully submitted,

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

John Womack & Company, P.C.  
Kingsville, TX  
March 14, 2018



*City of*  
**King'sville**  
TEXAS



## 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, 2017. 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 \$30.1 million.
- The fund balance of the General Fund decreased from \$10.4 million to \$9.1 million. This represents a 12.69% decrease from the prior year's fund balance, and furthermore, represents 42.06% of the \$21.7 million in expenditures. The General Fund's Unassigned Fund Balance was \$7.5 million, or 34.45% of general fund expenditures.
- Total assets, were \$70.1 million; total liabilities were \$41.9 million.
- The ratio of total assets to total liabilities for governmental activities was 1.68 times; for business-type activities the ratio was 1.67 times.
- The quick ratio (current assets to current liabilities) was 4.83 times for governmental activities and 3.76 times for business-type activities.
- Total net position was \$30.1 million, which was a decrease from \$30.5 million for the prior year, or about 1.39%. Governmental activities' net position increased by 3.45%, while business-type activities' net position decreased by 6.80%.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

The basic financial statements are comprised of three components:

- The *government-wide financial statements* provide both long-term and short-term information about the City's overall financial status. These statements are presented for both *governmental activities* and *business-type activities*. They are designed to provide readers with a broad overview of the City's finances, similar to a private-sector business.
  - The *statement of net position* presents information on all the City's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.
  - The *statement of activities* presents information to show how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

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

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

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

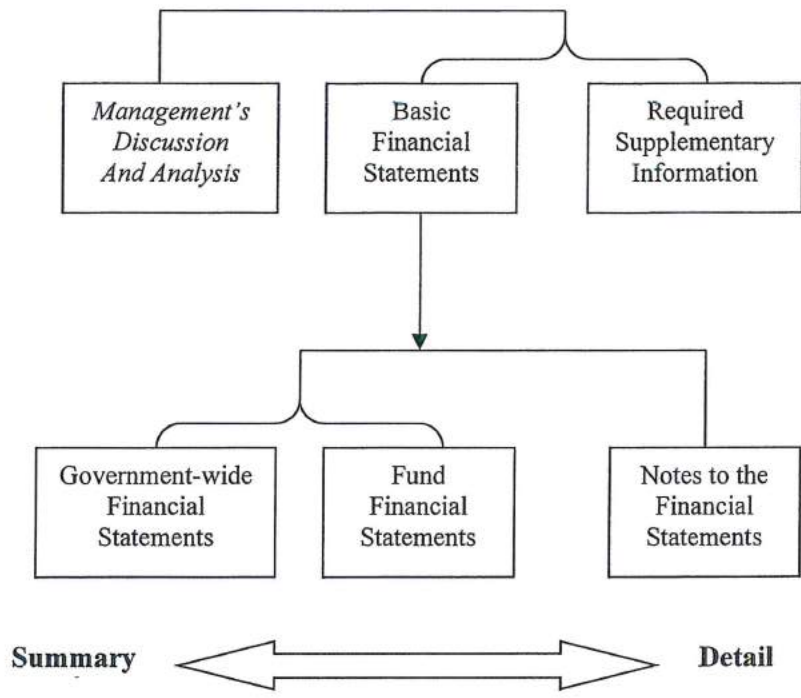


Figure A-1 shows how the required parts of this annual financial report are arranged and relate to one another. In addition to these required elements, a section with combining statements that provides details about the non-major governmental funds and internal service funds is included.

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

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

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

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

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

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

**More about the City’s Proprietary Funds:**

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

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

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net Position**

Net position serves over time as a useful indicator of the City’s financial position. At September 30, 2017, the net position totaled \$30.1 million, \$423 thousand less than the prior year. The composition of this net position is \$16.7 million for governmental activities and \$13.4 million for business-type activities, which is comprised primarily of the Combined Utility System.

A large portion of the City’s net position, 54.0%, is invested in capital assets (e.g., land, infrastructure, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities, and the City has 2.4% of its net position set aside for the retirement of debt. Approximately 29.5% 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, 2017 and 2016  
(in thousands of dollars)**

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current & other assets	\$ 19,610	\$ 21,596	\$ 10,340	\$ 13,864	\$ 29,950	\$ 35,460
Capital assets	17,746	15,461	22,406	21,015	40,152	36,476
<b>Total assets</b>	<u>37,356</u>	<u>37,057</u>	<u>32,746</u>	<u>34,879</u>	<u>70,102</u>	<u>71,936</u>
Deferred Outflows of Resources	2,665	3,389	455	579	3,120	3,968
Long-term liabilities	18,175	19,323	16,903	17,968	35,078	37,291
Other liabilities	4,056	4,304	2,751	3,033	6,807	7,337
<b>Total liabilities</b>	<u>22,231</u>	<u>23,627</u>	<u>19,654</u>	<u>21,001</u>	<u>41,885</u>	<u>44,628</u>
Deferred Inflows of Resources	1,115	700	139	71	1,254	771
Net Investment in capital assets	8,360	8,385	7,889	5,337	16,249	13,722
Restricted	3,392	2,691	3,125	3,784	6,517	6,475
Unrestricted	4,923	5,043	2,394	5,265	7,317	10,308
<b>Total net position</b>	<u>\$ 16,675</u>	<u>\$ 16,119</u>	<u>\$ 13,408</u>	<u>\$ 14,386</u>	<u>\$ 30,083</u>	<u>\$ 30,505</u>

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

Current & Other Assets decreased \$2.0 million from \$21.6 million in FY16 to \$19.6 million in FY17, or 9.19%. The majority of this decrease is due to the City's lower cash balances and accounts receivable. Capital assets, net of accumulated depreciation, increased \$2.3 million from \$15.5 million in FY16, to \$17.7 million in FY17, or 14.78%. Other liabilities decreased \$248 thousand from \$4.3 million in FY16 to \$4.1 million in FY17 or 5.76%. This was due to decreases in customer deposits and accrued interest payable.

As a result of accurately reflecting the restrictions on fund balances, Restricted Net Position increased by \$701 thousand from \$2.7 million in FY16 to \$3.4 million in FY17 as follows:

\$483,620	increased	Federal and State programs
\$509,296	increased	Debt Service
\$11,141	increased	Capital projects
(\$206)	decreased	Municipal Court Building Security funds
(\$78,884)	decreased	Law Enforcement
(\$25,568)	decreased	Municipal Court Technology fund
(\$198,600)	decreased	Tourism funds

Conversely, Unrestricted Net Position decreased \$119 thousand from \$5.0 million in FY16 to \$4.9 million in FY17 or 2.37%.



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

The Combined Utility System's net position was \$13.4 million, which is 44.6% of total net position and is \$978 thousand less than the prior year. The Combined Utility System contributed all the total unrestricted business-type net position.

Current & Other Assets decreased \$3.5 million from \$13.9 million in FY16 to \$10.3 million in FY17, or 25.42%. Restricted Cash is down from \$4.1 million in FY16 to \$2.2 million in FY17 due to the completion of capital projects. Capital assets, net of accumulated depreciation, increased \$1.4 million from \$21.0 million in FY16 to \$22.4 million in FY17, or 6.62%, due to construction projects, the acquisition of new equipment as well as equipment and vehicle retirements, auction sales and annual straight-line depreciation costs.

Long-term liabilities decreased \$1.1 million from \$18.0 million in FY16 to \$16.9 million in FY17, or 5.93%. Net investment in capital assets increased \$2.6 million from \$5.3 million in FY16 to \$7.9 million in FY17, or 47.81% due to completed capital projects.

Restricted net position decreased \$659 thousand from \$3.8 million in FY16 to \$3.1 million in FY16, or 17.41%.

Capital projects decreased \$659 thousand from \$3.8 million in FY16 to \$3.1 million in FY17, or 17.41%.

Unrestricted net position decreased \$2.9 million from \$5.3 million in FY16 to \$2.4 million in FY17, or 54.53%.

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

## Changes in Net Position

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

**Table A-2: Changes in Net Position  
September 30, 2017 and 2016  
(in thousands of dollars)**

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenue:						
Program revenue:						
Charges for services	\$ 3,244	\$ 5,009	\$ 12,734	\$ 12,240	\$ 15,978	\$ 17,249
Operating grants and contributions	1,193	1,071	192	112	1,385	1,183
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	6,837	6,525	-	-	6,837	6,525
Sales taxes	4,770	4,599	-	-	4,770	4,599
Other taxes	1,605	1,563	-	-	1,605	1,563
Investment earnings	135	252	74	103	209	355
Insurance Settlement	573	1606	-	-	573	1,606
Gain (loss) on disposal of capital assets	88	-	11	-	99	-
Other	99	24	-	-	99	24
Total revenues	<u>18,544</u>	<u>20,649</u>	<u>13,011</u>	<u>12,455</u>	<u>31,555</u>	<u>33,104</u>
Expenses:						
General government	4,803	5,114	-	-	4,803	5,114
Public safety	9,056	10,415	-	-	9,056	10,415
Public works	3,979	3,322	-	-	3,979	3,322
Health & other public svcs.	2,116	2,109	-	-	2,116	2,109
Tourism	976	534	-	-	976	534
Interest on long-term debt	362	415	-	-	362	415
Water and wastewater	-	-	7,823	7,570	7,823	7,570
Solid waste	-	-	2,862	2,594	2,862	2,594
Total expenses	<u>21,292</u>	<u>21,909</u>	<u>10,685</u>	<u>10,164</u>	<u>31,977</u>	<u>32,073</u>
Increase in net position before transfers	(2,748)	(1,260)	2,326	2,291	(422)	1,031
Transfers	3,304	1,838	(3,304)	(1,838)	-	-
Increase (decrease) in net position	556	578	(978)	453	(422)	1,031
Net position, beginning	16,119	15,541	14,386	13,933	30,505	29,474
Prior period adjustment	-	-	-	-	-	-
Net position, ending	<u>\$ 16,675</u>	<u>\$ 16,119</u>	<u>\$ 13,408</u>	<u>\$ 14,386</u>	<u>\$ 30,083</u>	<u>\$ 30,505</u>

**TABLE A-2: Governmental Activities**

As shown in Table A-2, revenues were split between governmental activities and business-type activities at 58.77% and 41.23%, respectively. Expenses for each were 66.59% and 33.41%. Net position increased 3.45% from the prior period for governmental activities, decreased 6.80% for business-type activities, and decreased 1.38% overall.

The cost of all *governmental* activities for the fiscal year 2017 was \$21.3 million. However, the amount that taxpayers paid for these services through City taxes and business fees was \$13.2 million.

Some of the cost was paid by:

- Those who directly benefited from the programs, or \$3.2 million, and
- Other governments and organizations that subsidized certain programs with grants and contributions was \$1.2 million.
- Charges for services comprised 14.85% of governmental activities' revenues including transfers in and 97.87% of business-type activities' revenues without including transfers out.
- Taxes contributed 60.47% of governmental activities' revenues including transfers. Investment earnings, generated 0.73% and 0.57% of governmental activities revenues and business-type activities, respectively.
- Public Safety (including Police, Fire, Emergency Management, Inspections and Municipal Court) expenses accounted for 42.53% of governmental activities' expenses and 18.69% of governmental activities' expenses were for Public Works.
- Public Safety required the largest net amount of public funds after deducting program revenue, grants, and contributions. The total subsidy was \$6.8 million.
- General government comprises 22.56% of all governmental activities' expenses.

Charges for services revenue decreased \$1.8 million from \$5.0 million in FY16 to \$3.2 million in FY17, or 35.24%. Sales tax revenue increased \$171 thousand from \$4.60 million in FY16 to \$4.77 million in FY17, or 3.72%. In FY17, the City received \$79 thousand in one-time comptroller audit adjustments.

Other Revenues increased from \$24 thousand in FY16 to \$99 thousand in FY17.

General government expenses decreased \$311 thousand from \$5.1 million in FY16 to \$4.8 million in FY17, or 6.08%. Public Safety expenses decreased \$1.4 million from \$10.4 million in FY16 to \$9.1 million in FY17, or 13.05%. Public Works expenses increased \$657 thousand from \$3.32 million in FY16 to \$3.98 million in FY17, or 19.78%.

The decrease in net position before transfers worsened \$1.5 million from a \$1.3 million deficit in FY16 to a \$2.7 million deficit in FY17. Transfers increased \$1.5 million from \$1.8 million in FY16 to \$3.3 million in FY17, or 79.76%.

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

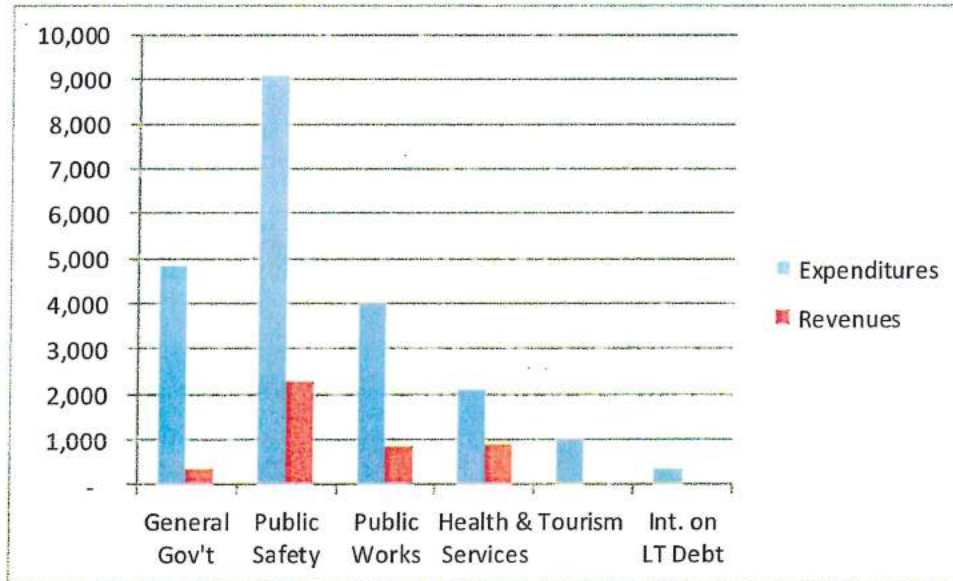
Charges for services revenue increased \$494 thousand from \$12.2 million in FY16 to \$12.7 million in FY17, or 4.04%. Water and Wastewater rates remained at FY16 rates.

The increase in net position before transfers increased \$35 thousand from \$2.29 million in FY16 to \$2.32 in FY17, or 1.53%. Transfers Out increased \$1.5 million from \$1.8 million in FY16 to \$3.3 million in FY17, or 79.76%. Fund balance is being used as designed in the Water and Waste Water Rate Model, but the decision was made to not increase utility rates as suggested since the City had built up additional reserves above the required 25% of fund balance. Even though the rate model called for a gradual increase in rates, the City chose not to increase water and wastewater rates in FY17.

Solid Waste expenses increased \$268 thousand from \$2.6 million in FY16 to \$2.9 million in FY17. Water and waste water expenses increased \$253 thousand from \$7.6 million in FY16 to \$7.8 million in FY17, or 3.34%.

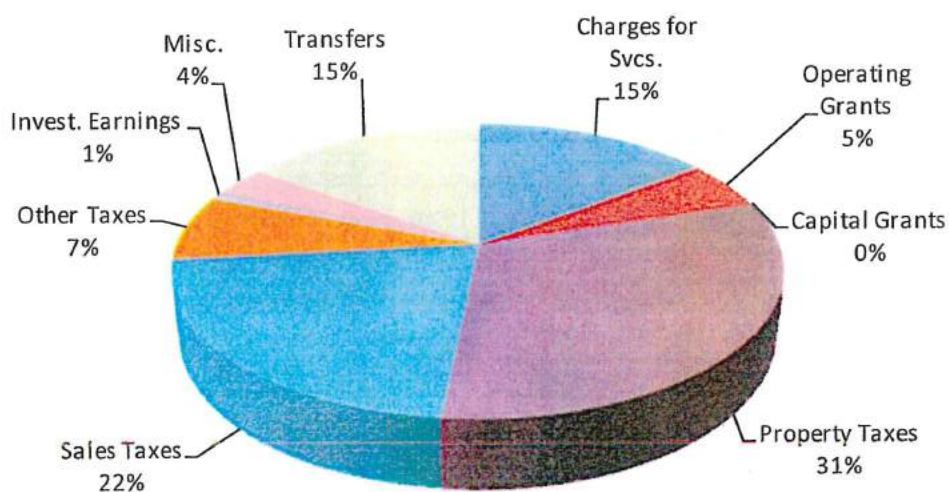
Graph 1 presents the cost of each of the City’s major governmental functions, as well as the associated program revenues.

**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 73.21% of the expenses generated for business-type activities, with solid waste accounting for an additional 26.79%. The Utilities System had operating revenues of \$8.6 million, up by \$424 thousand, and operating income of \$951 thousand, an increase of \$251 thousand. Operating income before transfers was \$1.0 million, up \$221 thousand. The major causes of these results were:

- Water revenues were up by \$336 thousand, or 7.08% more than the preceding year.
- Wastewater revenues were up by \$88 thousand
- The operating expenses increased by \$253 thousand, primarily due to increased services, increased depreciation and amortization costs, but decreased maintenance.

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

### Governmental Funds

- Total assets of the General Fund decreased \$1.4 million from \$12.5 million to \$11.1 million between FY16 and FY17. Most of this overall decrease in total assets is from a decrease of \$480 thousand in the Equity in Pooled Cash and Cash Equivalents, an increase in Cash and Cash Equivalents of \$246 thousand, a decrease of \$245 thousand in Accounts Receivable, a decrease of \$371 thousand in Due From Other Funds, and a decrease in Restricted Cash and Cash equivalents of \$591 thousand over FY16.
- Deferred Revenues for FY17 decreased \$10 thousand. Total liabilities of the General Fund decreased by \$52 thousand to approximately \$1.5 million, a 3.33% decrease. The majority of the decrease is attributed to a \$215 thousand decrease in Current Accounts Payable and Accrued Wages and an increase of \$173 thousand in Due To Other Funds. This brings the ratio of total assets to total liabilities to 5.52 times in 2017, up from 6.02 in 2016.
- Starting on page 84, see the Budgetary Results of the General Fund section below for more details on the General Fund revenues and expenditures resulting in General Fund deficiency of expenditures under revenues before other financing sources.
- The General Fund Unassigned Fund balance increased \$321 thousand in FY17 to \$7.5 million from \$7.1 million in FY16. The Committed Fund Balance for Landfill Closure/ Post Closure decreased by \$1.4 million and decreased \$255 thousand for Capital Outlay. Overall Fund Balance decreased \$1.3 million from \$10.4 million in FY16 to \$9.1 million in FY17.

### Police Forfeiture Funds

- Total assets of the Police Forfeiture Fund decreased \$795 thousand from \$2.9 million to \$2.1 million between FY16 and FY17. Most of this overall decrease in total assets is from a decrease in Cash and Cash Equivalents of \$386 thousand and a decrease in Restricted Cash and Cash Equivalents of \$404 thousand as compared to FY16.
- Total liabilities of the Police Forfeiture Fund decreased by \$530 thousand from \$1.2 million in FY16 to approximately \$651 thousand in FY17. This brings the quick ratio (current assets to current liabilities) to 3.24 times in FY17 from 2.46 times in FY16. Year-end unsettled seizures remain from current City of Kingsville Police department seizures. Unsettled seizures pending were \$395 thousand down from \$936 thousand, and Due to Other Funds and Governments were down \$181 thousand at September 30, 2017.
- The Police Forfeiture Fund revenues decreased \$2.0 million or 83.19%, from \$2.4 million in FY16 to \$402 thousand in FY17. Police Forfeiture Fund expenditures saw a decrease of \$1.1 million from \$1.8 million in FY16 to \$671 thousand in FY17.
- The Police Forfeiture Fund Restricted Fund Balance decreased by \$265 thousand from \$1.7 million in FY16 to \$1.5 million in FY17.

### Debt Service Fund

- The Debt Service Fund Balance increased \$138 thousand from \$619 thousand in FY16 to \$757 thousand in FY17. This was an increase of 22.35% from FY16 to FY17. The City structures the Debt Service Fund Balance to minimize the balance being carried to no more than required for the cash flow necessary to service the City's debt.

### **Other Governmental Funds**

- Total assets of the Other Governmental Funds decreased \$212 thousand from \$1.2 million to \$944 thousand between FY16 and FY17. Equity in Pooled Cash and Cash equivalents increased \$18 thousand, with Restricted Cash and Cash equivalents decreasing \$279 thousand. Accounts Receivable increased \$27 thousand and Due From Other Funds and Governments increased \$23 thousand between FY16 and FY17.
- Total liabilities of the Other Governmental Funds decreased by \$90 thousand to approximately \$529 thousand, a 14.50% decrease. The majority of the decrease is attributed to a \$105 thousand decrease in Due to Other Funds and Governments.

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

#### **Revenues**

Per page 84, General Fund taxes and business fee revenues were \$11.2 million, which was \$271 thousand, or 2.48% above the final budget. Ad Valorem Delinquent revenues were \$7 thousand, or 5.36% above budget and penalty and interest was \$7 thousand, or 7.17%, above budget respectively. The City usually budgets these estimated revenues low to adjust for possible anomalies that might occur in the collection process. Sales Tax Revenue was \$195 thousand, or 4.27% above budget. Franchise revenue was \$47 thousand or 5.0% higher than the final budget. These variances are the result of conservative budgeting and changes in the local economy.

Fines and Forfeitures revenue was less than the Final Budget for FY17 by \$120 thousand, or 14.13%. In FY17, there was \$129 thousand less budgeted for Fines revenue than in FY16.

Total Charges for Sanitation Services revenues were \$159 thousand, or 4.19% more than the final budget. Sanitation Services Garbage Fees revenue were lower than the final budget by \$138 thousand, or 4.07% of the Final Budget for FY17. Sanitation Services Landfill Fees revenue were more than the final budget by \$300 thousand, or about 85.57% for FY17. This resulted from budgeting conservatively, updating sanitation revenue ordinances, and adjusting marketing strategies throughout the fiscal year.

#### **Expenditures**

City Special Services expenditures were lower than the final budget by \$59 thousand. This favorable budget variance is mainly the result of lower expenditures for capital outlays than anticipated and reallocating some of the expenditures previously budgeted in this division.

Community Appearance Services expenditures were lower than the final budget by \$62 thousand. The reason for less than budgeted expenditures was mainly due to building maintenance.

Fire Department total expenditures were at their budgeted level of the final budget. Personal Services expenditures for the Fire Department were \$66 thousand below budget, along with Supplies at \$8 thousand below budget, Services at \$20 thousand below budget, Equipment Maintenance \$1 thousand above budget, Lease Payments at \$2 thousand below budget and Capital Outlay at \$94 thousand above budget. The Fire Department was able to use their Final budget to cover all expenditures.

Police Department total expenditures were also lower than the final budget by \$116 thousand. Of this lower amount, \$52 thousand is related to Personal Services expenditures for the Police Department, or about 1.22% of the Police Department Personal Services final budget. In FY17, both departments' Personal Services expenditures were budgeted conservatively. In both departments, employee turnover is offset by retirement pay-off (that cannot always be planned in advance). The 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 \$286 thousand, or 13.77%. The majority of this came from lower maintenance expenditures. Also, \$91 thousand is from Personal Services, or 10.22% and \$192 thousand from Building Maintenance, or 27.05% of the Building Maintenance final budget.

Landfill Department total expenditures were right at the final budget. The final budget exactly covered all expenditures.

General Fund total revenues were \$1.20 million, or 6.89% above the final budget. The General Fund expenditures came in at \$1.23 million, or 5.40% below the final budget. Actual Expenditures exceeded Revenues by \$3.0 million, but does not include Other Financing Sources of \$1.6 million.

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

The General Fund revenues budget was amended by \$42,170 from the following sources:

- The General Service Fees budget was amended by \$17,070 for park and recreational fees.
- The Donations revenue budget was amended by \$25,100. Donations are never budgeted as this type of revenue is not an anticipated source of revenue.

The General Funds expenditures budget was amended by \$1,627,483 from the following sources:

The City Administration Department budget was amended by \$254,363. Included in this overall department is:

- City Commission budget which was amended by (\$1,100) due to a decrease in training and travel.
- Municipal Building budget was amended by (\$3,851) due to a decrease in building maintenance.
- City Special budget was amended \$45,000 for increases in retiree health insurance, postage, additional expenditures for the new City Hall which include Christmas decorations, minor equipment, property insurance, utilities and operating lease. There were also additional expenditures for an inter-local agreement with Texas Department of Transportation for work on I-69.
- The Economic Development budget was amended \$214,314 for professional services resulting from the sale of a city building.



The Management Services Department budget was amended by (\$30,008). Included in this overall department is:

- The Finance department is comprised of the Finance, Municipal Court and Warrant Enforcement divisions. Municipal Court was amended \$2,000 due to a change in health care coverage; Finance was amended (\$70,869) to assist in covering costs of Capital Outlay for the Fire Department;
- Purchasing was amended (\$2,000) due to a change in personnel
- Computer Operations was amended \$40,861 due to the equipment required at the renovated Cottage Building which now houses Planning and Economic Development.

The Urban Development Department budget was amended (\$800). Included in this overall department is:

- Planning was amended \$3,046 due to additional minor equipment needed for the new office location and professional services associated with an upcoming sale of city property.
- Permits and Licenses was amended \$1,231 for increased printing and publishing
- Community Appearance was amended by (\$5,728) for lower costs of grounds and permanent fixtures.
- Downtown was amended by \$651 for additional memberships and dues and increased postage costs.

The Police department budget was amended (\$157,656); The Police Department transferred funds to assist with the capital outlay lease purchase for the Fire Department.

The Fire department was amended \$217,782 for a new lease agreement for fire equipment. The Police department assisted in the funding of this new lease purchase. This was mainly due to the initial year of the lease recordation.

The Public Works Department was amended \$657,080. Included in this overall department is:

- Public Works Administration was amended \$5,167.
- Garage was amended \$1,255
- Sanitation was amended \$40,000 for additional rollouts and dumpsters and vehicle maintenance.
- Street was amended (\$233,321) due to assisting the landfill with a new lease purchase of equipment.
- Landfill was amended \$843,178 for the landfill expansion for sector 4 and the initial year of a new capital lease recordation.
- The Recycling Center was amended \$800.

The Parks and Recreation Department budget was amended \$61,837 due to additional equipment maintenance, supplies and donations received for summer recreation programs.

The Golf Course Department budget was amended \$107,506 for additional capital outlay equipment.

Operating transfers in were amended \$320,889 due to funds received and spent on storm damages, donations received, grant projects and funds closed out.

Operating transfers out were amended \$1,042,634 for additional projects, FEMA expenditure reclassification, grants, and fund close outs.

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

### **Non-major Governmental Funds**

Four special revenue funds comprise this portion of the financial statements. Total assets for the combined funds were \$944 thousand, total liabilities were \$529 thousand, and total fund balances were \$415 thousand, with \$2 thousand in Assigned Fund Balance and \$412 thousand in Restricted Fund Balance.

The Tourism Fund makes up 48.66% of the revenues of the special revenue funds. The main source of funding for the Tourism Fund is from Hotel/Motel Occupancy Taxes. Another significant portion, 51.34%, of these special funds are the Federal and State Grants. Each of the special revenue funds are maintained separately because of special provisions for the receipt and expenditure of funds in compliance with Federal or State laws or regulations and the City's bond ordinances, or other City Commission actions.

## CAPITAL ASSET AND DEBT ADMINISTRATION

**Table A-3: Capital Assets (net of depreciation)  
September 30, 2017 and 2016  
(In thousands of dollars)**

	Governmental Activities			Business-type Activities		
			% Change			% Change
	2017	2016	16-17	2017	2016	16-17
Land	\$ 470	\$ 470	0.00%	\$ 595	\$ 402	48.01%
Building and improvements	5,582	5,456	2.31%	15,199	15,836	-4.02%
Equipment	1,309	902	45.12%	2,694	2,698	-0.15%
Vehicles	2,060	1,733	18.87%	1,087	1,316	-17.40%
Road network	6,497	6,742	-3.63%	-	-	0.00%
Construction in progress	1,828	158	0.00%	2,831	763	271.04%
Total	\$ 17,746	\$ 15,461	14.78%	\$ 22,406	\$ 21,015	6.62%

In the Notes to the Financial Statements located on page 68, the City has invested \$98.9 million (before depreciation) in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads and bridges, and its utility system.

**TABLE A-3: Governmental Activities**

Construction in progress increased \$1.7 million from \$158 thousand in FY16 to \$1.8 million in FY17 with the on-going projects funded with Certificates of Obligation.

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

Building and improvements decreased \$637 thousand from \$15.8 million in FY16 to \$15.2 million in FY17, or 4.02%. Equipment decreased \$4 thousand from \$2.698 million in FY16 to \$2.694 million in FY17, or 0.16%. Construction in progress increased \$2.1 million from \$763 thousand in FY16 to \$2.8 million in FY17, or 271.25% indicating new construction projects were started but not completed at year end.

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

**Table A-4: Long-Term Liabilities**  
**September 30, 2017 and 2016**  
**(in thousands of dollars)**

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Certificates of obligation	\$ 11,757	\$ 12,442	\$ 7,153	\$ 7,778	\$ 18,910	\$ 20,220
Limited tax refunding bonds	680	850	6,665	7,425	7,345	8,275
Premium on bonds payable	277	296	256	290	533	586
Capital leases	635	273	443	185	1,078	458
Other post-employment benefits	1,352	1,243	359	331	1,711	1,574
Total debt	<u>14,701</u>	<u>15,104</u>	<u>14,876</u>	<u>16,009</u>	<u>29,577</u>	<u>31,113</u>
Net pension liability	4,130	4,773	706	815		5,588
Compensated absences	1,067	946	83	76	1,150	1,022
Landfill closure cost		-	2,701	2,550	2,701	2,550
Total long-term debt	<u>\$ 19,898</u>	<u>\$ 20,823</u>	<u>\$ 18,366</u>	<u>\$ 19,450</u>	<u>\$ 33,428</u>	<u>\$ 40,273</u>

Table A-4 indicates that total long-term debt decreased by \$6.8 million from FY16 to FY17, or 17.0%. Of that, landfill closure costs increased \$151 thousand, or 5.92%, while compensated absences increased 12.48%. Total debt outstanding at fiscal year-end was \$29.6 million, from \$31.1 million for the prior year.

In addition, there were overall reductions of \$1.3 million in certificates of obligation bonds and revenue bonds (Combined Utility System) through scheduled principal payments. Governmental Activities' certificate of obligations had a \$686 thousand debt decrease and the Business-type activities had a reduction of \$624 thousand. Additional information on the City's Long-Term Obligations can be found on Note G, Item # 1-3, and pages 68-70 of the Notes to the Financial Statements.

#### **Ad Valorem Taxes**

The FY16 tax rates were \$0.66088 for the General Fund and \$0.18132 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 \$13.1 million each year based on the assessed value of \$789,457,160. A brief discussion of the ad valorem tax limitations of the Constitution of the State of Texas and the City Charter are found in Note A Item #4b, page 58-59 of the Notes to the Financial Statements.

#### **Bond Ratings**

The City's bond ratings from two rating agencies were reaffirmed or maintained in fiscal year 2017. 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 2017-2018 ADOPTED OPERATING BUDGET**

Total Revenues and Expenditures adopted budget for FY17-18 are \$38,181,788 and \$45,995,448, respectively. The \$7.8 million difference between expenditures and revenues is due mostly to drawing down fund balances to complete capital projects, the largest portion of which are for projects financed by Certificates of Obligation (C.O.'s). The operating budgets and capital project budgets are combined and C.O. fund balances are not re-appropriated which leads to a higher difference.

### **Budget Overview**

The management practices employed and the recommendations put forth in the Budget are intended to improve resident satisfaction with city services consistent with City commission goals. The City's General Fund is the largest and most diverse fund in terms of total budgeted dollars and scope of services to residents. The General Fund budget is required to maintain reserves equal to 25% of budgeted expenditures for the subsequent year. Reserve requirements are \$4,903,790 and our ending estimated fund balance is \$5,208,876 leaving a projected operating surplus of \$305 thousand over the required minimum of \$4.9 million.

The net deficits for FY17 and FY18 are not generally attributed to the City's basic operations resulting instead from planned expenditures and draw down of bond proceeds (Certificates of Obligation) and accumulated operating surpluses from previous years.

### **General Discussion**

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

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

### **Other Postemployment Benefits (OPEB)**

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

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

FY17 expenditures for personnel services are proposed to increase \$1.1 million, or 6.55% from estimated actual expenditures of \$16,325,921 in FY17 to \$17,395,437 of budgeted expenditures in FY18. This increase is attributed to a net change in budgeted positions and associated costs along with vacant positions that were not filled in FY17. All positions are budgeted at 100% regardless of prior year vacancies.

## Capital Outlays

City staff capital outlay requests for FY18 totaled \$2,690,921; of which \$687,137 was approved. The capital outlay items approved promotes employee efficiency, effectiveness, and safety and is a combination of large and small items. It includes:

- \$22,000 for the restoration and preservation of minutes – Phase 2
- \$11,560 for a scag mower to be used by several departments
- \$57,297 for the lease payment on a Street sweeper
- \$9,350 for a Genie personnel lift
- \$12,000 for (2) KSB submersible pumps and a 4” centrifugal pump
- \$22,775 for an upgrade to the meter reading equipment
- \$60,000 for a backhoe loader
- \$130,000 for (2) 84,000 gallon ground storage tanks
- \$43,782 for a skid loader
- \$78,500 for a Rausch mobile pro sewer and storm line camera
- \$61,616 for a Cornell pump at the lift station located at 17<sup>th</sup> and Lee
- \$36,620 for a cedar fence at the lift station
- \$7,745 for an aluminum safety shoring box
- \$7,370 for a tandem axle low profile dump trailer
- \$96,777 for the lease payment on 2 residential and 1 commercial garbage trucks
- \$11,000 for a water tank truck
- \$18,745 for a water truck tank and spray bar system

## 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)



**King'sville**  
TEXAS



BASIC FINANCIAL STATEMENTS



**CITY OF KINGSVILLE**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2017**

EXHIBIT A-1

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 5,263,880	\$ 6,198,151	\$ 11,462,031
Equity in pooled cash and cash equivalents	5,484,777	339,809	5,824,586
Receivables (net of allowances for uncollectibles):			
Taxes	1,573,833	--	1,573,833
Accounts	351,906	1,547,178	1,899,084
Accrued interest	1,245	1,389	2,634
Internal balances	458,435	(458,435)	--
Due from other governments	566,978	117,522	684,500
Inventory, at cost	286,420	378,353	664,773
Restricted assets:			
Cash and cash equivalents	5,440,468	2,158,864	7,599,332
Equity in pooled cash and cash equivalents	182,518	--	182,518
Accounts	--	57,017	57,017
Long-term assets:			
Land and construction in progress	2,297,779	3,426,254	5,724,033
Capital assets, net of related depreciation	15,448,333	18,979,836	34,428,169
Total Assets	<u>37,356,572</u>	<u>32,745,938</u>	<u>70,102,510</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflow related to pensions	2,664,905	455,226	3,120,131
Total Deferred Outflows of resources	<u>2,664,905</u>	<u>455,226</u>	<u>3,120,131</u>
<b>LIABILITIES</b>			
Accounts payable	1,015,391	286,124	1,301,515
Accrued wages payable	434,035	71,512	505,547
Payable from restricted assets:			
Retainage payable	62,601	33,066	95,667
Accrued interest payable	64,045	64,011	128,056
Customer deposits	541,254	833,668	1,374,922
Due to:			
Other governments	215,135	--	215,135
Others	598	--	598
Liabilities due within one year:			
Accumulated unpaid compensated absences	576,680	38,500	615,180
Leases payable	118,583	122,319	240,902
Contractual obligations payable	1,027,843	1,302,157	2,330,000
Liabilities due beyond one year:			
Accumulated unpaid compensated absences	490,662	44,340	535,002
Leases payable	516,887	321,013	837,900
Accrued other post-employment benefits	1,351,819	359,091	1,710,910
Contractual obligations payable	11,685,324	12,771,929	24,457,253
Net pension liability	4,130,493	705,581	4,836,074
Landfill closure costs	--	2,701,127	2,701,127
Total Liabilities	<u>22,231,350</u>	<u>19,654,438</u>	<u>41,885,788</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources related to pensions	812,610	138,812	951,422
Other deferred inflows of resources	302,657	--	302,657
Total Deferred Inflows of Resources	<u>1,115,267</u>	<u>138,812</u>	<u>1,254,079</u>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	8,359,623	7,888,672	16,248,295
Restricted For:			
Federal and State Programs	438,213	--	438,213
Debt Service	717,738	--	717,738
Capital Projects	41,800	3,124,894	3,166,694
Municipal Court Security	88,683	--	88,683
Law Enforcement	1,664,987	--	1,664,987
Municipal Court Technology	32,547	--	32,547
Tourism	408,021	--	408,021
Unrestricted	4,923,248	2,394,348	7,317,596
Total Net Position	<u>\$ 16,674,860</u>	<u>\$ 13,407,914</u>	<u>\$ 30,082,774</u>

The accompanying notes are an integral part of this statement.

**CITY OF KINGSVILLE**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government			
General government and administration	\$ 4,803,413	\$ 289,523	\$ 53,218
Public safety	9,056,283	1,738,745	548,588
Public works	3,978,987	853,075	--
City/County	2,116,324	308,082	590,964
Tourism	976,056	55,173	--
Interest on long-term debt	362,092	--	--
Total Government Activities	<u>21,293,155</u>	<u>3,244,598</u>	<u>1,192,770</u>
Business-type Activities:			
Water Improvement	4,587,773	5,084,940	191,926
Stormwater	270	227,449	--
Solid waste	2,861,670	3,924,740	--
Wastewater	3,234,997	3,497,038	--
Total Business-type Activities	<u>10,684,710</u>	<u>12,734,167</u>	<u>191,926</u>
Total Primary Government	<u>\$ 31,977,865</u>	<u>\$ 15,978,765</u>	<u>\$ 1,384,696</u>

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

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (4,460,672)		\$ (4,460,672)
(6,768,950)		(6,768,950)
(3,125,912)		(3,125,912)
(1,217,278)		(1,217,278)
(920,883)		(920,883)
(362,092)		(362,092)
<u>(16,855,787)</u>		<u>(16,855,787)</u>
--	\$ 689,093	689,093
--	227,179	227,179
--	1,063,070	1,063,070
--	262,041	262,041
<u>--</u>	<u>2,241,383</u>	<u>2,241,383</u>
<u>(16,855,787)</u>	<u>2,241,383</u>	<u>(14,614,404)</u>
6,837,284	--	6,837,284
4,770,174	--	4,770,174
989,053	--	989,053
1,243	--	1,243
65,310	--	65,310
549,471	--	549,471
134,896	73,974	208,870
573,250	--	573,250
87,712	--	87,712
98,935	10,514	109,449
3,304,371	(3,304,371)	--
<u>17,411,699</u>	<u>(3,219,883)</u>	<u>14,191,816</u>
555,912	(978,500)	(422,588)
16,118,948	14,386,414	30,505,362
<u>\$ 16,674,860</u>	<u>\$ 13,407,914</u>	<u>\$ 30,082,774</u>

**CITY OF KINGSVILLE**

BALANCE SHEET - GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2017

	General Fund	Police Forfeiture Fund
<b>ASSETS</b>		
Assets:		
Cash and cash equivalents	\$ 3,778,799	\$ 1,530,946
Equity in pooled cash and cash equivalents	4,099,056	--
Receivables (net of allowances for uncollectibles):		
Taxes	1,439,000	--
Accounts	675,144	--
Assessments	59,824	--
Accrued interest	1,264	--
Due from:		
Other funds	491,000	--
Other governments	117,389	7,123
Inventory, at cost	285,323	--
Restricted assets:		
Cash and cash equivalents	43,217	541,254
Equity in pooled cash and cash equivalents	90,160	32,597
Accounts	57,017	--
Total Assets	<u>\$ 11,137,193</u>	<u>\$ 2,111,920</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND EQUITY</b>		
Liabilities:		
Accounts payable	\$ 509,167	\$ 45,638
Accrued wages payable	427,809	--
Payable from restricted assets:		
Retainage payable	--	--
Customer deposits	--	541,254
Due to:		
Other funds	376,630	63,938
Other governments	179,973	--
Others	598	--
Total Liabilities	<u>1,494,177</u>	<u>650,830</u>
Deferred Inflows of Resources:		
Deferred revenue	523,320	--
Total Deferred Inflows of Resources	<u>523,320</u>	<u>--</u>
Equity:		
Fund balances:		
Nonspendable:		
Inventory	285,323	--
Restricted:		
Debt service	--	--
Capital outlay	8,374	--
Municipal court building security	88,683	--
Municipal court technology	--	32,547
Law enforcement	--	1,428,543
Tourism	--	--
Federal and state programs	--	--
Committed:		
Landfill	1,056,298	--
Sanitation capital outlay	206,611	--
Capital outlay	3,544	--
Assigned:		
Drug awareness	--	--
Unassigned:	7,470,863	--
Total Equity	<u>9,119,696</u>	<u>1,461,090</u>
Total Liabilities, Deferred Inflows of Resources, and Equity	<u>\$ 11,137,193</u>	<u>\$ 2,111,920</u>

The accompanying notes are an integral part of this statement.

EXHIBIT A-3

Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ --	\$ --	\$ 175	\$ 5,309,920
--	52,330	42,519	4,193,905
134,833	--	--	1,573,833
--	--	69,667	744,811
--	--	--	59,824
--	--	--	1,264
360,711	--	--	851,711
--	--	442,466	566,978
--	--	1,097	286,420
411,972	4,230,752	387,618	5,614,813
--	--	--	122,757
--	--	--	57,017
<u>\$ 907,516</u>	<u>\$ 4,283,082</u>	<u>\$ 943,542</u>	<u>\$ 19,383,253</u>
\$ --	\$ 215,714	\$ 21,564	\$ 792,083
--	--	6,226	434,035
--	59,801	2,800	62,601
--	--	--	541,254
15,358	--	430,750	886,676
--	--	35,162	215,135
--	--	--	598
<u>15,358</u>	<u>275,515</u>	<u>496,502</u>	<u>2,932,382</u>
134,833	--	32,427	690,580
<u>134,833</u>	<u>--</u>	<u>32,427</u>	<u>690,580</u>
--	--	--	285,323
757,325	--	--	757,325
--	4,007,567	--	4,015,941
--	--	--	88,683
--	--	--	32,547
--	--	--	1,428,543
--	--	405,535	405,535
--	--	6,713	6,713
--	--	--	1,056,298
--	--	--	206,611
--	--	--	3,544
--	--	2,365	2,365
--	--	--	7,470,863
<u>757,325</u>	<u>4,007,567</u>	<u>414,613</u>	<u>15,760,291</u>
<u>\$ 907,516</u>	<u>\$ 4,283,082</u>	<u>\$ 943,542</u>	<u>\$ 19,383,253</u>



*City of*

**King'sville**  
TEXAS



**CITY OF KINGSVILLE**

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET POSITION  
 SEPTEMBER 30, 2017

Total fund balances - governmental funds balance sheet	\$ 15,760,291
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.	17,746,112
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	558,682
The assets and liabilities of internal service funds are included in governmental activities in the SNP.	1,166,773
Payables for bond principal which are not due in the current period are not reported in the funds.	(12,713,167)
Payables for capital leases which are not due in the current period are not reported in the funds.	(635,470)
Payables for bond interest which are not due in the current period are not reported in the funds.	(64,045)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(1,067,342)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.	(1,351,819)
Assessments receivable unavailable to pay for current period expenditures are deferred in the funds.	(11,024)
Solid waste assets & liabilities are included in the general fund but are in business activities in the SNP	(435,933)
Recognition of the City's proportionate share of the net pension liability is not reported in the funds.	(4,130,493)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(812,610)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	<u>2,664,905</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 16,674,860</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, 2017

	General Fund	Police Forfeiture Fund
Revenue:		
Taxes	\$ 11,192,498	\$ --
Licenses and permits	246,379	--
Charges for services	5,844,512	--
Fines and forfeitures	727,346	380,385
Special assessments	2,797	--
Interest and miscellaneous	119,848	21,724
Donations	25,100	--
Intergovernmental revenue	550,000	--
Federal and state grants	--	--
Total Revenues	<u>18,708,480</u>	<u>402,109</u>
Expenditures:		
Current:		
General government and administration	4,350,113	22,036
Public safety	8,162,185	649,302
Public works	6,758,529	--
City/County	2,086,888	--
Tourism	325,639	--
Debt service:		
Principal retired	--	--
Interest	--	--
Paying agent fees	--	--
Total Expenditures	<u>21,683,354</u>	<u>671,338</u>
Excess (deficiency) of revenues (under) expenditures	(2,974,874)	(269,229)
Other Financing Sources (Uses):		
Transfers in	1,516,784	4,167
Transfers out	(1,297,043)	--
Gain on sale of assets	105,806	--
Insurance settlement	573,250	--
Lease proceeds	750,879	--
Total Other Financing Sources (Uses)	<u>1,649,676</u>	<u>4,167</u>
Net Change in Fund Balances	(1,325,198)	(265,062)
Fund Balances/Equity, October 1	10,444,894	1,726,152
Fund Balances/Equity, September 30	<u>\$ 9,119,696</u>	<u>\$ 1,461,090</u>

The accompanying notes are an integral part of this statement.



Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ 1,449,013	\$ --	\$ 548,981	\$ 13,190,492
--	--	--	246,379
--	--	55,663	5,900,175
--	--	--	1,107,731
--	--	--	2,797
9,678	55,933	281	207,464
--	--	4,200	29,300
--	--	--	550,000
--	--	642,770	642,770
<u>1,458,691</u>	<u>55,933</u>	<u>1,251,895</u>	<u>21,877,108</u>
--	1,107,456	66,822	5,546,427
--	334,012	588,539	9,734,038
--	1,464,972	21,886	8,245,387
--	872,536	16,770	2,976,194
--	--	645,509	971,148
980,798	--	--	980,798
458,762	--	--	458,762
3,550	--	--	3,550
<u>1,443,110</u>	<u>3,778,976</u>	<u>1,339,526</u>	<u>28,916,304</u>
15,581	(3,723,043)	(87,631)	(7,039,196)
122,750	1,374,344	103,367	3,121,412
--	(153,306)	(137,756)	(1,588,105)
--	--	--	105,806
--	--	--	573,250
--	--	--	750,879
<u>122,750</u>	<u>1,221,038</u>	<u>(34,389)</u>	<u>2,963,242</u>
138,331	(2,502,005)	(122,020)	(4,075,954)
618,994	6,509,572	536,633	19,836,245
<u>\$ 757,325</u>	<u>\$ 4,007,567</u>	<u>\$ 414,613</u>	<u>\$ 15,760,291</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, 2017

Net change in fund balances - total governmental funds	\$ (4,075,954)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	3,452,124
The depreciation of capital assets used in governmental activities is not reported in the funds.	(1,148,510)
Trade-in or disposal of capital assets decrease net position in the SOA but not in the funds.	(18,094)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	21,553
Expenses not requiring the use of current financial resources are not reported as expenditures in the funds.	(109,196)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	855,962
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	70,354
(Increase) decrease in accrued interest from beginning of period to end of period.	69,035
The net revenue (expense) of internal service funds is reported with governmental activities.	272,902
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(120,936)
Solid waste activities are included in the general fund but are in the business activities in the SOA	2,256,465
Certain assessment revenues are deferred in the funds. This is the change in these amounts this year.	(78,587)
Bond premiums are reported in the funds but not in the SOA.	19,128
Proceeds of leases do not provide revenue in the SOA, but are reported as current resources in the funds.	(432,618)
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	<u>(477,715)</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ 555,912</u>

The accompanying notes are an integral part of this statement.

**CITY OF KINGSVILLE**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2017**

	Enterprise Fund	Nonmajor Internal Service Fund
	Utility Fund	Insurance Fund
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 3,931,954	\$ 1,107,365
Equity in pooled cash and cash equivalents	2,717,762	--
Receivables (net of allowances for uncollectibles):		
Accounts	1,133,234	71,710
Accrued interest	1,364	6
Due from:		
Other funds	15,358	493,400
Other governments	117,522	--
Inventory, at cost	378,353	--
Restricted assets - noncurrent:		
Cash and cash equivalents	2,071,728	--
Total current assets	<u>10,367,275</u>	<u>1,672,481</u>
Noncurrent assets:		
Capital assets:		
Land	181,743	--
Utility plant	41,599,298	--
Equipment	3,578,105	--
Vehicles	2,360,237	--
Construction in progress	482,428	--
Total capital assets	<u>48,201,811</u>	<u>--</u>
Less accumulated depreciation	(31,931,655)	--
Net capital assets	<u>16,270,156</u>	<u>--</u>
Total noncurrent assets	<u>16,270,156</u>	<u>--</u>
Total Assets	<u>26,637,431</u>	<u>1,672,481</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflow related to pensions	455,226	--
Total Deferred Outflows of Resources	<u>\$ 455,226</u>	<u>\$ --</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 232,604	\$ 233,740
Accrued wages payable	71,512	--
Due to:		
Other funds	473,793	--
Accumulated unpaid compensated absences	38,500	--
Current liabilities payable from restricted assets:		
Retainage payable	33,066	--
Accrued interest payable	61,349	--
Contractual obligations payable	1,205,363	--
Customer deposits	833,668	--
Total current liabilities	<u>2,949,855</u>	<u>233,740</u>
Long-term liabilities, net of current portion:		
Accumulated unpaid compensated absences	44,340	--
Accrued other post-employment benefits	252,931	--
Contractual obligations payable	12,637,263	--
Net pension liability	705,581	--
Total long-term liabilities, net of current portion	<u>13,640,115</u>	<u>--</u>
Total Liabilities	<u>16,589,970</u>	<u>233,740</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflow related to pensions	138,812	--
Deferred inflow related to claims	--	270,230
Total Deferred Inflows of Resources	<u>138,812</u>	<u>270,230</u>
<b>NET POSITION</b>		
Net investment in capital assets	2,427,531	--
Restricted for:		
Self insurance	--	1,168,511
Capital outlay	3,124,894	--
Unrestricted	4,811,450	--
Total Net Position	<u>\$ 10,363,875</u>	<u>\$ 1,168,511</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, 2017*

Utility Fund Net Position - Proprietary Funds Statement of Net Position \$ 10,363,875

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

Solid Waste is a business-type activity that is included in the general fund. Assets and liabilities relating to Solid Waste are included in business-type activities in the government-wide statement of net position 3,000,837

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

Net Position of Business-type Activities - Statement of Net Position \$ 13,407,914

**CITY OF KINGSVILLE**

STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
 IN FUND NET POSITION - PROPRIETARY FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Enterprise Fund	Nonmajor Internal Service Fund
	Utility Fund	Insurance Fund
OPERATING REVENUES:		
Water	\$ 5,083,665	\$ --
Other income	--	6,090
Wastewater	3,725,762	--
Insurance premiums	--	3,263,782
Total Operating Revenues	<u>8,819,934</u>	<u>3,269,872</u>
OPERATING EXPENSES:		
Personal services	2,592,749	--
Supplies	422,386	--
Services	2,046,098	2,996,970
Maintenance	1,293,859	--
Uncollectable accounts	15,730	--
Depreciation and amortization	1,088,846	--
Total Operating Expenses	<u>7,459,668</u>	<u>2,996,970</u>
Operating Income (Loss)	<u>1,360,266</u>	<u>272,902</u>
NON-OPERATING REVENUES (EXPENSES):		
Interest	62,381	--
Federal grants	191,926	--
Interest and fiscal agent charge	(363,372)	--
Total Non-operating Revenues (Expenses)	<u>(109,065)</u>	<u>--</u>
Net Income (Loss) before Transfers	<u>1,251,201</u>	<u>272,902</u>
TRANSFERS IN (OUT):		
Transfers In	131,258	--
Transfers Out	(1,664,566)	--
Total Transfers In (Out)	<u>(1,533,308)</u>	<u>--</u>
Net Income (Loss)	(282,107)	272,902
Net Position, October 1	10,645,982	895,609
Net Position, September 30	<u>\$ 10,363,875</u>	<u>\$ 1,168,511</u>

The accompanying notes are an integral part of this statement.

**CITY OF KINGSVILLE**

**EXHIBIT A-8R**

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS TO  
THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2017*

Change in net position - utility fund \$ (282,107)

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. (696,393)

Change in net position of Business-type activities - statement of activities \$ (978,500)

**CITY OF KINGSVILLE**

## STATEMENT OF CASH FLOWS

## PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Utility Fund	Internal Service Fund
<b>Cash Flows from Operating Activities:</b>		
Cash received from customers	\$ 8,575,487	\$ --
Cash receipts (payments) for interfund services provided and used	--	3,277,764
Cash payments to employees for services	(2,490,301)	--
Cash payments to other suppliers for goods and services	(4,000,091)	(2,980,960)
Net Cash Provided (Used) by Operating Activities	<u>2,085,095</u>	<u>296,804</u>
<b>Cash Flows from Non-capital Financing Activities:</b>		
Proceeds (payments) from (for) interfund borrowings	286,194	(241,749)
Proceeds from federal operating grant	191,926	--
Transfers to/from other funds	(1,533,308)	--
Net Cash Provided (Used) by Non-capital Financing Activities	<u>(1,055,188)</u>	<u>(241,749)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Principal and interest paid	(1,661,418)	--
Proceeds from the disposition of assets	--	--
Acquisition or construction of capital assets	(625,392)	--
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>(2,286,810)</u>	<u>--</u>
<b>Cash Flows from Investing Activities:</b>		
Interest and dividends on investments	62,354	--
Net Cash Provided (Used) for Investing Activities	<u>62,354</u>	<u>--</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,194,549)	55,055
Cash and Cash Equivalents at Beginning of Year	9,915,993	1,052,310
Cash and Cash Equivalents at End of Year	<u>\$ 8,721,444</u>	<u>\$ 1,107,365</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>		
Operating Income (Loss)	\$ 1,360,266	\$ 272,902
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation	1,088,846	--
Provision for uncollectible accounts	15,730	--
Change in Assets and Liabilities:		
Decrease (increase) in receivables	(149,512)	(10,687)
Decrease (increase) in inventories	(101,596)	--
Decrease (increase) in due from other governments	(43,410)	--
Increase (decrease) in accounts payable	(162,571)	16,010
Increase (decrease) in deferred inflows	67,517	18,579
Increase (decrease) in accrued wages payable	(5,230)	--
Increase (decrease) in accrued other employment and post employment benefits	19,368	--
Increase (decrease) in net pension liability	(109,685)	--
Increase (decrease) in deferred outflow related to pension	123,773	--
Increase (decrease) in due to other governments	(70,619)	--
Increase (decrease) in accumulated compensated absences	6,705	--
Increase (decrease) in retainage payable	26,420	--
Increase (decrease) in customer deposits	19,093	--
Total Adjustments	<u>724,829</u>	<u>23,902</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,085,095</u>	<u>\$ 296,804</u>

The accompanying notes are an integral part of this statement.

**CITY OF KINGSVILLE**

## STATEMENT OF FIDUCIARY NET POSITION

## FIDUCIARY FUNDS

SEPTEMBER 30, 2017

	Pension Trust Fund	Agency Fund
	Deferred Compensation Plan	Court Cash Bond Account
<b>ASSETS</b>		
Assets:		
Cash and cash equivalents	\$ --	\$ 97,176
Investments	1,259,634	--
Receivables (net of allowances for uncollectibles):		
Participant loans	57,554	--
Total Assets	<u>\$ 1,317,188</u>	<u>\$ 97,176</u>
<b>LIABILITIES AND EQUITY</b>		
Liabilities:		
<i>Payable from restricted assets:</i>		
Customer deposits	\$ --	\$ 97,176
Total Liabilities	<u>--</u>	<u>97,176</u>
Net Position:		
Held in trust for deferred compensation benefits	<u>1,317,188</u>	<u>--</u>
Total Net Position	<u>1,317,188</u>	<u>--</u>
Total Liabilities and Net Position	<u>\$ 1,317,188</u>	<u>\$ 97,176</u>

The accompanying notes are an integral part of this statement.



**CITY OF KINGSVILLE**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Deferred Compensation Plan
<b>Additions:</b>	
Employee contributions	\$ 153,653
Earnings on investments	108,950
Total Additions	<u>262,603</u>
<b>Deductions:</b>	
Payment of benefits	163,355
Administrative fees	3,024
Total Deductions	<u>166,379</u>
<b>Change in Net Position</b>	96,224
Net Position-Beginning of the Year	1,220,964
Net Position-End of the Year	<u>\$ 1,317,188</u>

The accompanying notes are an integral part of this statement.



**King'sville**  
TEXAS

**CITY OF KINGSVILLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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, 2017.

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, 2017.

b. Discretely Presented Component Unit

The City did not have a Discretely Presented Component Unit at September 30, 2017.

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, 2017**

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

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

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

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

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

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

The City reports the following major governmental funds:

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

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

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

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

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

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

**b. Measurement Focus, Basis of Accounting**

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

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

Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Those revenues considered susceptible-to-accrual are property taxes, hotel occupancy taxes, special assessments, interest income, and charges for services. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

3. Implementation of New Standards

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

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

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

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

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

New pronouncements not yet in effect as of September 30, 2017, 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.

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Future GASB Statement Implementations

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

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

GASB Statement No. 82, Pension Issues - an amendment of GASB Statements No. 67, 68 and No. 73, will address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within The Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement is effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. The City will implement the required components in this Statement in fiscal year 2017 and 2018.

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

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

GASB Statement No. 85, Omnibus 2017, will address practice issues that have been identified during implementation of certain GASB Statements. The requirements of this Statement will enhance consistency in the application of accounting and financial reporting requirements. This Statement addresses various miscellaneous accounting issues related to blending component units, goodwill, fair value measurement, and postemployment benefits.

GASB Statement No. 86, Certain Debt Extinguishment Issues, will improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources, other than the proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The City will implement this Statement in fiscal year 2018.

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



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

4. Financial Statement Amounts

a. Equity in Pooled Cash and Cash Equivalents

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

b. Real Property and Sales Taxes

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

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

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

In order to obtain approval of its general obligation bonds by the Attorney General of the State, a satisfactory showing of adequate taxing power must be made. As a general rule, the Attorney General will not approve new bonds if this will make the net debt exceed twenty-five percent of the assessed value. The 2016 tax rate was \$.84220 of which \$.66088 was distributed to the General Fund and \$.18132 was applied to the Debt Service Fund 67. Using the twenty-five percent rule, the City's legal margin is \$211,037,711.

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.

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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	26,246,310	2.95%
KL Phase 1 Owner LTD	Apartments	12,862,200	1.44%
NLP Kingsville Ventures LLC	Apartments	11,169,490	1.25%
Javelina Station LP	Apartments	8,416,700	0.94%
HBC Holding LTD	Apartments	7,531,800	0.85%
Wal-Mart Stores Texas, LLC US00442	Retail	7,476,640	0.84%
King Ranch Saddle Shop Inc.	Retail	6,372,670	0.71%
Eddie Yaklin Ford Lincoln Mercury LTD	Auto Dealership	5,645,970	0.63%
Wal-Mart Stores Inc #01-0442	Retail	5,310,670	0.59%
Neessen Chevrolet Inc.	Auto Dealership	4,964,730	0.55%

c. Inventory

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

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

d. Use of Estimates

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

e. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets, donated works of art and similar items, and assets received in a service concession arrangement, are recorded at acquisition 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

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Impairment losses related to capital assets are recognized and measured when there has been a significant, unexpected decline in the service utility of capital assets. The events or changes in circumstances which lead to impairment determinations are not considered to be normal or ordinary. The service utility of a capital asset is the usable capacity which, at acquisition, was expected to be used or provide service. Common indicators of impairment include evidence of physical damage where the level of damage is such that restoration efforts are needed to restore service utility; enactment of laws or approval of regulations as well as changes in environmental factors; technological developments, or other evidence of obsolescence; changes in the manner of duration of use of capital assets; or construction stoppage due to lack of funding. There were no impairment charges during fiscal year 2017.

f. Receivable and Payable Balances

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

g. Deferred Inflows and Outflows

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

Deferred outflows of resources in the Statement of Net Position totaled \$3,120,131, of which \$2,664,905 is in governmental activities and \$455,226 in business-type activities.

There were deferred inflows of resources in the Statement of Net Position of \$1,254,079, of which \$1,115,267 is in governmental activities, and \$138,812 is in business-type activities.

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

h. Restricted Assets

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

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

i. Long-term Obligations

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

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

j. Pension Plans

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

k. Fund Equity

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

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

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

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

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

Fund balances of the governmental funds are classified as follows:

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

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

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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 state "The Commission shall enact all ordinances and resolutions, and adopt all regulations and constitute the legislative and governing body of the City. The Commission shall have the power to appoint the City Judge, the City Manager, and City Attorney. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the City itself.

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

Minimum Unassigned Fund Balance - The City will maintain a minimum unassigned fund balance in its General Fund of 25% of the subsequent year's budgeted expenditures and outgoing transfers. The City will maintain a minimum unassigned fund balance in its Utility Fund of 25% of the subsequent year's budgeted expenditures and outgoing transfers. The City, as of September 30, 2017, met their minimum requirements.

Spending Prioritization in Using Available Resources:

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

I. **Accumulated Unpaid Compensated Absences**

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

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m. Interfund Activity

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

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

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

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

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

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

C. Deposits and Investments

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

Cash and Investments

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

1. Cash & Cash Equivalents

At September 30, 2017, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$25,167,380 and the bank balance was \$25,236,451. The City's cash deposits at June 12, 2017 and during the year ended September 30, 2017, were entirely covered by FDIC insurance or properly secured by collateral held by the City's agent in the City's name.

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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>7,003,666</u>	\$ <u>7,003,666</u>

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.

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2. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name.

At the end of the period, the City was not exposed to custodial credit risk.

3. Concentration of Risk

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

4. Interest Rate Risk

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

5. Foreign Currency Risk

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

D. Receivables

	General	Debt Service	Enterprise	Enterprise Restricted	Primary Government Total
Receivables:					
Accounts	\$ 4,228,242	\$ -	\$ 2,504,117	\$ 116,439	\$ 6,848,798
Taxes - Property	680,210	224,722	-	-	904,932
Taxes - Franchise & Sales	1,030,874	-	-	-	1,030,874
Special Assessments	59,824	-	-	-	59,824
Gross Receivables	<u>5,999,150</u>	<u>224,722</u>	<u>2,504,117</u>	<u>116,439</u>	<u>8,844,428</u>
Less: Allowance for uncollectable	<u>(4,208,244)</u>	<u>(89,889)</u>	<u>(956,939)</u>	<u>(59,422)</u>	<u>(5,314,494)</u>
Net total receivable	<u>\$ 1,790,906</u>	<u>\$ 134,833</u>	<u>\$ 1,547,178</u>	<u>\$ 57,017</u>	<u>\$ 3,529,934</u>

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



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E. Capital Assets

Capital asset activity for the year ended September 30, 2017, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<i>Governmental activities:</i>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 469,540	\$ -	\$ -	\$ 469,540
Construction in progress	158,276	1,695,140	(25,177)	1,828,239
Total capital assets not being depreciated	<u>627,816</u>	<u>1,695,140</u>	<u>(25,177)</u>	<u>2,297,779</u>
<i>Capital assets being depreciated:</i>				
Road network	19,244,996	-	-	19,244,996
Buildings and improvements	7,887,085	276,641	-	8,163,726
Equipment	4,591,783	869,074	(140,696)	5,320,161
Vehicles	5,513,161	636,445	(8,000)	6,141,606
Total capital assets being depreciated	<u>37,237,025</u>	<u>1,782,160</u>	<u>(148,696)</u>	<u>38,870,489</u>
Less accumulated depreciation for:				
Road network	(12,502,974)	(244,434)	-	(12,747,408)
Buildings and improvements	(2,431,516)	(150,032)	-	(2,581,548)
Equipment	(3,690,159)	(443,206)	122,602	(4,010,763)
Vehicles	(3,779,599)	(310,838)	8,000	(4,082,437)
Total accumulated depreciation	<u>(22,404,248)</u>	<u>(1,148,510)</u>	<u>130,602</u>	<u>(23,422,156)</u>
Total capital assets being depreciated, net	<u>14,832,777</u>	<u>633,650</u>	<u>(18,094)</u>	<u>15,448,333</u>
Governmental activities capital assets, net	<u>\$ 15,460,593</u>	<u>\$ 2,328,790</u>	<u>\$ (43,271)</u>	<u>\$ 17,746,112</u>
<i>Business-type activities:</i>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 401,743	\$ 193,200	\$ -	\$ 594,943
Construction in progress	762,639	2,071,872	(3,200)	2,831,311
Total capital assets not being depreciated	<u>1,164,382</u>	<u>2,265,072</u>	<u>(3,200)</u>	<u>3,426,254</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	43,672,132	129,789	(110,973)	43,690,948
Equipment	5,546,151	676,623	(525,911)	5,696,863
Vehicles	5,031,580	24,614	(94,375)	4,961,819
Total capital assets being depreciated	<u>54,249,861</u>	<u>831,026</u>	<u>(731,259)</u>	<u>54,349,630</u>
Less accumulated depreciation for:				
Buildings and improvements	(27,835,981)	(766,513)	110,973	(28,491,521)
Equipment	(2,848,382)	(508,028)	352,953	(3,003,457)
Vehicles	(3,714,911)	(254,280)	94,375	(3,874,816)
Total accumulated depreciation	<u>(34,399,274)</u>	<u>(1,528,821)</u>	<u>558,301</u>	<u>(35,369,794)</u>
Total capital assets being depreciated, net	<u>19,850,587</u>	<u>(697,795)</u>	<u>-</u>	<u>18,979,836</u>
Business-type activities capital assets, net	<u>\$ 21,014,969</u>	<u>\$ 1,567,277</u>	<u>\$ (3,200)</u>	<u>\$ 22,406,090</u>

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Governmental depreciation was charged to functions as follows:

General Government	\$ 187,157
Public Safety	461,678
Public Works	463,555
City/County	<u>36,120</u>
	<u>\$ 1,148,510</u>

Business-type depreciation was charged to functions as follows:

Water	\$ 337,541
Wastewater	751,305
Solid Waste	<u>439,972</u>
	<u>\$ 1,528,818</u>

**F. Interfund Balances and Activity**

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

Balances due to and due from other funds at September 30, 2017, consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Police Forfeiture Fund	\$ 60,982	Short-term loans
General Fund	Other Governmental Funds	430,018	Short-term loans
Debt Service Fund	Utility Fund	360,711	Short-term loans
	Subtotal	<u>851,711</u>	
Utility Fund	Debt Service Fund	<u>15,358</u>	
Internal Service Fund	General Fund	376,630	Short-term loans
Internal Service Fund	Utility Fund	113,082	Short-term loans
Internal Service Fund	Other Governmental Funds	732	Short-term loans
Internal Service Fund	Police Forfeiture Fund	2,956	Short-term loans
	Subtotal	<u>493,400</u>	
	Total	<u>\$ 1,360,469</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, 2017, consisted of the following:

<u>Transfers To</u>	<u>Transfers From</u>	<u>Amount</u>	<u>Reason</u>
Police Forfeiture Fund	General Fund	4,167	Supplement other funds sources
Debt Service Fund	General Fund	122,750	Supplement other funds sources
Capital Projects Fund	General Fund	1,069,344	Supplement other funds sources
Other Governmental Fund	General Fund	93,367	Supplement other funds sources
Utility Fund	General Fund	7,415	Supplement other funds sources
	Subtotal:	<u>1,297,043</u>	

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Utility Fund	Capital Projects Fund	116,077	Supplement other funds sources
General Fund	Capital Projects Fund	37,229	Supplement other funds sources
General Fund	Other Governmental Fund	104,989	Supplement other funds sources
Capital Projects Fund	Other Governmental Fund	25,000	Supplement other funds sources
Utility Fund	Other Governmental Fund	7,767	Supplement other funds sources
	Subtotal:	<u>291,062</u>	
General Fund	Utility Fund	1,374,566	Supplement other funds sources
Capital Projects Fund	Utility Fund	280,000	Supplement other funds sources
Other Governmental Fund	Utility Fund	10,000	Supplement other funds sources
	Subtotal:	<u>1,664,566</u>	
	Total	<u>\$ 3,252,671</u>	

**G. Long-Term Obligations**

**1. Long-Term Obligation Activity**

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended September 30, 2017, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>Governmental activities:</b>					
Certificates of obligation	\$ 12,442,485	\$ -	\$ 685,962	\$ 11,756,523	\$ 852,842
Limited Tax Refunding Bond	850,000	-	170,000	680,000	175,000
Premium on Bonds Payable	295,773	-	19,128	276,645	-
Capital leases	273,206	432,618	70,354	635,470	118,583
Total long-term debt	<u>13,861,464</u>	<u>432,618</u>	<u>945,444</u>	<u>13,348,638</u>	<u>1,146,425</u>
Net pension liability	4,772,596	-	642,103	4,130,493	-
Accumulated compensated absences*	946,406	761,094	640,158	1,067,342	576,680
Other post-employment benefits	1,242,623	218,392	109,196	1,351,819	-
Governmental activity Total long-term debt	<u>\$ 20,823,089</u>	<u>\$ 1,412,104</u>	<u>\$ 2,336,901</u>	<u>\$ 19,898,292</u>	<u>\$ 1,723,105</u>
<b>Business-type activities:</b>					
Certificates of obligation	\$ 7,777,515	\$ -	\$ 624,038	\$ 7,153,477	\$ 624,038
Limited Tax Refunding Bond	7,425,000	-	760,000	6,665,000	760,000
Premium on Bonds Payable	290,251	-	34,642	255,609	--
Capital leases	184,999	318,261	59,928	443,332	122,319
Total long-term debt	<u>15,677,765</u>	<u>-</u>	<u>1,478,608</u>	<u>14,517,418</u>	<u>1,506,357</u>
Net pension liability	815,266	-	109,685	705,581	-
Landfill closure cost	2,550,069	151,058	-	2,701,127	-
Other post-employment benefits	331,099	27,993	-	359,092	-
Accumulated compensated absences*	76,135	65,284	58,579	82,840	38,500
Business-type activities Long-term liabilities	<u>\$ 19,450,334</u>	<u>\$ 244,335</u>	<u>\$ 1,646,872</u>	<u>\$ 18,366,058</u>	<u>\$ 1,544,857</u>

\* Other long-term liabilities

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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

	<u>2017</u>	<u>2016</u>
Certificates of obligation payable:		
\$10,000,000 Certificates of Obligation, Series 2011 for General Improvements; paid in annual installments of \$670,000 to \$525,000 through 8/1/2032, with interest at 2.0% to 4.6% (53.8504% General Fund and 46.1496% Utility Fund)	6,960,000	7,630,000
\$9,040,000 Limited Tax Refunding Bonds Series 2014 due in annual installments of \$760,000 to \$895,000 through September 30, 2025, with interest at 2.0% to 2.5% (100% Utility Fund)	6,665,000	7,425,000
\$1,200,000 Public Property Financial Contractual Obligation Series 2007 for General Improvements; due in a final installment of \$90,000, through August 1, 2017; interest at 4.11%. General Fund 64.1667%, Utility Fund 35.8333%.	0	90,000
\$4,270,000 Certificates of Obligation Series 2009 for Capital Outlay; due in annual installments of \$110,000 to \$55,000 through February 1, 2021; interest at 3.00% to 3.85%. (General Fund 15.831%, Utility Fund 84.169%).	275,000	385,000
\$1,890,000 General Obligation Refunding Series 2009; due in annual installments of \$250,000 to \$260,000 through February 1, 2018; interest at 2.25% to 3.75%. (100% General Fund).	260,000	510,000
\$5,230,000 Certificates of Obligation Series 2013, for Capital Outlay and General Improvements, due in annual installments of \$190,000 to \$360,000 through September 2023; interest at 2.0% to 3.0% (18.45% to General Fund and 81.55% to Utility Fund).	4,675,000	4,865,000

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\$1,260,000 Limited Tax Refunding Bonds, Series 2013, for Capital Outlay and General Improvements, due in annual installments of \$170,000 to \$105,000 through September 2023; interest at 2.0% (100% General Fund)	680,000	850,000
\$6,740,000 C.O. Series 2016, for Capital Outlay and General Improvements, due in annual installments of \$250,000 to \$845,000 through August 1, 2036; interest at 2.0% to 3.5% (100% General Fund)	<u>6,740,000</u>	<u>6,740,000</u>
Total Certificates of Obligation Payable	<u>\$ 26,255,000</u>	<u>\$ 28,495,000</u>

2. Debt Service Requirements

Debt service requirements on long-term debt at September 30, 2017, are as follows:

Governmental Activities			
Year Ending September 30,	Principal	Interest	Total
2018	\$ 1,027,843	\$ 349,758	\$ 1,377,601
2019	1,055,630	327,348	1,382,978
2020	1,180,646	300,442	1,481,088
2021	1,218,723	272,638	1,491,361
2022	1,238,094	243,911	1,482,005
2023-2027	3,545,482	857,453	4,402,935
2028-2031	2,575,105	386,970	2,962,075
2032-2036	595,000	45,125	640,125
Totals	<u>\$ 12,436,523</u>	<u>\$ 2,783,645</u>	<u>\$ 15,220,168</u>

Business-type Activities			
Year Ending September 30,	Certificates of Obligation		Revenue Bonds
	Principal	Interest	Total
2018	\$ 1,302,157	\$ 380,142	\$ 1,682,299
2019	1,269,370	350,777	1,620,147
2020	1,229,354	319,808	1,549,162
2021	1,256,276	290,949	1,547,225
2022	1,236,906	261,414	1,498,320
2023-2027	4,804,519	847,647	5,652,166
2028-2032	2,434,895	315,570	2,750,465
2033	285,000	8,550	293,550
Totals	<u>\$ 13,818,477</u>	<u>\$ 2,774,857</u>	<u>\$ 16,593,334</u>

The City also may be contingently liable for rebates to the Federal government associated with interest earned on proceeds of tax exempt bonds issued. Based on regulations of the Tax Reform Act of 1986, the rebate would not be made until five years from the bond issuance date and may be liquidated through lower interest earnings in future years. For the fiscal year ended September 30, 2017, the City has no arbitrage liability.

3. Advance Refunding of Debt : There is no outstanding Refunded Debt as of 9/30/17

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4. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of September 30, 2017, as follows:

<u>Year Ending September 30:</u>	Governmental Activities	Business-Type Activities	(1)
2018	\$ 131,250	\$ 133,550	
2019	169,980	133,550	
2020	168,668	68,308	
2021	98,240	68,307	
2022	98,240	68,308	
2023	13,933	--	
Total Minimum Rentals	<u>680,311</u>	<u>472,023</u>	
Less: Amount representing interest	<u>44,841</u>	<u>28,691</u>	
Present value of net minimum lease payments	<u>\$ 635,470</u>	<u>\$ 443,332</u>	

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

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

H. Pension Plans

*Texas Municipal Retirement System*

1. Plan Description

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

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

2. Benefits Provided

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

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

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Employees covered by benefit terms:

At the December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	154
Inactive employees entitled to but not yet receiving benefits	153
Active employees	<u>270</u>
Total covered employees	<u>577</u>

3. Contributions

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 9.37% and 9.19% in calendar years 2016 and 2017, respectively. The City's contributions to TMRS for the year ended September 30, 2017 were \$1,036,718 and were equal to the required contributions.

4. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2016, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

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

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

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

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The long-term expected rate of return on pension plan investments is 6.5%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

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

**Discount Rate**

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

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2015	\$ 55,585,074	\$ 49,997,212	\$ 5,587,862
Changes for the year			
Service cost	1,518,194	-	1,518,194
Interest	3,724,025	-	3,724,025
Change of benefit terms	-	-	--
Difference between expected and actual experience	(830,982)	-	(830,982)
Changes of assumptions	-	-	--
Contributions - employer	-	1,044,455	(1,044,455)
Contributions - employee	-	780,276	(780,276)
Net investment income	-	3,378,510	(3,378,510)
Benefit payments, including refunds of employee contributions	(2,346,871)	(2,346,871)	--
Administrative expense	-	(38,160)	38,160
Other changes	-	(2,056)	2,056
Net changes	\$ 2,064,366	\$ 2,816,154	\$ (751,788)
Balance at 12/31/2016	\$ 57,649,440	\$ 52,813,366	\$ 4,836,074



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

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

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
City's net pension liability	\$ 13,201,630	\$ 4,836,074	\$ (1,981,266)

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's Fiduciary Net Position is available in a separately issued TMRS financial report. That report may be obtained on the internet at [www.tmr.com](http://www.tmr.com).

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

For the year ended September 30, 2017, the City recognized pension expense of \$1,596,048.

Schedule of Pension Expense

Total Service Cost	\$ 1,518,194
Interest on the Total Pension Liability	3,724,025
Current Period Benefit Changes	-
Employee Contributions (Reduction of Expense)	(780,276)
Projected Earnings on Plan Investments (Reduction of Expense)	(3,374,812)
Administrative Expense	38,160
Other Changes in Fiduciary Net Position	2,056
Recognition of Current Year Outflow (Inflow) of Resources - Liabilities	(207,746)
Recognition of Current Year Outflow (Inflow) of Resources - Assets	(740)
Amortization of Prior Year Outflows (Inflows) of Resources - Liabilities	(136,858)
Amortization of Prior Year Outflows (Inflows) of Resources - Assets	814,045
Total Pension Expense	<u>\$ 1,596,048</u>

At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 10,618	\$ 948,464
Changes in actuarial assumptions	34,923	-
Difference between projected and actual investment earnings	2,318,871	2,958
Contributions subsequent to the measurement date	755,719	-
Total	<u>\$ 3,120,131</u>	<u>\$ 951,422</u>

*Texas Statewide Emergency Services Personnel Retirement Fund*

**1. Plan Description**

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

**CITY OF KINGSVILLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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

2. Annual Required Contributions-City

The employer annual pension cost of \$3,996 for fiscal year ended August 31, 2017 was equal to the required and actual contributions and the City has no future liability. Three-year information is as follows:

	2015	2016	2017
Annual Required Contribution	\$ 9,436	\$ 5,472	\$ 3,996
Percentage of Required Cost Contributed	100%	100%	100%

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

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

*City of Kingsville Deferred Compensation Plan Restatement*

City of Kingsville has a deferred compensation plan for its employees, created in accordance with Internal Revenue Code Section 457. The plan, available to all regular employees, permits them to defer a portion of their salary on a pre-taxed basis until future years. The compensation deferred under this plan is not available to employees until termination, retirement, death, loan, or qualifying unforeseeable emergency. Participation in the plan is voluntary. The City has no liability for losses under this plan but does have the usual fiduciary responsibilities of a plan sponsor. The assets of the Plans are reported in a pension trust fund. The investments of the plan at September 30, 2017 consist of the following:

AmCent Gr Inv	\$ 9,308	NW Inv Dest Aggr Svc	30,747
AmCent Val Inv	34,068	NW Inv Dest Cnsv Svc	5,351
AmFds New Wid R4	13,957	NW Inv Dest Mod Aggr Svc	26,109
CohenStrs RealEst Sec A	12,613	NW Inv Dest Mod Cnsv Svc	7,006
Drey S P 500 Indx	13,333	NW Inv Dest Mod Svc	27,549
Fed US GovtSec 2 5 Yr Inst	1,474	NW LgCap Gr	29,131
Fid Contra	72,083	NW MDCAP MKT INDX A	11,315
Fixed Assets	19,937	NW Mny Mkt Prm	200
Invsco Gr Inc A	14,138	NW S P 500 Indx Inst Svc	13,695
Invsco Intl Gr R5	37,990	NW SMCAP INDX A	639
JPM MidCap Value A	11,629	NW Sm Co Gr Inst Svc	23,246
MFS Intl Val R3	37,592	NW US SmCap Val Inst Svc	19,320
NW BD INDX A	5,297	Nationwide Fixed Account	565,944
NW Dest 2015 Inst Svc	1,042	NewBer Genesis Tr	26,011
NW Dest 2025 Inst Svc	4,582	NeuBer Soc Resp Inv	20,792
NW Dest 2030 Inst Svc	28,569	Opp Gbl A	32,648
NW Dest 2040 Inst Svc	4,815	PIMCO Forgn BdUS Dir Hdg A	9,146
NW Dest 2045 Inst Svc	681	PIMCO Ttl Rtn A	3,219
NW Dest 2050 Inst Svc	169	TRowePr Gr Stk Adv	19,905
NW Fd Inst Svc	19,988	W&R Advisor High Income Y	14,666
NW HM Bd Inst Svc	14,427	WF Disc Admn	14,619
NW INTL INDX A	684		
		Total	\$ <u>1,259,634</u>

**CITY OF KINGSVILLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

I. Post Retirement Benefits

1. Post-Employment Health Care Benefits

GASB Statement No. 45: Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions (OPEB), established new accounting standards for postretirement benefits. The new standard does not require funding of OPEB expense, but any difference between the annual required contribution (ARC) and the amount funded during the year is required to be recorded in the employer's financial statement as an increase (or decrease) in the net OPEB obligation. The effective date for implementation of GASB 45 by the City of Kingsville is October 1, 2007. Accordingly, the City did obtain an actuarial valuation in accordance with GASB 45 standards as of October 1, 2015 and discloses the following:

Note: Actuarial valuations are done every two years.

Plan Description and Funding Policy

Employees who retire from the City of Kingsville are eligible to continue to participate in the City's health insurance program at the employee group rate which is determined annually by the City of Kingsville and approved by the City Commission. Retirees have 31 days to elect to continue with the City's self-funded health insurance plan (City of Kingsville Benefit Plan Trust) in which they were participating at the time or retirement unless otherwise stated in the plan document or collective bargaining agreement. As of September 30, 2017, a total of 7 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 2015, 2016 and 2017	FYE 2015	FYE 2016	FYE 2017
Normal Cost	\$ 80,452	\$ 67,913	\$ 69,950
Minimum Amortization of UAL	88,351	82,207	84,673
Interest Adjustment to Year-end	5,908	5,254	5,412
Annual Required Contribution	174,711	155,374	160,035
ARC Adjustment	(48,125)	(53,078)	(56,224)
Interest Adjustment to Net OPEB Obligation	47,146	51,999	55,080
OPEB Cost	173,732	154,295	158,891
Contributions Made	(35,074)	(66,254)	(21,703)
Increase in Net OPEB Obligation	138,658	88,041	137,188
Net OPEB Obligation - beginning of year	1,347,023	1,485,681	1,573,722
Net OPEB Obligation - end of year	\$ 1,485,681	\$ 1,573,722	\$ 1,710,910

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
09/30/15	\$173,732	20.20%	\$1,485,681
09/30/16	\$154,284	42.90%	\$1,573,722
09/30/17	\$158,891	13.70%	\$1,710,910

**CITY OF KINGSVILLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Funded Status and Funding Progress

The funded status of the plan as of September 30, 2016, was as follows:

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

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

Actuarial Methods and Assumptions

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

Measurement Date	October 1, 2015
Actuarial Cost Method	Entry - Age Normal Method
Amortization Period	30 Years. Open
Amortization Method	Level Percent of Payroll
Discount Rate	3.50%
CPI	3.00%
Healthcare Cost Trend Rate	7.5% initial rate, 5.0% ultimate rate, 10 year grade in period.
Payroll Growth Rate	3.00% annually

J. Commitments and Contingencies

1. Contingencies

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

**CITY OF KINGSVILLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

2. Litigation

No reportable litigation was pending against the City at September 30, 2017.

K. Budgetary Data

Budgets for the General Fund, budgeted special revenue, debt service, and budgeted capital projects funds are adopted in accordance with generally accepted accounting principles (GAAP). The City adopted budgets for the fiscal year ended September 30, 2017 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:

\$1,073,798 addition to revenues and other financing sources comprised mainly of:

\$1,100 in Parks and Recreation - Donation revenue for hosting the Texas Recreation & Parks Society regional maintenance rodeo

\$100 in Volunteer Fire - Donation revenue to the Kingsville Volunteer Fire Department

\$1,200 in Parks and Recreation - Donation to the Parks Department

\$11,351 in Non-Departmental - Transfer revenue from Utility Fund for unforeseen network and IT projects

\$60,000 in Non-Departmental - Revenue from the sale of City property

\$214,314 in Non-Departmental - Transfer revenue from Insurance Claim Recovery Fund

\$569,427 in Non-Departmental - Other income from supplemental insurance claim for the May 31, 2016 storm event

\$7,905 in Non-Departmental - Transfer revenue for a 4th siren

\$87,319 in Non-Departmental - Transfer revenue from Insurance Claim Recovery Fund City Hall Complex.

\$81,312 in Non-Departmental - Other Income from final supplemental insurance claim for the May 31, 2016 storm event

\$25,000 in Non-Departmental - Donation revenue for gymnasium demolition

\$14,770 in Parks Recreation - Donation revenue to the Parks Department

\$2,512,799 addition to expenditures and other financing uses comprised mainly of:

\$756,156 in City Special - To include insurance claim recovery projects that were not completed in FY 15-16

\$314,168 in Landfill - To include landfill expansion projects not completed in FY 15-16

## **CITY OF KINGSVILLE**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2017**

\$5,000 in Fund Transfers - To include transfer to grant project not completed in FY 15-16

\$24,060 in Police - To include capital equipment purchases not completed in FY 15-16

\$1,100 in Parks and Recreation - For recreational programs provided by parks donations

\$13,249 in Fund Transfers - To include transfer to grant project not completed in FY 15-16

\$100 in Volunteer Fire - For training and travel provided by donation

\$1,200 in Parks and Recreation - For recreational programs provided by park donations

\$40,861 in Technology Services - For unforeseen network and IT projects

\$20,000 in City Special - For professional services related to the sale of City property

\$40,000 in Fund Transfers - To transfer revenue from the sale of City property to the Economic Development Fund

(\$474,314) in City Special - To reduce professional services from the insurance claim for City property sold

\$474,314 in City Special - To transfer professional services budget from the insurance claim for City property sold

\$214,314 in Economic Development - For professional services budget related to the sale of City property

\$25,000 in City Special - For professional services related to the supplemental insurance claim for the May 31, 2016 storm event

\$175,689 in JK Northway - For improvements related to the May 31, 2016 storm event

\$8,000 in Public Works - For improvements related to the May 31, 2016 storm event

\$60,738 in Parks and Recreation - For improvements related to the May 31, 2016 storm event

\$300,000 in Fund Transfers - To transfer excess supplemental insurance revenue to CO 2016

\$1,728 in Police - To increase special event overtime for event at Naval Air Station - Kingsville

\$2,197 in Fire - To increase special event overtime for event at Naval Air Station - Kingsville

\$31,017 in Landfill - To increase equipment rent for dozer rental

\$27,740 in Landfill - To increase vehicle/machinery maintenance to repair scraper

\$7,905 in Fund Transfers - To transfer funds for a 4th emergency siren

\$27,000 in Police - For the purchase and installation of a 4th emergency warning siren

\$87,319 in Parks and Recreation - For Parks grounds and permanent fixtures

\$64,000 in JK Northway - For minor equipment for the JK Northway

\$162,319 in Fund Transfers - Transfer excess supplemental claim revenue to other funds

**CITY OF KINGSVILLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

- \$25,000 in Fund Transfers - Transfer donation revenue to CO 2016 for gymnasium demolition
- \$9,000 in Parks and Recreation - For recreational programs provided by Parks donations
- \$1,910 in Parks and Recreation - For recreational programs provided by Parks donations
- \$50,000 in Sanitation - For additional vehicle maintenance in the Sanitation division
- \$8,000 in Fire - For additional vehicle maintenance in the Fire division
- \$2,500 in Parks and Recreation - For recreational programs provided by Parks donations
- \$125 in Parks and Recreation - For recreational programs provided by Parks donations
- \$400 in Parks and Recreation - For grounds and permanent fixtures provided by Parks donations
- \$300 in Parks and Recreation - For recreational programs provided by Parks donations
- \$535 in Parks and Recreation - For recreational programs provided by Parks donations
- (\$620) in Police - To transfer minor equipment budget to Grant Fund
- \$620 in Fund Transfers - To include transfer to Grant Fund
- (\$2,029) in Fire - To transfer minor equipment budget to Grant Fund
- \$2,029 in Fund Transfers - To include transfer to Grant Fund
- (\$1,162) in Streets - To transfer excess group health insurance
- \$1,162 in Garage - To cover excess group health insurance
- \$4,168 in Fund Transfers - To include transfer to close out Task Force Fund

**L. Compensated Absences**

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

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

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

There is no limit on accumulated holiday hours to be paid at termination. As of September 30, 2017, the liability for accrued vacation leave and accrued sick leave is approximately \$1,150,182. The amount applicable to the General Fund and Enterprise Fund of \$1,067,342 and \$82,840, respectively, and have been recorded in its respective fund.

**CITY OF KINGSVILLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

M. Contracts With South Texas Water Authority

South Texas Water Authority contract, starting October 1, 2006 through September 30, 2012, extended on a year basis to September 30, 2017.

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, 2017 was \$.426386 per thousand gallons of water delivered.
- b. The adjustment in the handling charge may exceed an increase of 5% in any contract year if the Authority obtains prior written approval of customers representing in the aggregate not less than 75% of the water purchased from the Authority during its preceding Fiscal Year.
- c. Notice of a change in handling charge shall be delivered to the City on or before the 10th day of August of each contract year. The notice shall state the amount of the new charge and the reason and calculations for the adjustment. The new handling charge shall be effective commencing at the beginning of the next contract year.
- d. The City may object to the handling charge for any contract year after the initial year by delivering to the Authority a notice stating the nature of the City's objection to the charge. The objection shall be resolved by following the dispute resolution procedures established in the contract. If the dispute is not resolved by the beginning of the subject contract year, the City shall pay at the new rate until the dispute is resolved. The handling charge determined through the dispute resolution procedure shall be effective as the beginning of that contract year unless otherwise agreed by the parties.
- e. Any change in the handling charge, by agreement, dispute resolution, or otherwise shall apply to all customers of the Authority, in accordance with the contract.



**CITY OF KINGSVILLE**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*FOR THE YEAR ENDED SEPTEMBER 30, 2017*

2. Cost of Water

The cost of water shall be defined as meaning the actual price per one thousand gallons paid by the Authority to the City of Corpus Christi for water received by the Authority under the Corpus Christi Water Supply Agreement during a service month. It is expected that the cost of water will fluctuate from month to month, resulting in a corresponding fluctuation in the water rate. The water rate ranged from \$2.305491 to \$2.340396.

3. Water Supply Contract

The City and STWA signed a new five-year contract on September 25, 2017 until September 30, 2022.

GUARANTEED PURCHASE

(A) The City shall purchase a minimum volume of water not to be less than \$300,000 annually unless additional purchases are necessary to supplement the City of Kingsville water requirements. The City purchased \$351,727 and \$348,392 in 2017 and 2016, respectfully.

N. Risk Management

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

2. Health Insurance

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

All funds of the City participate in the program and make payments to the Self-Insurance Fund based on estimates of amounts needed to pay prior and current year claims. The claims liability of \$233,740 at September 30, 2017 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 2017 and 2016 were:

**CITY OF KINGSVILLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Beginning-of Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2015	\$ 267,421	\$ 2,322,115	\$ 2,405,966	\$ 183,570
2016	\$ 183,570	\$ 2,617,116	\$ 2,582,956	\$ 217,730
2017	\$ 217,730	\$ 2,413,284	\$ 2,397,274	\$ 233,740

The liability at year end is equal to three months of paid claims subsequent to September 30, 2017 but that had been incurred prior to that date, and is considered a current liability for reporting purposes.

3. Litigation Tort Claims

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

O. Closure and Postclosure Care Cost

State and federal laws and regulations require that the City place a final cover on its landfill when closed and perform maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, expense provisions and related liabilities are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure costs is based on the amount of the landfill used during the year. The amount of the liability is based on what it would cost to have all such closure and postclosure care performed in the current year, and is assigned to periods based on cumulative landfill use. The estimated liability for landfill closure and postclosure care costs recorded in the business-type activities at September 30, 2017 is \$2,701,137 based on 39.04% usage (filled) of the landfill through September 30, 2017. It is estimated that an additional \$4,217,734 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 \$6,918,871 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, 2017. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

P. Segment Information for Enterprise Funds

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

Q. Non-Budgeted Funds

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

R. Subsequent Event

1. Management has reviewed subsequent events and transactions that occurred after the balance sheet date through March 14, 2018 (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.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF KINGSVILLE**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Taxes:</b>				
<b>General Property Taxes:</b>				
Current taxes	\$ 5,112,940	\$ 5,112,940	\$ 5,019,269	\$ (93,671)
Delinquent taxes	125,000	125,000	131,697	6,697
Penalty and interest	95,000	95,000	101,807	6,807
Late rendition fee	6,000	6,000	5,159	(841)
In lieu of tax payments	6,000	6,000	108,786	102,786
<b>Total General Property Taxes</b>	<u>5,344,940</u>	<u>5,344,940</u>	<u>5,366,718</u>	<u>21,778</u>
City Sales Tax	4,575,000	4,575,000	4,770,174	195,174
Mixed Drink Tax	55,000	55,000	65,310	10,310
Bingo Tax	5,000	5,000	1,243	(3,757)
<b>Business Taxes:</b>				
Electric franchise tax	675,000	675,000	745,342	70,342
Telephone franchise tax	100,000	100,000	79,657	(20,343)
Gas franchise tax	82,000	82,000	72,916	(9,084)
Cable T.V. franchise tax	85,000	85,000	91,138	6,138
<b>Total Business Taxes</b>	<u>942,000</u>	<u>942,000</u>	<u>989,053</u>	<u>47,053</u>
<b>Total Taxes</b>	<u>10,921,940</u>	<u>10,921,940</u>	<u>11,192,498</u>	<u>270,558</u>
<b>Permits and Licenses:</b>				
Plumbing permits	22,000	22,000	15,556	(6,444)
Electric permits	36,000	36,000	27,328	(8,672)
Building permits	100,000	100,000	78,744	(21,256)
Moving permits	600	600	880	280
Other permits	51,900	51,900	48,886	(3,014)
Amusement licenses	100	100	--	(100)
Beer and mixed drink licenses	7,200	7,200	6,608	(592)
Electrical licenses	3,000	3,000	3,757	757
Contractor licenses	28,000	28,000	33,280	5,280
Solicitor licenses	425	425	575	150
Food handler licenses	25,000	25,000	30,065	5,065
Other licenses	1,000	1,000	700	(300)
<b>Total Permits and Licenses</b>	<u>275,225</u>	<u>275,225</u>	<u>246,379</u>	<u>(28,846)</u>
<b>Charges for Services:</b>				
<b>General Service Fees:</b>				
Zoning fees	3,500	3,500	3,500	--
Platting fees	3,300	3,300	544	(2,756)
Police accident reports	2,000	2,000	941	(1,059)
Arrest fees	20,000	20,000	14,220	(5,780)
Child safety fund reports	8,000	8,000	--	(8,000)
Fire reports	30	30	--	(30)
Ambulance service	560,000	560,000	615,853	55,853
Park and recreational fees	308,590	325,660	366,058	40,398
Street maintenance fees	--	--	817,470	817,470
Other service fees	22,028	22,028	24,678	2,650
<b>Total General Service Fees</b>	<u>927,448</u>	<u>944,518</u>	<u>1,843,264</u>	<u>898,746</u>

**CITY OF KINGSVILLE**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
City/County Services:				
Demolition recovery revenue	40,000	40,000	13,984	(26,016)
Weed control	30,000	30,000	22,397	(7,603)
Total City/County Services	70,000	70,000	36,381	(33,619)
Sanitation Services:				
Garbage fees	3,403,400	3,403,400	3,265,231	(138,169)
Landfill fees	350,000	350,000	649,507	299,507
Miscellaneous	52,200	52,200	50,129	(2,071)
Total Sanitation Services	3,805,600	3,805,600	3,964,867	159,267
Total Charges for Services	4,803,048	4,820,118	5,844,512	1,024,394
Fines and Forfeits:				
Court fines	782,000	782,000	677,139	(104,861)
Minor fines	21,500	21,500	10,552	(10,948)
Collection of state taxes	20,000	20,000	16,598	(3,402)
Other court fines	23,500	23,500	23,057	(443)
Total Fines and Forfeits	847,000	847,000	727,346	(119,654)
Special Assessments	--	--	2,797	2,797
Interest and Miscellaneous:				
Interest from investments	22,634	22,634	66,560	43,926
Auction revenue	10,000	10,000	140	(9,860)
Sale of city publications	1,520	1,520	1,227	(293)
Sale of recycle item	1,950	1,950	5,735	3,785
Miscellaneous	27,400	27,400	46,186	18,786
Total Interest and Miscellaneous	63,504	63,504	119,848	56,344
Donations	--	25,100	25,100	--
Intergovernmental Revenue	550,000	550,000	550,000	--
Total Revenues	17,460,717	17,502,887	18,708,480	1,205,593
Expenditures:				
<b>City Administration Department</b>				
City Commission:				
Personal services	86,358	81,633	74,992	6,641
Supplies	2,600	1,557	1,163	394
Services	65,275	69,943	55,497	14,446
Total City Commission	154,233	153,133	131,652	21,481
City Manager:				
Personal services	233,955	233,637	233,282	355
Supplies	2,500	2,500	2,072	428
Services	38,567	38,885	28,454	10,431
Total City Manager	275,022	275,022	263,808	11,214

**CITY OF KINGSVILLE**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Municipal Building:</b>				
Personal services	69,368	54,139	53,879	260
Supplies	5,600	20,761	17,307	3,454
Services	169,867	170,416	163,188	7,228
Building maintenance	102,894	92,962	75,192	17,770
Capital outlay	--	5,600	5,600	--
<b>Total Municipal Building</b>	<b>347,729</b>	<b>343,878</b>	<b>315,166</b>	<b>28,712</b>
<b>City Special:</b>				
Personal services	80,563	109,563	72,806	36,757
Supplies	1,900	15,442	21,313	(5,871)
Services	554,079	553,267	509,794	43,473
Equipment maintenance	--	--	15,952	(15,952)
Lease payments	10,560	13,830	13,598	232
<b>Total City Special</b>	<b>647,102</b>	<b>692,102</b>	<b>633,463</b>	<b>58,639</b>
<b>Economic Development:</b>				
Personal services	65,000	65,000	64,683	317
Services	97,996	312,310	243,913	68,397
<b>Total Economic Development</b>	<b>162,996</b>	<b>377,310</b>	<b>308,596</b>	<b>68,714</b>
<b>Total City Administration Department</b>	<b>1,587,082</b>	<b>1,841,445</b>	<b>1,652,685</b>	<b>188,760</b>
<b>Management Services Department</b>				
<b>Personnel:</b>				
Personal services	279,793	289,047	287,317	1,730
Supplies	20,795	17,998	13,703	4,295
Services	48,119	41,661	35,118	6,543
<b>Total Personnel</b>	<b>348,707</b>	<b>348,707</b>	<b>336,138</b>	<b>12,569</b>
<b>Municipal Court:</b>				
Personal services	262,957	266,905	266,880	25
Supplies	6,165	4,946	3,835	1,111
Services	9,371	8,642	5,385	3,257
<b>Total Municipal Court</b>	<b>278,493</b>	<b>280,493</b>	<b>276,100</b>	<b>4,393</b>
<b>Finance:</b>				
Personal services	413,071	414,348	403,197	11,151
Supplies	6,100	6,100	4,998	1,102
Services	112,105	110,828	85,322	25,506
Capital outlay	90,000	19,131	--	19,131
<b>Total Finance</b>	<b>621,276</b>	<b>550,407</b>	<b>493,517</b>	<b>56,890</b>

**CITY OF KINGSVILLE**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Purchasing:</b>				
Personal services	154,064	149,364	126,916	22,448
Supplies	3,000	3,700	2,304	1,396
Services	10,825	12,825	7,183	5,642
<b>Total Purchasing</b>	<b>167,889</b>	<b>165,889</b>	<b>136,403</b>	<b>29,486</b>
<b>Computer Operations:</b>				
Personal services	169,600	169,600	134,352	35,248
Supplies	46,906	77,929	76,029	1,900
Services	177,334	187,172	181,916	5,256
Equipment maintenance	1,500	1,500	189	1,311
Lease payments	21,542	21,542	20,940	602
<b>Total Computer Operations</b>	<b>416,882</b>	<b>457,743</b>	<b>413,426</b>	<b>44,317</b>
<b>Total Management Services Department</b>	<b>1,833,247</b>	<b>1,803,239</b>	<b>1,655,584</b>	<b>147,655</b>
<b>Legal Department</b>				
Personal services	200,047	200,016	199,226	790
Supplies	1,775	1,750	482	1,268
Services	47,675	47,731	27,201	20,530
<b>Total Legal Department</b>	<b>249,497</b>	<b>249,497</b>	<b>226,909</b>	<b>22,588</b>
<b>Urban Development Department</b>				
<b>Planning:</b>				
Personal services	151,133	151,071	150,607	464
Supplies	1,850	2,854	2,053	801
Services	13,826	15,330	10,120	5,210
Building maintenance	--	600	580	20
<b>Total Planning</b>	<b>166,809</b>	<b>169,855</b>	<b>163,360</b>	<b>6,495</b>
<b>Permits and Licenses:</b>				
Personal services	165,935	165,595	165,311	284
Supplies	4,022	3,982	3,936	46
Services	9,631	11,192	11,034	158
Equipment maintenance	500	500	470	30
Lease payments	3,500	3,550	3,280	270
<b>Total Permits and Licenses</b>	<b>183,588</b>	<b>184,819</b>	<b>184,031</b>	<b>788</b>

**CITY OF KINGSVILLE**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Community Appearance:</b>				
Personal services	292,195	290,533	286,519	4,014
Supplies	23,818	22,754	14,886	7,868
Services	53,500	54,760	47,430	7,330
Equipment maintenance	4,700	5,587	5,397	190
Building maintenance	45,304	42,154	--	42,154
Lease payments	5,000	3,000	2,664	336
<b>Total Community Appearance</b>	<b>424,517</b>	<b>418,789</b>	<b>356,896</b>	<b>61,893</b>
<b>Downtown Manager:</b>				
Personal services	63,644	63,659	63,359	300
Supplies	1,500	1,336	836	500
Services	7,544	8,345	5,246	3,099
<b>Total Engineering</b>	<b>72,688</b>	<b>73,339</b>	<b>69,441</b>	<b>3,898</b>
<b>Total Urban Development Department</b>	<b>847,602</b>	<b>846,802</b>	<b>773,728</b>	<b>73,074</b>
<b>Police Department</b>				
Personal services	4,375,665	4,233,342	4,181,795	51,547
Supplies	154,241	144,944	139,897	5,047
Services	468,794	459,866	370,437	89,429
Equipment maintenance	67,693	36,109	68,485	(32,376)
Building maintenance	--	425	425	--
Lease payments	17,800	14,400	11,715	2,685
Capital outlay	--	37,450	37,310	140
<b>Total Police Department</b>	<b>5,084,193</b>	<b>4,926,537</b>	<b>4,810,064</b>	<b>116,473</b>
<b>Fire Department</b>				
Personal services	2,716,866	2,680,964	2,615,289	65,675
Supplies	129,204	137,322	129,493	7,829
Services	197,672	198,158	177,732	20,426
Equipment maintenance	36,450	71,797	73,245	(1,448)
Lease payments	4,928	4,928	3,385	1,543
Capital outlay	--	209,734	303,758	(94,024)
<b>Total Fire Department</b>	<b>3,085,120</b>	<b>3,302,902</b>	<b>3,302,902</b>	<b>--</b>
<b>Volunteer Fire Department</b>				
Personal services	18,003	19,125	11,932	7,193
Supplies	39,100	32,978	15,732	17,246
Services	24,000	29,100	19,996	9,104
Equipment maintenance	2,081	2,081	1,559	522
<b>Total Volunteer Fire Department</b>	<b>83,184</b>	<b>83,284</b>	<b>49,219</b>	<b>34,065</b>



**CITY OF KINGSVILLE**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Public Works Department</b>				
Public Works Administration:				
Personal services	188,748	186,568	176,405	10,163
Supplies	7,268	3,404	2,812	592
Services	40,011	52,754	52,114	640
Equipment maintenance	2,220	582	(136)	718
Building maintenance	--	207	207	--
Lease payments	3,600	3,499	3,499	--
<b>Total Public Works Administration</b>	<b>241,847</b>	<b>247,014</b>	<b>234,901</b>	<b>12,113</b>
Garage:				
Personal services	410,360	412,979	412,791	188
Supplies	15,463	15,688	15,688	--
Services	8,220	6,809	6,809	--
Equipment maintenance	3,200	3,022	3,022	--
<b>Total Garage</b>	<b>437,243</b>	<b>438,498</b>	<b>438,310</b>	<b>188</b>
Sanitation:				
Personal services	698,543	655,289	653,130	2,159
Supplies	143,504	168,494	167,385	1,109
Services	22,400	19,153	18,185	968
Equipment maintenance	177,600	240,112	239,926	186
Building maintenance	1,000	--	--	--
Capital outlay	11,270	11,270	10,245	1,025
Bad debt	15,000	15,000	8,303	6,697
<b>Total Sanitation</b>	<b>1,069,317</b>	<b>1,109,317</b>	<b>1,097,174</b>	<b>12,143</b>
Street:				
Personal services	892,055	884,314	793,928	90,386
Supplies	80,047	82,568	80,697	1,871
Services	254,462	265,298	264,728	570
Equipment maintenance	55,500	59,006	58,386	620
Building maintenance	954,999	712,556	519,799	192,757
Lease payments	70,428	70,428	70,427	1
Bad debt	--	--	565	(565)
<b>Total Street</b>	<b>2,307,491</b>	<b>2,074,170</b>	<b>1,788,530</b>	<b>285,640</b>
Landfill:				
Personal services	424,354	431,314	428,752	2,562
Supplies	100,695	76,447	58,743	17,704
Services	184,642	199,687	196,284	3,403
Equipment maintenance	93,500	168,101	193,690	(25,589)
Building maintenance	19,000	15,400	15,397	3
Lease payments	65,244	65,242	65,242	--
Capital outlay	1,464,306	2,238,727	2,240,663	(1,936)
Bad debt	4,695	4,695	843	3,852
<b>Total Landfill</b>	<b>2,356,436</b>	<b>3,199,614</b>	<b>3,199,614</b>	<b>--</b>

**CITY OF KINGSVILLE**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**EXHIBIT B-1**  
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	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Recycling Center:</b>				
Personal services	33,924	33,924	32,215	1,709
Supplies	1,038	788	612	176
Services	7,414	8,384	7,081	1,303
Equipment maintenance	800	1,100	1,046	54
Building maintenance	500	280	253	27
<b>Total Recycling Center</b>	<b>43,676</b>	<b>44,476</b>	<b>41,207</b>	<b>3,269</b>
<b>Total Public Works Department</b>	<b>6,456,010</b>	<b>7,113,090</b>	<b>6,799,736</b>	<b>313,354</b>
<b>Health Department</b>				
Personal services	253,346	256,755	246,925	9,830
Supplies	32,220	30,524	19,760	10,764
Services	41,785	41,203	29,629	11,574
Equipment maintenance	3,400	2,470	1,168	1,302
Building maintenance	10,000	9,800	792	9,008
<b>Total Health Department</b>	<b>340,751</b>	<b>340,751</b>	<b>298,274</b>	<b>42,477</b>
<b>Parks and Recreation Department</b>				
Personal services	615,881	549,707	546,136	3,571
Supplies	59,500	72,241	68,615	3,626
Services	158,445	155,936	152,669	3,267
Equipment maintenance	22,361	15,795	10,014	5,781
Building maintenance	6,800	92,314	48,895	43,419
Lease payments	--	6,488	6,228	260
Capital outlay	5,000	37,344	16,274	21,070
<b>Total Parks and Recreation Department</b>	<b>867,987</b>	<b>929,824</b>	<b>848,831</b>	<b>80,993</b>
<b>Golf Course</b>				
Personal services	323,652	323,548	322,272	1,276
Supplies	71,178	87,077	86,322	755
Services	60,671	51,188	40,856	10,332
Equipment maintenance	13,000	8,224	6,849	1,375
Building maintenance	30,000	19,641	11,255	8,386
Lease payments	60,276	66,036	61,995	4,041
Capital outlay	--	110,569	136,734	(26,165)
<b>Total Golf Course</b>	<b>558,777</b>	<b>666,283</b>	<b>666,283</b>	<b>--</b>

**CITY OF KINGSVILLE**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Library Department</b>				
Personal services	220,107	232,973	205,931	27,042
Supplies	42,137	33,253	36,522	(3,269)
Services	25,800	23,782	22,539	1,243
Equipment maintenance	6,607	6,507	5,695	812
Building maintenance	4,800	2,900	2,813	87
<b>Total Library Department</b>	<u>299,451</u>	<u>299,415</u>	<u>273,500</u>	<u>25,915</u>
<b>Tourism Department</b>				
Supplies	--	119,017	77,084	41,933
Building maintenance	--	398,298	248,555	149,743
<b>Total Tourism Department</b>	<u>--</u>	<u>517,315</u>	<u>325,639</u>	<u>191,676</u>
<b>Total Expenditures</b>	<u>21,292,901</u>	<u>22,920,384</u>	<u>21,683,354</u>	<u>1,237,030</u>
Excess (deficiency) of revenues (under) expenditures	(3,832,184)	(5,417,497)	(2,974,874)	2,442,623
<b>Other Financing Sources (Uses):</b>				
Operating transfers in	1,659,406	1,980,295	1,516,784	(463,511)
Operating transfers out	(885,940)	(1,928,574)	(1,297,043)	631,531
Gain on disposal of assets	--	60,000	105,806	45,806
Insurance settlement	--	650,739	573,250	(77,489)
Lease proceeds	--	--	750,879	750,879
<b>Total Other Financing Sources (Uses)</b>	<u>773,466</u>	<u>762,460</u>	<u>1,649,676</u>	<u>887,216</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(3,058,718)	(4,655,037)	(1,325,198)	3,329,839
Fund Balances/Equity, October 1	10,444,894	10,444,894	10,444,894	--
Fund Balances/Equity, September 30	<u>\$ 7,386,176</u>	<u>\$ 5,789,857</u>	<u>\$ 9,119,696</u>	<u>\$ 3,329,839</u>

**CITY OF KINGSVILLE**  
**POLICE FORFEITURE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**EXHIBIT B-2**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Fines and Forfeits:				
Confiscated revenue	\$ --	\$ --	\$ 367,366	\$ 367,366
Minor fines	15,000	15,000	13,019	(1,981)
Total Fines and Forfeits	<u>15,000</u>	<u>15,000</u>	<u>380,385</u>	<u>365,385</u>
Interest and Miscellaneous:				
Interest from investments	115	115	17,483	17,368
Miscellaneous	--	--	4,241	4,241
Total Interest and Miscellaneous	<u>115</u>	<u>115</u>	<u>21,724</u>	<u>21,609</u>
Total Revenues	<u>15,115</u>	<u>15,115</u>	<u>402,109</u>	<u>386,994</u>
Expenditures:				
<b>Management Services Department:</b>				
Municipal Court:				
Supplies	13,000	16,000	2,793	13,207
Services	26,150	23,150	15,000	8,150
Lease payments	6,000	6,000	4,243	1,757
Total Municipal Court	<u>45,150</u>	<u>45,150</u>	<u>22,036</u>	<u>23,114</u>
Total Management Services Department	<u>45,150</u>	<u>45,150</u>	<u>22,036</u>	<u>23,114</u>
<b>Police Department</b>				
Personal services	225,000	225,000	220,101	4,899
Supplies	73,143	114,143	99,485	14,658
Services	119,108	157,436	93,271	64,165
Capital outlay	225,641	225,641	236,445	(10,804)
Total Police Department	<u>642,892</u>	<u>722,220</u>	<u>649,302</u>	<u>72,918</u>
Total Expenditures	<u>688,042</u>	<u>767,370</u>	<u>671,338</u>	<u>96,032</u>
Excess (deficiency) of revenues (under) expenditures	(672,927)	(752,255)	(269,229)	483,026
Other Financing Sources (Uses):				
Operating transfers in	--	4,168	4,167	(1)
Total Other Financing Sources (Uses)	<u>--</u>	<u>4,168</u>	<u>4,167</u>	<u>(1)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(672,927)	(748,087)	(265,062)	483,025
Fund Balances/Equity, October 1	1,726,152	1,726,152	1,726,152	--
Fund Balances/Equity, September 30	<u>\$ 1,053,225</u>	<u>\$ 978,065</u>	<u>\$ 1,461,090</u>	<u>\$ 483,025</u>

**CITY OF KINGSVILLE****REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS  
OTHER POST EMPLOYMENT BENEFITS  
YEAR ENDED SEPTEMBER 30, 2017**

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)
10/01/11	\$ --	\$ 2,883,303	\$ 2,883,303	--	\$ 8,003,491	36.0%
10/01/13	--	2,278,181	2,278,181	--	8,720,167	26.1%
10/01/15	--	2,300,985	2,300,985	--	9,527,663	24.2%

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

**CITY OF KINGSVILLE**

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

**EXHIBIT B-3**

	Measurement Year		
	2016	2015	2014
Total Pension Liability			
Service cost	\$ 1,518,194	\$ 1,478,821	\$ 1,277,906
Interest (on the total pension liability)	3,724,025	3,700,688	3,516,450
Changes of benefit terms	--	--	--
Difference between expected and actual experience	(830,982)	(652,092)	37,693
Changes in assumptions	--	70,021	--
Benefit payments, including refunds of employee contributions	(2,346,871)	(2,279,840)	(2,321,247)
Net Change in Total Pension Liability	2,064,366	2,317,598	2,510,802
Total Pension Liability - Beginning	55,585,074	53,267,476	50,756,674
Total Pension Liability - Ending (A)	\$ 57,649,440	\$ 55,585,074	\$ 53,267,476
Plan Fiduciary Net Position			
Contributions - employer	\$ 1,044,455	\$ 1,067,110	\$ 1,076,141
Contributions - employee	780,276	778,913	761,677
Net investment income	3,378,510	74,370	2,755,154
Benefit payments, including refunds of employee contributions	(2,346,871)	(2,279,840)	(2,321,247)
Administrative expense	(38,160)	(45,302)	(28,766)
Other	(2,056)	(2,237)	(2,365)
Net Change in Plan Fiduciary Net Position	2,816,154	(406,986)	2,240,594
Plan Fiduciary Net Position - Beginning	49,997,212	50,404,198	48,163,604
Plan Fiduciary Net Position - Ending (B)	\$ 52,813,366	\$ 49,997,212	\$ 50,404,198
Net Pension Liability - Ending (A-B)	\$ 4,836,074	\$ 5,587,862	\$ 2,863,278
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	91.61%	89.95%	94.62%
Covered Employee Payroll	\$ 11,146,799	\$ 11,127,323	\$ 10,881,102
Net Pension Liability as a Percentage of Covered Employee Payroll	43.39%	50.22%	26.31%

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

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

EXHIBIT B-4

	Fiscal Year			
	2017	2016	2015	2014
Contractually required contribution	\$ 1,036,718	\$ 1,056,924	\$ 1,067,110	\$ 1,076,141
Contributions in relation to the contractually required contribution	(1,036,718)	(1,056,924)	(1,067,110)	(1,076,141)
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --
City's covered-employee payroll	\$ 11,222,189	\$ 11,208,130	\$ 11,127,323	\$ 10,881,102
Contributions as a percentage of covered-employee payroll	9.24%	9.43%	9.59%	9.89%

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

## **CITY OF KINGSVILLE**

### *NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED SEPTEMBER 30, 2017*

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

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

Valuation Date	Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Payroll, Closed
Remaining amortization period	29 years
Asset valuation method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.5% to 10.5%, including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table based on rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Other Information	There were no benefit changes during the year.





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**CITY OF KINGSVILLE**  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 SEPTEMBER 30, 2017

	<u>Tourism Fund</u>	<u>Federal Grants</u>
<b>ASSETS</b>		
Assets:		
Cash and cash equivalents	\$ 175	\$ --
Equity in pooled cash and cash equivalents	--	29,600
Receivables (net of allowances for uncollectibles):		
Accounts	69,667	--
Due from:		
Other governments	--	426,109
Inventory, at cost	1,097	--
Restricted assets:		
Cash and cash equivalents	387,618	--
Total Assets	<u>\$ 458,557</u>	<u>\$ 455,709</u>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND EQUITY</b>		
Liabilities:		
Accounts payable	\$ 21,564	\$ --
Accrued wages payable	6,226	--
Payable from restricted assets:		
Retainage payable	--	2,800
Due to:		
Other funds	7,070	423,680
Other governments	16,752	18,410
Total Liabilities	<u>51,612</u>	<u>444,890</u>
Deferred Inflows of Resources:		
Deferred revenue	1,410	7,705
Total Deferred Inflows of Resources	<u>1,410</u>	<u>7,705</u>
Equity:		
Fund balances:		
Restricted:		
Tourism	405,535	--
Federal and state programs	--	3,114
Assigned:		
Drug awareness	--	--
Total Equity	<u>405,535</u>	<u>3,114</u>
 Total Liabilities, Deferred Inflows of Resources, and Equity	 <u>\$ 458,557</u>	 <u>\$ 455,709</u>

EXHIBIT C-1

<u>State Grants</u>	<u>Other Special Revenues</u>	<u>Total Nonmajor Special Revenue Funds (See Exhibit A-3)</u>
\$ --	\$ --	\$ 175
10,554	2,365	42,519
--	--	69,667
16,357	--	442,466
--	--	1,097
--	--	387,618
<u>\$ 26,911</u>	<u>\$ 2,365</u>	<u>\$ 943,542</u>
\$ --	\$ --	\$ 21,564
--	--	6,226
--	--	2,800
--	--	430,750
--	--	35,162
<u>--</u>	<u>--</u>	<u>496,502</u>
23,312	--	32,427
<u>23,312</u>	<u>--</u>	<u>32,427</u>
--	--	405,535
3,599	--	6,713
--	2,365	2,365
<u>3,599</u>	<u>2,365</u>	<u>414,613</u>
<u>\$ 26,911</u>	<u>\$ 2,365</u>	<u>\$ 943,542</u>

**CITY OF KINGSVILLE**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Tourism Fund	Federal Grants
Revenue:		
Taxes	\$ 548,981	\$ --
Charges for services	55,663	--
Interest and miscellaneous	281	--
Donations	4,200	--
Federal and state grants	--	595,318
Total Revenues	<u>609,125</u>	<u>595,318</u>
Expenditures:		
Current:		
General government and administration	--	66,822
Public safety	--	548,207
Public works	--	21,886
City/County	--	--
Tourism	645,509	--
Total Expenditures	<u>645,509</u>	<u>636,915</u>
Excess (deficiency) of revenues (under) expenditures	(36,384)	(41,597)
Other Financing Sources (Uses):		
Transfers in	--	90,118
Transfers out	(137,756)	--
Total Other Financing Sources (Uses)	<u>(137,756)</u>	<u>90,118</u>
Net Change in Fund Balances	(174,140)	48,521
Fund Balances/Equity, October 1	579,675	(45,407)
Fund Balances/Equity, September 30	<u>\$ 405,535</u>	<u>\$ 3,114</u>

State Grants	Other Special Revenues	Total Nonmajor Special Revenue Funds (See Exhibit A-5)
\$ --	\$ --	\$ 548,981
--	--	55,663
--	--	281
--	--	4,200
<u>47,452</u>	<u>--</u>	<u>642,770</u>
<u>47,452</u>	<u>--</u>	<u>1,251,895</u>
--	--	66,822
40,332	--	588,539
--	--	21,886
16,770	--	16,770
--	--	645,509
<u>57,102</u>	<u>--</u>	<u>1,339,526</u>
(9,650)	--	(87,631)
13,249	--	103,367
--	--	(137,756)
<u>13,249</u>	<u>--</u>	<u>(34,389)</u>
3,599	--	(122,020)
--	2,365	536,633
<u>\$ 3,599</u>	<u>\$ 2,365</u>	<u>\$ 414,613</u>





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**CITY OF KINGSVILLE**

TOURISM FUND

SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2017

EXHIBIT C-3

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
General Property Taxes:				
Hotel/Motel property tax	\$ 485,000	\$ 485,000	\$ 548,981	\$ 63,981
Total General Property Taxes	<u>485,000</u>	<u>485,000</u>	<u>548,981</u>	<u>63,981</u>
Charges for Services:				
General Service Fees:				
Park and recreational fees	37,075	37,075	55,148	18,073
Total General Service Fees	<u>37,075</u>	<u>37,075</u>	<u>55,148</u>	<u>18,073</u>
Sanitation Services:				
Miscellaneous	200	200	490	290
Total Sanitation Services	<u>200</u>	<u>200</u>	<u>490</u>	<u>290</u>
Total Charges for Services	<u>37,275</u>	<u>37,275</u>	<u>55,663</u>	<u>18,388</u>
Interest and Miscellaneous:				
Interest from investments	300	300	281	(19)
Total Interest and Miscellaneous	<u>300</u>	<u>300</u>	<u>281</u>	<u>(19)</u>
Total Revenues	<u>522,575</u>	<u>526,775</u>	<u>609,125</u>	<u>82,350</u>
Expenditures:				
<b>Tourism Department</b>				
Personal services	175,660	165,660	160,427	5,233
Supplies	14,988	16,481	16,235	246
Services	306,401	298,496	224,920	73,576
Equipment maintenance	2,250	755	755	--
Building maintenance	--	43,357	43,357	--
Lease payments	8,850	7,221	4,627	2,594
Capital outlay	--	3,079	2,486	593
Total Tourism Department	<u>508,149</u>	<u>535,049</u>	<u>452,807</u>	<u>82,242</u>
Total Expenditures	<u>688,861</u>	<u>734,561</u>	<u>645,509</u>	<u>89,052</u>
Excess (deficiency) of revenues (under) expenditures	(166,286)	(207,786)	(36,384)	171,402
Other Financing Sources (Uses):				
Operating transfers out	(137,756)	(137,756)	(137,756)	--
Total Other Financing Sources (Uses)	<u>(137,756)</u>	<u>(137,756)</u>	<u>(137,756)</u>	<u>--</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(304,042)	(345,542)	(174,140)	171,402
Fund Balances/Equity, October 1	579,675	579,675	579,675	--
Fund Balances/Equity, September 30	<u>\$ 275,633</u>	<u>\$ 234,133</u>	<u>\$ 405,535</u>	<u>\$ 171,402</u>

**CITY OF KINGSVILLE**  
**FEDERAL GRANTS FUND**  
**SPECIAL REVENUE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**EXHIBIT C-4**  
Page 1 of 2

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Federal and state grants	\$ 359,100	\$ 526,906	\$ 595,318	\$ 68,412
Total Revenues	359,100	526,906	595,318	68,412
Expenditures:				
<b>Management Services Department</b>				
Personnel:				
Personal services	--	1,660	1,661	(1)
Total Personnel	--	1,660	1,661	(1)
Total Management Services Department	--	1,660	1,661	(1)
<b>Urban Development Department</b>				
Planning:				
Building maintenance	--	150,000	65,161	84,839
Total Planning	--	150,000	65,161	84,839
Total Urban Development Department	--	150,000	65,161	84,839
<b>Police Department</b>				
Personal services	--	59,783	51,007	8,776
Supplies	--	27,620	27,620	--
Total Police Department	--	87,403	78,627	8,776
<b>Task Force</b>				
Supplies	--	30,215	30,215	--
Capital outlay	--	31,500	31,500	--
Total Task Force	--	61,715	61,715	--
<b>Fire Department</b>				
Supplies	--	--	7,865	(7,865)
Capital outlay	400,000	400,000	400,000	--
Total Fire Department	400,000	400,000	407,865	(7,865)

**CITY OF KINGSVILLE**  
 FEDERAL GRANTS FUND  
 SPECIAL REVENUE FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

**EXHIBIT C-4**  
 Page 2 of 2

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Public Works Department</b>				
Landfill:				
Personal services	--	14,512	14,511	1
Services	--	3,804	3,804	--
Equipment maintenance	--	3,571	3,571	--
Total Landfill	--	21,886	21,886	--
Total Public Works Department	--	21,886	21,886	--
Total Expenditures	400,000	722,665	636,915	85,750
Excess (deficiency) of revenues (under) expenditures	(40,900)	(195,759)	(41,597)	154,162
Other Financing Sources (Uses):				
Operating transfers in	40,900	58,579	90,118	31,539
Total Other Financing Sources (Uses)	40,900	58,579	90,118	(31,539)
Excess of revenues and other financing sources over (under) expenditures and other financing uses	--	(137,180)	48,521	185,701
Fund Balances/Equity, October 1	(45,407)	(45,407)	(45,407)	--
Fund Balances/Equity, September 30	<u>\$ (45,407)</u>	<u>\$ (182,587)</u>	<u>\$ 3,114</u>	<u>\$ 185,701</u>

**CITY OF KINGSVILLE**

LAW ENFORCEMENT OFFICER STANDARD-POLICE  
 SPECIAL REVENUE FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

EXHIBIT C-5

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Federal and state grants	\$ --	\$ 25,335	\$ 47,452	\$ 22,117
Total Revenues	--	25,335	47,452	22,117
Expenditures:				
<b>Police Department</b>				
Personal services	--	47,852	37,052	10,800
Services	1,000	1,000	3,280	(2,280)
Total Police Department	1,000	48,852	40,332	8,520
<b>Parks and Recreation Department</b>				
Personal services	--	--	8,302	(8,302)
Services	--	34,209	8,468	25,741
Total Parks and Recreation Department	--	34,209	16,770	17,439
Total Expenditures	1,000	83,061	57,102	25,959
Excess (deficiency) of revenues (under) expenditures	(1,000)	(57,726)	(9,650)	48,076
Other Financing Sources (Uses):				
Operating transfers in	--	13,249	13,249	--
Total Other Financing Sources (Uses)	--	13,249	13,249	--
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(1,000)	(44,477)	3,599	48,076
Fund Balances/Equity, October 1	--	--	--	--
Fund Balances/Equity, September 30	<u>\$ (1,000)</u>	<u>\$ (44,477)</u>	<u>\$ 3,599</u>	<u>\$ 48,076</u>



**CITY OF KINGSVILLE**  
**DEBT SERVICE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

EXHIBIT C-6

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
General Property Taxes:				
Current taxes	\$ 1,431,523	\$ 1,431,523	\$ 1,377,066	\$ (54,457)
Delinquent taxes	40,000	40,000	39,978	(22)
Penalty and interest	35,000	35,000	31,969	(3,031)
Total General Property Taxes	<u>1,506,523</u>	<u>1,506,523</u>	<u>1,449,013</u>	<u>(57,510)</u>
Interest and Miscellaneous:				
Interest from investments	1,300	1,300	9,678	8,378
Total Interest and Miscellaneous	<u>1,300</u>	<u>1,300</u>	<u>9,678</u>	<u>8,378</u>
Total Revenues	<u>1,507,823</u>	<u>1,507,823</u>	<u>1,458,691</u>	<u>(49,132)</u>
Expenditures:				
<b>Debt Service</b>				
Principal retired	1,110,000	1,110,000	980,798	129,202
Interest	441,491	441,491	458,762	(17,271)
Paying agent fees	3,300	3,300	3,550	(250)
Total Debt Service	<u>1,554,791</u>	<u>1,554,791</u>	<u>1,443,110</u>	<u>111,681</u>
Total Expenditures	<u>1,554,791</u>	<u>1,554,791</u>	<u>1,443,110</u>	<u>111,681</u>
Excess (deficiency) of revenues (under) expenditures	(46,968)	(46,968)	15,581	62,549
Other Financing Sources (Uses):				
Operating transfers in	122,750	122,750	122,750	--
Total Other Financing Sources (Uses)	<u>122,750</u>	<u>122,750</u>	<u>122,750</u>	<u>--</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	75,782	75,782	138,331	62,549
Fund Balances/Equity, October 1	618,994	618,994	618,994	--
Fund Balances/Equity, September 30	<u>\$ 694,776</u>	<u>\$ 694,776</u>	<u>\$ 757,325</u>	<u>\$ 62,549</u>



**King'sville**  
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**CAPITAL PROJECTS FUND**

**CITY OF KINGSVILLE**  
 CAPITAL IMPROVEMENTS FUND  
 CAPITAL PROJECTS FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

**EXHIBIT C-7**  
 Page 1 of 3

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Interest and Miscellaneous:				
Interest from investments	\$ 4,800	\$ 4,800	\$ 50,560	\$ 45,760
Miscellaneous	--	--	5,373	5,373
Total Interest and Miscellaneous	<u>4,800</u>	<u>4,800</u>	<u>55,933</u>	<u>51,133</u>
Total Revenues	<u>4,800</u>	<u>4,800</u>	<u>55,933</u>	<u>51,133</u>
Expenditures:				
<b>City Administration Department</b>				
City Special:				
Supplies	--	29,922	29,922	--
Services	--	76,310	82,560	(6,250)
Capital outlay	<u>1,900,000</u>	<u>2,129,956</u>	<u>993,188</u>	<u>1,136,768</u>
Total City Special	<u>1,900,000</u>	<u>2,236,188</u>	<u>1,105,670</u>	<u>1,130,518</u>
Total City Administration Department	<u>1,900,000</u>	<u>2,236,188</u>	<u>1,105,670</u>	<u>1,130,518</u>
<b>Management Services Department</b>				
Computer Operations:				
Supplies	<u>6,000</u>	<u>769</u>	<u>1,786</u>	<u>(2,555)</u>
Total Computer Operations	<u>6,000</u>	<u>769</u>	<u>1,786</u>	<u>(2,555)</u>
Total Management Services Department	<u>6,000</u>	<u>769</u>	<u>1,786</u>	<u>(2,555)</u>
<b>Police Department</b>				
Capital outlay	<u>35,928</u>	<u>871,647</u>	<u>44,533</u>	<u>827,114</u>
Total Police Department	<u>35,928</u>	<u>871,647</u>	<u>44,533</u>	<u>827,114</u>
<b>Fire Department</b>				
Capital outlay	<u>471,728</u>	<u>340,720</u>	<u>289,479</u>	<u>51,241</u>
Total Fire Department	<u>471,728</u>	<u>340,720</u>	<u>289,479</u>	<u>51,241</u>
<b>Public Works Department</b>				
Public Works Administration:				
Capital outlay	<u>75,000</u>	<u>125,000</u>	<u>--</u>	<u>125,000</u>
Total Public Works Administration	<u>75,000</u>	<u>125,000</u>	<u>--</u>	<u>125,000</u>

**CITY OF KINGSVILLE**  
**CAPITAL IMPROVEMENTS FUND**  
**CAPITAL PROJECTS FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**EXHIBIT C-7**  
Page 2 of 3

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Sanitation:				
Capital outlay	--	216,598	216,598	--
Total Sanitation	--	216,598	216,598	--
Street:				
Building maintenance	362,500	1,607,499	1,101,091	506,408
Capital outlay	--	147,283	147,283	--
Total Street	362,500	1,754,782	1,248,374	506,408
Building maintenance	4,928	4,928	--	4,928
Total Landfill	4,928	4,928	--	4,928
Total Public Works Department	442,428	2,101,308	1,464,972	636,336
<b>Health Department</b>				
Capital outlay	25,000	25,000	--	25,000
Total Health Department	25,000	25,000	--	25,000
<b>Parks and Recreation Department</b>				
Supplies	--	--	56	(56)
Services	--	22,409	22,409	--
Building maintenance	--	201,482	1,482	200,000
Capital outlay	794,981	1,625,859	585,473	1,040,386
Total Parks and Recreation Department	794,981	1,849,751	609,420	1,240,331
<b>Golf Course</b>				
Supplies	--	10,000	3,575	6,425
Services	--	40,000	37,478	2,522
Building maintenance	--	51,350	--	51,350
Capital outlay	81,300	337,713	218,785	118,928
Total Golf Course	81,300	439,063	259,838	179,225
<b>Library Department</b>				
Capital outlay	7,500	3,277	3,278	(1)
Total Library Department	7,500	3,277	3,278	(1)
Total Expenditures	3,764,865	7,867,724	3,778,976	4,088,748
Excess (deficiency) of revenues (under) expenditures	(3,760,065)	(7,862,924)	(3,723,043)	4,139,881

**CITY OF KINGSVILLE**  
*CAPITAL IMPROVEMENTS FUND*  
*CAPITAL PROJECTS FUND*  
*BUDGETARY COMPARISON SCHEDULE*  
*FOR THE YEAR ENDED SEPTEMBER 30, 2017*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Other Financing Sources (Uses):				
Operating transfers in	674,207	1,374,207	1,374,344	137
Operating transfers out	(37,229)	(37,229)	(153,306)	(116,077)
Total Other Financing Sources (Uses)	<u>636,978</u>	<u>1,336,978</u>	<u>1,221,038</u>	<u>(115,940)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(3,123,087)	(6,525,946)	(2,502,005)	4,023,941
Fund Balances/Equity, October 1	6,509,572	6,509,572	6,509,572	--
Fund Balances/Equity, September 30	<u>\$ 3,386,485</u>	<u>\$ (16,374)</u>	<u>\$ 4,007,567</u>	<u>\$ 4,023,941</u>



**King'sville**  
TEXAS



**CITY OF KINGSVILLE**

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
YEAR ENDED SEPTEMBER 30, 2017

EXHIBIT C-8

	Balance October 1, 2015	Additions	Deductions	Balance September 30, 2017
<b>Corporation Court Cash Bond Account Fund</b>				
<b>ASSETS</b>				
Cash and investments	\$ 94,102	\$ 56,258	\$ 53,184	\$ 97,176
Total Assets	<u>\$ 94,102</u>	<u>\$ 56,258</u>	<u>\$ 53,184</u>	<u>\$ 97,176</u>
<b>LIABILITIES</b>				
Cash bonds held	\$ 94,102	\$ 56,258	\$ 53,184	\$ 97,176
Total Liabilities	<u>\$ 94,102</u>	<u>\$ 56,258</u>	<u>\$ 53,184</u>	<u>\$ 97,176</u>



*City of*  
**King'sville**  
TEXAS





## Statistical Section

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

<u>Contents</u>	<u>Page</u>
<b>Financial Trends</b>	
These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.	111-118
<b>Revenue Capacity</b>	
These schedules contain information to help the reader assess the factors affecting the city's ability to generate its property and sales taxes.	119-127
<b>Debt Capacity</b>	
These schedules present information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future.	128-134
<b>Demographic and Economic Information</b>	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place and to help make comparisons over time with other governments.	135-136
<b>Operating Information</b>	
These schedules contain information about the city's operations and resources to help the reader understand how the city's financial information relates to the services the city provides and the activities it performs.	137-141

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

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

	Fiscal Year				
	2017	2016	2015	2014	2013
<b>Governmental Activities</b>					
Net investment in Capital Assets	\$ 8,359,623	\$ 8,385,155	\$ 9,978,832	\$ 7,857,043	\$ 7,196,801
Restricted	3,391,989	2,691,190	3,214,449	4,552,225	5,952,091
Unrestricted	4,923,248	5,042,603	2,347,890	1,671,613	2,846,877
<b>Total governmental activities net position</b>	<b>\$ 16,674,860</b>	<b>\$ 16,118,948</b>	<b>\$ 15,541,171</b>	<b>\$ 14,080,881</b>	<b>\$ 15,995,769</b>
<b>Business-type activities</b>					
Net Investment in Capital Assets	\$ 7,888,672	\$ 5,337,203	\$ 3,658,702	\$ 842,427	\$ 2,766,006
Restricted	3,124,894	3,783,641	5,606,600	6,361,728	539,925
Unrestricted	2,394,348	5,265,570	4,667,465	8,899,435	11,624,979
<b>Total Business-Type Activities Net Position</b>	<b>\$ 13,407,914</b>	<b>\$ 14,386,414</b>	<b>\$ 13,932,767</b>	<b>\$ 16,103,590</b>	<b>\$ 14,930,910</b>
<b>Primary Government</b>					
Net investment in Capital Assets	\$ 16,248,295	\$ 13,722,358	\$ 13,637,534	\$ 8,699,470	\$ 9,962,807
Restricted	6,516,883	6,474,831	8,821,049	10,913,953	6,492,016
Unrestricted	7,317,596	10,308,173	7,015,355	10,571,048	14,471,856
<b>Total Primary Government Net Position</b>	<b>\$ 30,082,774</b>	<b>\$ 30,505,362</b>	<b>\$ 29,473,938</b>	<b>\$ 30,184,471</b>	<b>\$ 30,926,679</b>

**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					
2012	2011	2010	2009	2008	
\$ 8,641,553	\$ 8,703,647	\$ 7,242,987	\$ 7,229,724	\$ 7,980,938	
3,139,930	-	911,541	2,946,915	2,727,155	
<u>4,221,605</u>	<u>6,456,755</u>	<u>5,818,599</u>	<u>5,341,187</u>	<u>3,037,771</u>	
<u>\$ 16,003,088</u>	<u>\$ 15,160,402</u>	<u>\$ 13,973,127</u>	<u>\$ 15,517,826</u>	<u>\$ 13,745,864</u>	
\$ 4,049,345	\$ 3,398,641	\$ 3,028,078	\$ 1,028,641	\$ 4,376,931	
1,086,225	1,403,545	2,225,545	1,704,129	3,056,231	
<u>8,689,906</u>	<u>6,601,689</u>	<u>5,843,383</u>	<u>7,191,437</u>	<u>1,229,553</u>	
<u>\$ 13,825,476</u>	<u>\$ 11,403,875</u>	<u>\$ 11,097,006</u>	<u>\$ 9,924,207</u>	<u>\$ 8,662,715</u>	
\$ 12,690,898	\$ 12,102,288	\$ 10,271,065	\$ 8,258,365	\$ 12,357,869	
4,226,155	2,086,412	3,137,086	4,651,044	5,783,386	
<u>12,911,511</u>	<u>13,058,444</u>	<u>11,661,982</u>	<u>12,532,624</u>	<u>4,267,324</u>	
<u>\$ 29,828,564</u>	<u>\$ 27,247,144</u>	<u>\$ 25,070,133</u>	<u>\$ 25,442,033</u>	<u>\$ 22,408,579</u>	

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

	Fiscal Year				
	2017	2016	2015	2014	2013
<b>Expenses</b>					
<b>Governmental Activities:</b>					
General Government	\$ 4,803,413	\$ 4,487,935	\$ 3,995,650	\$ 4,127,259	\$ 3,957,983
Public Safety	9,056,283	10,415,086	9,204,930	10,189,111	9,100,303
Public Works	3,978,987	3,321,641	3,306,944	3,727,188	3,342,824
City/County	2,116,324	2,735,353	1,861,469	797,635	754,701
Tourism	976,056	533,758	489,686	482,331	404,947
Interest on Long-Term Debt	362,092	415,124	255,927	309,706	362,523
<b>Total Governmental Activities Expenses</b>	<b>21,293,155</b>	<b>21,908,897</b>	<b>19,114,606</b>	<b>19,633,230</b>	<b>17,923,281</b>
<b>Business-Type Activities:</b>					
Water	4,587,773	4,576,376	4,136,054	4,569,960	4,232,121
Solid Waste	2,861,670	2,594,497	2,705,535	2,706,916	2,541,678
Waste Water	3,234,997	2,992,974	2,769,038	2,547,557	2,287,392
Storm Water	270	253	631	834	1,074
<b>Total Business-Type Activity Expenses</b>	<b>10,684,710</b>	<b>10,164,100</b>	<b>9,611,258</b>	<b>9,825,267</b>	<b>9,062,265</b>
<b>Total Primary Government Expenses</b>	<b>\$ 31,977,865</b>	<b>\$ 32,072,997</b>	<b>\$ 28,725,864</b>	<b>\$ 29,458,497</b>	<b>\$ 26,985,546</b>
<b>Program Revenue (see schedule 3)</b>					
<b>Governmental Activities</b>					
<b>Charges for Services:</b>					
General Government	\$ 289,523	\$ 342,476	\$ 336,553	\$ 427,047	\$ 373,672
Public Safety	1,738,745	3,596,477	3,394,881	2,374,591	2,718,033
Public Works	853,075	601,700	62,577	54,893	531,161
City/County	308,082	467,315	295,084	30,038	23,118
Tourism	55,173	935	1,985	626,066	519,940
Operating Grants and Contributions	1,192,770	1,071,004	947,173	298,649	403,484
Capital Grants and Contributions	-	-	-	2,074	2,673
	<u>4,437,368</u>	<u>6,079,907</u>	<u>5,038,253</u>	<u>3,813,358</u>	<u>4,572,081</u>
<b>Business-Type Activities:</b>					
<b>Charges for Services:</b>					
Water	5,084,940	4,748,558	4,509,790	5,021,529	5,239,019
Waste Water	3,497,038	3,409,252	3,451,936	3,830,649	3,357,948
Solid Waste	3,924,740	3,856,298	3,915,060	3,776,750	3,303,720
Storm Water	227,449	226,086	224,545	228,883	243,952
Operating Grants and Contributions	191,926	111,987	-	-	-
Capital Grants and Contributions	-	-	-	-	-
<b>Total Business-Type Activities Program Revenues</b>	<b>12,926,093</b>	<b>12,352,181</b>	<b>12,101,331</b>	<b>12,857,811</b>	<b>12,144,639</b>
<b>Total Primary Government Program Revenues</b>	<b>\$ 17,363,461</b>	<b>\$ 18,432,088</b>	<b>\$ 17,139,584</b>	<b>\$ 16,671,169</b>	<b>\$ 16,716,720</b>

SCHEDULE 2

		Fiscal Year							
		2012	2011	2010	2009	2008			
\$	3,285,875	\$	2,974,363	\$	2,853,471	\$	2,481,859	\$	2,438,913
	9,475,608		9,144,528		8,450,026		8,175,281		8,167,213
	2,823,707		2,521,159		2,838,815		2,770,070		2,414,167
	811,546		801,490		782,399		761,837		731,158
	389,259		484,470		421,233		440,694		421,633
	335,136		319,288		190,913		262,818		292,623
	<u>17,121,131</u>		<u>16,245,298</u>		<u>15,536,857</u>		<u>14,892,559</u>		<u>14,465,707</u>
	4,570,338		3,847,697		3,474,155		3,687,376		3,153,345
	2,417,443		2,669,749		2,273,372		2,201,955		2,516,322
	2,451,466		2,392,136		3,201,052		2,692,116		2,020,090
	-		-		-		-		-
	<u>9,439,247</u>		<u>8,909,582</u>		<u>8,948,579</u>		<u>8,581,447</u>		<u>7,689,757</u>
\$	<u>26,560,378</u>	\$	<u>25,154,880</u>	\$	<u>24,485,436</u>	\$	<u>23,474,006</u>	\$	<u>22,155,464</u>
\$	265,724	\$	357,478	\$	160,225	\$	309,430	\$	284,438
	1,975,762		2,486,253		2,476,666		2,981,961		2,980,370
	23,470		48,367		60,302		661		-
	21,581		32,587		20,302		9,117		8,924
	542,582		483,424		422,584		440,694		421,633
	308,366		479,148		486,855		294,364		260,506
	19,700		92,993		-		176,363		30,000
	<u>3,157,185</u>		<u>3,980,250</u>		<u>3,626,934</u>		<u>4,212,590</u>		<u>3,985,871</u>
	5,064,986		4,516,381		3,769,784		4,808,714		4,325,645
	3,815,313		3,646,165		3,572,534		3,378,346		3,036,567
	3,329,276		3,363,894		2,708,503		3,510,389		2,958,287
	-		-		-		-		650
	-		-		700		172,469		-
	-		-		-		-		-
	<u>12,209,575</u>		<u>11,526,440</u>		<u>10,051,521</u>		<u>11,869,918</u>		<u>10,321,149</u>
\$	<u>15,366,760</u>	\$	<u>15,506,690</u>	\$	<u>13,678,455</u>	\$	<u>16,082,508</u>	\$	<u>14,307,020</u>

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

	Fiscal Year				
	2017	2016	2015	2014	2013
<b>Net (Expense)/Revenue</b>					
Governmental Activities	\$ (16,855,787)	\$ (15,828,990)	\$ (14,076,353)	\$ (15,819,872)	\$ (13,351,200)
Business-Type Activities	2,241,383	2,188,081	2,490,073	3,032,544	3,082,374
<b>Total Primary Government Net Expenses</b>	<b>\$ (14,614,404)</b>	<b>\$ (13,640,909)</b>	<b>\$ (11,586,280)</b>	<b>\$ (12,787,328)</b>	<b>\$ (10,268,826)</b>
<b>General Revenues - Other Changes in Net Position</b>					
Governmental Activities					
Taxes					
Property Taxes	\$ 6,737,284	\$ 6,425,348	\$ 6,247,458	\$ 6,111,394	\$ 5,956,227
Franchise Taxes	989,053	996,256	1,003,931	1,019,888	971,761
Sales Taxes	4,770,174	4,599,145	4,520,268	4,543,435	4,338,360
Hotel/Motel Taxes	549,471	510,673	564,056	-	-
Other Taxes	66,553	55,932	57,265	57,136	49,137
Payment in Lieu of Taxes	100,000	100,000	100,000	100,000	100,000
Insurance Settlement	573,250	1,605,908	-	-	-
Investment Earnings	134,896	251,491	128,334	83,492	211,942
Gain (loss) on disposal of capital assets	87,712	-	-	-	-
Miscellaneous (loss)	98,935	24,320	21,292	2,000	399
Transfers	3,304,371	1,837,694	4,442,361	1,987,639	1,849,660
<b>Total Governmental Activities</b>	<b>17,411,699</b>	<b>16,406,767</b>	<b>17,084,965</b>	<b>13,904,984</b>	<b>13,477,486</b>
Business-Type Activities					
Investment Earnings	73,974	103,258	45,957	127,777	37,971
Other	10,514	-	-	-	-
Transfers	(3,304,371)	(1,837,694)	(4,442,361)	(1,987,638)	(1,849,660)
<b>Total Business-Type Activities</b>	<b>(3,219,883)</b>	<b>(1,734,436)</b>	<b>(4,396,404)</b>	<b>(1,859,861)</b>	<b>(1,811,689)</b>
<b>Total Primary Government</b>	<b>\$ 14,191,816</b>	<b>\$ 14,672,331</b>	<b>\$ 12,688,561</b>	<b>\$ 12,045,123</b>	<b>\$ 11,665,797</b>
<b>Changes in Net Position</b>					
Governmental Activities (loss)	\$ 555,912	\$ 577,777	\$ 3,008,612	\$ (1,914,888)	\$ 126,286
Business-Type Activities (loss)	(978,500)	453,645	(1,906,331)	1,172,684	1,270,685
<b>Total Primary Government (loss)</b>	<b>\$ (422,588)</b>	<b>\$ 1,031,422</b>	<b>\$ 1,102,281</b>	<b>\$ (742,204)</b>	<b>\$ 1,396,971</b>

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

SCHEDULE 2  
(Continued)

Fiscal Year				
2012	2011	2010	2009	2008
\$ (13,963,946)	\$ (12,265,048)	\$ (11,909,923)	\$ (10,679,969)	\$ (10,479,836)
<u>2,770,328</u>	<u>2,616,858</u>	<u>1,102,942</u>	<u>3,288,471</u>	<u>2,631,392</u>
<u>\$ (11,193,618)</u>	<u>\$ (9,648,190)</u>	<u>\$ (10,806,981)</u>	<u>\$ (7,391,498)</u>	<u>\$ (7,848,444)</u>
\$ 5,891,693	\$ 5,898,032	\$ 5,467,439	\$ 5,251,584	\$ 4,835,723
977,459	981,170	976,187	989,368	996,518
4,204,521	4,582,312	3,699,421	3,872,834	3,891,958
-	-	-	-	-
45,703	46,381	49,591	50,319	49,676
100,000	100,000	100,000	100,000	100,000
-	-	-	-	-
83,886	87,229	147,868	239,018	506,573
-	-	-	-	-
295,794	220	36,672	(23,926)	5,311
<u>2,662,842</u>	<u>2,439,847</u>	<u>1,002,840</u>	<u>1,972,734</u>	<u>1,699,969</u>
<u>14,261,898</u>	<u>14,135,191</u>	<u>11,480,018</u>	<u>12,451,931</u>	<u>12,085,728</u>
137,410	129,857	78,863	29,285	249,258
-	-	-	-	(5,130)
<u>(2,662,842)</u>	<u>(2,439,847)</u>	<u>(1,002,838)</u>	<u>(1,972,734)</u>	<u>(1,699,968)</u>
<u>(2,525,432)</u>	<u>(2,309,990)</u>	<u>(923,975)</u>	<u>(1,943,449)</u>	<u>(1,455,840)</u>
<u>\$ 11,736,466</u>	<u>\$ 11,825,201</u>	<u>\$ 10,556,043</u>	<u>\$ 10,508,482</u>	<u>\$ 10,629,888</u>
\$ 297,952	\$ 1,870,143	\$ (429,905)	\$ 1,771,962	\$ 1,605,892
<u>244,896</u>	<u>306,868</u>	<u>178,967</u>	<u>1,345,022</u>	<u>1,175,552</u>
<u>\$ 542,848</u>	<u>\$ 2,177,011</u>	<u>\$ (250,938)</u>	<u>\$ 3,116,984</u>	<u>\$ 2,781,444</u>

**CITY OF KINGSVILLE**

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

	Fiscal Year				
	2008	2009	2010	2011	2012
<b>General Fund</b>					
Reserved	\$ 1,553,672	\$ 445,405	\$ 279,242	\$ -	\$ -
Unreserved	7,643,773	8,209,389	8,441,728	-	-
Nonspendable	-	-	-	186,270	208,104
Restricted	-	-	-	124,067	124,837
Committed	-	-	-	4,191,118	4,771,546
Unassigned	-	-	-	5,917,128	5,629,480
<b>Total General Fund</b>	<b>\$ 9,197,445</b>	<b>\$ 8,654,794</b>	<b>\$ 8,720,970</b>	<b>\$ 10,418,583</b>	<b>\$ 10,733,967</b>
<b>All Other Governmental Funds</b>					
Reserved	\$ 28,416	\$ 8,301	\$ 483	\$ -	\$ -
Unreserved, Reported in					
Special Revenue Funds	1,521,263	2,187,562	2,434,595	-	-
	353,284	3,064,926	702,976	-	-
	355,415	397,850	431,185	-	-
Restricted					
Debt Service Funds	-	-	-	654,664	733,821
Special Revenue Funds	-	-	-	10,303	451,571
Capital Projects Funds	-	-	-	4,349,466	3,066,934
Unassigned, Reported in					
Special Revenue Funds	-	-	-	2,509,776	1,681,034
Assigned					
Drug Awareness	-	-	-	-	-
<b>Total All Other Governmental Funds</b>	<b>\$ 2,258,378</b>	<b>\$ 5,658,639</b>	<b>\$ 3,569,239</b>	<b>\$ 7,524,209</b>	<b>\$ 5,933,360</b>

**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				
2013	2014	2015	2016	2017
\$ -	\$ -	\$ -	\$ -	\$ -
-	890,143	-	-	-
208,104	208,104	224,369	252,475	285,323
122,629	129,744	137,203	97,400	97,057
5,785,885	6,396,343	4,817,647	2,945,543	1,266,453
<u>4,933,418</u>	<u>4,792,075</u>	<u>5,339,938</u>	<u>7,149,475</u>	<u>7,470,863</u>
\$ <u>11,050,036</u>	\$ <u>12,416,409</u>	\$ <u>10,519,157</u>	\$ <u>10,444,893</u>	\$ <u>9,119,696</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
625,918	588,942	579,648	618,994	757,325
570,780	2,095,662	1,124,758	534,268	412,248
3,498,203	-	-	6,509,573	4,007,567
1,734,655	890,143	1,439,902	1,726,151	1,461,090
-	2,365	2,365	2,365	2,365
\$ <u>6,429,556</u>	\$ <u>3,577,112</u>	\$ <u>3,146,673</u>	\$ <u>9,391,351</u>	\$ <u>6,640,595</u>

**CITY OF KINGSVILLE**

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

	Fiscal Year				
	2008	2009	2010	2011	2012
<b>Revenues</b>					
Property Taxes	\$ 4,940,897	\$ 5,303,987	\$ 5,268,890	\$ 5,998,518	\$ 6,019,795
Taxes-Other	5,359,785	5,354,064	5,448,277	6,093,287	5,769,313
Licenses, Fees and Permits	210,267	217,657	194,004	175,386	185,708
Fines and Penalties	2,519,475	2,521,442	1,990,136	1,975,760	1,367,469
Charges for Services	3,585,591	4,017,155	4,106,546	4,245,457	4,453,626
Special Assessment	-	-	19,910	45,192	15,725
Intergovernmental	240,829	463,770	544,351	548,805	326,628
Investment Earnings/Other	628,723	314,091	209,382	273,989	178,110
Federal Grant	-	-	-	-	-
Donations	-	1,890	2,007	220	295,794
<b>Total Revenues</b>	<b>17,485,567</b>	<b>18,194,056</b>	<b>17,783,503</b>	<b>19,356,614</b>	<b>18,612,168</b>
<b>Expenditures</b>					
General Government	2,461,771	2,675,542	2,998,296	3,519,126	3,406,264
Public Safety	8,848,662	8,176,498	8,251,125	9,470,845	9,221,523
Public Works	3,772,521	6,377,218	6,440,127	4,360,930	5,447,175
City/County	710,931	859,333	750,783	813,991	773,413
Tourism	421,633	440,694	420,379	484,470	389,081
Other	-	53,376	37,237	37,053	17,187
Capital Outlay	-	-	-	-	-
Debt Service					
Interest	374,201	1,760,000	1,590,000	291,020	536,062
Principal	1,270,000	2,156,860	428,796	1,453,000	1,266,933
Bond Issuance Cost	-	-	-	-	-
<b>Total Expenditures</b>	<b>17,859,719</b>	<b>22,499,521</b>	<b>20,916,743</b>	<b>20,430,435</b>	<b>21,057,638</b>
Excess of Revenues over/ (under) Expenditures	<u>(374,152)</u>	<u>(4,305,465)</u>	<u>(3,133,240)</u>	<u>(1,073,821)</u>	<u>(2,445,470)</u>
<b>Other Financing Sources (uses)</b>					
Gain on Sale of Assets	-	-	-	11,000	58,500
Lease Proceeds	181,772	-	-	-	-
Bonds Issued	-	4,270,000	-	5,385,040	-
Bond Issuance Costs	-	(175,273)	-	-	-
Bond Issuance Premium	-	128,181	-	80,361	-
Insurance Settlement	-	-	-	-	-
Refunding Bonds Issued	-	1,890,000	-	-	-
Payment to Refunding Bonds					
Escrow Agent	-	-	-	-	-
Transfers In	1,250,000	2,211,690	1,684,912	1,682,936	1,677,920
Transfers Out	-	(957,037)	(574,890)	(432,936)	(427,920)
<b>Total Other Financing Sources (uses)</b>	<b>1,431,772</b>	<b>7,367,561</b>	<b>1,110,022</b>	<b>6,726,401</b>	<b>1,308,500</b>
<b>Net Change In Fund Balances</b>	<b>\$ 1,057,620</b>	<b>\$ 3,062,096</b>	<b>\$ (2,023,218)</b>	<b>\$ 5,652,580</b>	<b>\$ (1,136,970)</b>
<b>Debt Services as a Percentage of Noncapital Expenditures</b>	<b>9.21%</b>	<b>17.41%</b>	<b>9.65%</b>	<b>8.54%</b>	<b>8.56%</b>

SCHEDULE 4

		Fiscal Year							
		2013	2014	2015	2016	2017			
\$	6,056,227	\$	6,211,394	\$	6,324,292	\$	6,370,231	\$	6,706,943
	5,834,703		6,224,035		6,144,962		6,267,496		6,483,549
	228,156		371,219		281,595		262,275		246,379
	2,193,241		1,766,230		2,857,165		2,999,672		1,107,731
	4,417,144		4,448,868		4,868,259		5,417,808		5,900,175
	9,965		2,571		-		-		2,797
	393,927		300,723		947,173		550,000		550,000
	372,414		176,663		161,103		402,997		207,464
	-		-		-		521,004		642,770
	399		2,000		4,400		1,730		29,300
	<u>19,506,176</u>		<u>19,503,703</u>		<u>21,588,949</u>		<u>22,793,213</u>		<u>21,877,108</u>
	3,971,730		4,053,694		5,785,059		6,392,745		5,546,427
	9,198,397		9,875,981		9,518,633		9,726,283		9,734,038
	5,343,531		6,559,831		5,318,410		5,224,660		8,245,387
	768,239		771,719		1,961,168		2,846,518		2,976,194
	401,893		480,742		513,596		553,609		971,148
	35,230		53,888		2,800		-		-
	-		-		-		-		-
	469,062		377,700		318,555		278,696		458,762
	1,417,329		1,452,714		1,425,793		1,463,485		980,798
	-		-		-		91,800		3,550
	<u>21,605,411</u>		<u>23,626,269</u>		<u>24,844,014</u>		<u>26,577,796</u>		<u>28,916,304</u>
	<u>(2,099,235)</u>		<u>(4,122,566)</u>		<u>(3,255,065)</u>		<u>(3,784,583)</u>		<u>(7,039,196)</u>
	23,000		38,000		-		-		105,806
	414,191		458,350		-		10,396		750,879
	965,000		-		-		6,740,000		-
	-		-		-		-		-
	58,408		-		-		198,693		-
	-		-		-		1,605,908		573,250
	1,260,000		-		-		-		-
	(1,247,918)		-		-		-		-
	1,880,045		2,767,926		2,297,234		2,365,743		3,121,412
	<u>(441,587)</u>		<u>(1,517,925)</u>		<u>(479,714)</u>		<u>(965,743)</u>		<u>(1,588,105)</u>
	<u>2,911,139</u>		<u>1,746,351</u>		<u>1,817,520</u>		<u>9,954,997</u>		<u>2,963,242</u>
\$	<u>811,904</u>	\$	<u>(2,376,215)</u>	\$	<u>(1,437,545)</u>	\$	<u>6,170,414</u>	\$	<u>(4,075,954)</u>
	8.73%		7.75%		7.02%		6.56%		4.98%

**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
2008	\$ 575,350,800	\$ 31,069,213	\$ 78,941,550	\$ 68,941,277	\$ 616,420,286	0.76780	\$ 685,361,563
2009	600,156,971	28,662,138	76,930,280	66,981,930	638,767,459	0.80187	705,749,389
2010	629,910,921	31,453,548	76,203,240	66,282,243	671,285,466	0.80187	737,567,709
2011	649,713,780	31,463,010	70,658,350	69,436,322	682,398,818	0.84220	751,835,140
2012	660,216,670	24,266,424	72,655,450	73,884,909	683,253,635	0.84220	757,138,544
2013	664,122,931	23,606,860	80,127,290	74,423,849	693,433,232	0.84220	767,857,081
2014	676,002,957	26,907,000	88,736,830	77,398,392	714,248,395	0.84220	791,646,787
2015	694,469,813	26,395,108	95,315,110	87,266,366	728,913,665	0.84220	816,180,031
2016	723,790,576	29,640,590	99,061,220	96,803,747	755,688,639	0.84220	852,492,386
2017	761,756,167	39,541,260	89,558,210	101,398,477	789,457,160	0.84220	890,855,637

Source: Kleberg County Tax Assessor Office

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

**CITY OF KINGSVILLE**

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

SCHEDULE 6

Fiscal Year	City Direct Rates			Overlapping Rates		
	Basic Rate	General Obligation Debt Service	Total Direct Rate	School District	County	STWA
2008	\$ 0.50040	\$ 0.26740	\$ 0.76780	\$ 1.40529	\$ 0.64640	\$ 0.05688
2009	0.54154	0.26033	0.80187	1.33925	0.67530	0.05590
2010	0.56672	0.23515	0.80187	1.32165	0.67546	0.05731
2011	0.62543	0.21677	0.84220	1.35520	0.69546	0.06189
2012	0.63752	0.20468	0.84220	1.46380	0.75100	0.06189
2013	0.66395	0.17825	0.84220	1.49410	0.74481	0.06189
2014	0.65404	0.18816	0.84220	1.51890	0.74481	0.08511
2015	0.65558	0.18662	0.84220	1.51890	0.74481	0.85409
2016	0.65567	0.18653	0.84220	1.51890	0.81500	0.83250
2017	0.66088	0.18132	0.84220	1.51890	0.82880	0.08294

**Source:** Kleberg County Tax Assessor Office

**CITY OF KINGSVILLE**

PRINCIPAL PROPERTY TAX PAYERS,  
CURRENT YEAR AND NINE YEARS AGO

SCHEDULE 7

Taxpayer	2017			2008		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
AEP Texas Inc.	\$ 27,032,000	1	3.42%	\$		
KL Phase 1 Owner LTD	13,185,260	2	1.67%			
NLP Kingsville Ventures LLC	11,169,490	3	1.41%			
Apexone Javelina LLC	8,416,700	4	1.07%			
Kingsville Legends LTD	7,933,030	5	1.00%			
Kingspointe-Victoria LLC	7,164,510	6	0.91%			
King Ranch Saddle Shop Inc	6,312,650	7	0.80%			
Wal-Mart Stores Texas, LLC US00442	6,002,090	8	0.76%			
Kelly-Pharr Investors LTD	5,664,830	9	0.72%			
Wal-Mart Stores Inc #01-0442	5,310,670	10	0.67%	5,154,270	8	0.84%
AEP Texas Central Company				13,704,160	1	2.22%
Kingsville Two				7,937,600	2	1.29%
Collegiate Kingsville Partners LP				7,692,250	3	1.25%
HBC Holding LTD				7,494,900	4	1.22%
Eddie Yaklin Ford Lincoln Mercury LTD				6,884,430	5	1.12%
Wal-Mart Stores East LP #01-0442				6,280,950	6	1.02%
Lowe's Home Centers Inc (47148)				5,219,310	7	0.85%
Lowe's Home Centers Inc (45523)				4,585,360	9	0.74%
HEB Grocery Inc				4,383,950	10	0.71%
<b>Total</b>	<b>\$ 98,191,230</b>		<b>12.44%</b>	<b>\$ 69,337,180</b>		<b>11.25%</b>

Source: Kleberg County Appraisal District

**CITY OF KINGSVILLE**

**PROPERTY TAX LEVIES AND COLLECTIONS,  
LAST TEN FISCAL YEARS**

SCHEDULE 8

Fiscal Year	Taxes Levied for the Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2008	\$ 4,734,428	\$ 4,530,260	95.7%	\$ 157,347	\$ 4,687,607	99.01%
2009	5,207,851	4,990,889	95.8%	163,982	5,154,871	98.98%
2010	5,385,014	5,174,338	96.1%	157,711	5,332,049	99.02%
2011	5,759,638	5,557,746	96.5%	135,674	5,693,420	98.85%
2012	5,751,687	5,564,076	96.7%	116,342	5,680,418	98.76%
2013	5,831,373	5,618,741	96.4%	98,676	5,717,417	98.05%
2014	5,987,424	5,791,937	96.7%	104,072	5,896,009	98.47%
2015	6,145,880	5,939,500	96.6%	83,164	6,022,664	98.00%
2016	6,350,640	6,115,195	96.3%	-	6,115,195	96.29%
2017	6,640,180	6,396,334	96.3%	-	6,396,334	96.33%

Source: Kleberg County Tax Assessor Office

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

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

	Fiscal Year				
	2008	2009	2010	2011	2012
Building Materials, Hardware, etc.	\$ 22,706	\$ 21,737	\$ 22,382	\$ 23,997	\$ 24,742
General Merchandise	50,463	47,022	45,818	45,585	46,642
Food Stores	15,702	16,560	16,567	17,093	17,751
Automotive Dealers and Gasoline	19,162	19,592	20,459	21,096	23,282
Apparel and Accessory Stores	3,775	4,570	4,620	4,943	5,662
Home Furniture, Furnishing, and Equipment	860	2,647	-	693	2,497
Eating and Drinking Places	36,009	35,596	37,506	40,727	43,511
All Other Outlets	18,062	14,785	14,447	15,306	17,576
<b>Total</b>	<b>\$ 166,739</b>	<b>\$ 162,509</b>	<b>\$ 161,799</b>	<b>\$ 169,440</b>	<b>\$ 181,663</b>
City Direct Sales Tax Rate	1.5%	1.5%	1.5%	1.5%	1.5%

Source: Texas Comptroller of Public Accounts

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

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



SCHEDULE 9

Fiscal Year					
	2013	2014	2015	2016	2017
\$	25,717	\$ 26,377	\$ 28,114	\$ 31,075	\$ 31,293
	46,063	47,472	48,493	48,926	50,670
	19,363	20,521	21,273	18,733	20,990
	22,359	22,701	23,225	22,194	21,689
	6,161	6,089	5,388	4,256	3,209
	5,663	5,795	5,439	5,059	4,685
	44,846	46,716	48,222	46,526	48,936
	18,356	17,483	12,843	15,596	14,064
\$	<u>188,528</u>	<u>\$ 193,154</u>	<u>\$ 192,997</u>	<u>\$ 192,365</u>	<u>\$ 195,536</u>
	1.5%	1.5%	1.5%	1.5%	1.5%

**CITY OF KINGSVILLE**

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

SCHEDULE 10

<u>Fiscal Year</u>	<u>City Property Tax Relief</u>	<u>City Sales Tax</u>	<u>Kleberg County Property Tax Relief</u>	<u>State Sales Tax</u>
2008	1.00%	0.50%	0.50%	6.25%
2009	1.00%	0.50%	0.50%	6.25%
2010	1.00%	0.50%	0.50%	6.25%
2011	1.00%	0.50%	0.50%	6.25%
2012	1.00%	0.50%	0.50%	6.25%
2013	0.50%	1.00%	0.50%	6.25%
2014	0.50%	1.00%	0.50%	6.25%
2015	0.50%	1.00%	0.50%	6.25%
2016	0.50%	1.00%	0.50%	6.25%
2017	0.50%	1.00%	0.50%	6.25%

**Source:** Texas Comptroller of Public Accounts

**Note:** The City sales tax rate may be changed 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	Capital Leases	Water Revenue Bonds	Certificates of Obligation
2008	\$ 6,524,208	\$ 181,772	\$ 695,000	\$ 12,935,792
2009	6,293,192	159,036	540,000	15,421,808
2010	5,335,990	135,299	370,000	14,484,007
2011	9,556,290	110,518	190,000	18,503,710
2012	8,977,194	84,647	-	17,467,552
2013	9,182,245	57,637	-	20,416,799
2014	8,332,813	417,362	-	19,110,710
2015	7,502,881	327,194	-	17,323,616
2016	13,588,258	273,205	-	15,492,771
2017	12,713,167	635,470	-	14,074,091

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

SCHEDULE 11

	Capital Lease	Total Primary Government	Percentage of Personal Income	Per Capita
\$	-	\$ 20,336,772	3.05%	\$ 760.54
	-	22,414,036	2.79%	797.79
	-	20,325,296	3.08%	723.29
	-	28,360,518	2.38%	1,077.00
	-	26,529,393	3.73%	1,004.25
	354,930	29,656,681	3.80%	1,114.95
	299,882	28,160,767	3.72%	1,070.26
	243,255	25,396,946	3.46%	957.33
	184,999	29,539,233	4.05%	1,126.89
	443,332	27,866,060	3.81%	1,062.58

**CITY OF KINGSVILLE**

SCHEDULE 12

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

Fiscal Year	<u>General Bonded Debt Outstanding</u>		Percentage of Actual Taxable Value of Property	Per Capita
		General Obligation Bonds		
2008	\$	6,524,208	0.9500%	\$ 243.60
2009		6,293,192	0.8900%	234.72
2010		5,335,990	0.7200%	203.56
2011		9,556,290	1.3980%	362.90
2012		8,977,194	1.1857%	339.83
2013		9,182,245	1.1958%	345.21
2014		8,332,813	1.0526%	316.69
2015		7,502,881	0.9193%	282.82
2016		13,588,258	1.5939%	518.38
2017		12,713,167	1.4271%	484.77

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

**CITY OF KINGSVILLE**

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
AS OF SEPTEMBER 30, 2017

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	\$ 67,269,993	100.00%	\$ 67,269,993
Kleberg County	4,270,000	50.87%	2,172,149
Ricardo ISD	1,380,000	6.18%	85,284
South Texas Water Authority	4,315,000	44.50%	<u>1,920,175</u>
Subtotal, Overlapping Debt			71,447,601
City Direct Debt; Bonds			26,255,000
Capital Leases			<u>635,470</u>
Total Direct and Overlapping Debt			<u>\$ 98,338,071</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				
	2008	2009	2010	2011	2012
Debt Limit	\$ 163,120,473	\$ 162,365,819	\$ 184,391,927	\$ 187,958,785	\$ 189,284,636
Total Net Debt Applicable to Limit	<u>6,168,793</u>	<u>5,895,349</u>	<u>4,904,805</u>	<u>8,901,626</u>	<u>8,165,426</u>
Legal Debt Margin	\$ <u><u>156,951,680</u></u>	\$ <u><u>156,470,470</u></u>	\$ <u><u>179,487,122</u></u>	\$ <u><u>179,057,159</u></u>	\$ <u><u>181,119,210</u></u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	3.78%	3.63%	2.66%	4.74%	4.31%

**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							
		2013	2014	2015	2016	2017			
\$	191,964,270	\$	197,911,697	\$	204,045,008	\$	213,123,097	\$	222,713,909
	<u>8,430,848</u>		<u>7,628,579</u>		<u>6,814,889</u>		<u>12,673,491</u>		<u>11,676,198</u>
\$	<u>183,533,422</u>	\$	<u>190,283,118</u>	\$	<u>197,230,119</u>	\$	<u>200,449,606</u>	\$	<u>211,037,711</u>
	4.39%		3.85%		3.34%		5.95%		5.24%

Assessed Value		\$	<u>890,855,637</u>
Debt Limit (25% of assessed value)			<u>222,713,909</u>
Debt Applicable to Limit:			
General Obligation Bonds	\$	12,433,523	
Less: Amount Set Aside for Repayment of General Obligation Debt		<u>757,325</u>	
Total Net Debt Applicable to Limit			<u>11,676,198</u>
Legal Debt Margin		\$	<u>211,037,711</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	
2007	\$ 6,375,409	\$ 3,329,444	\$ 3,045,965	\$ 525,000	\$ 556,922	2.82
2008	7,285,503	3,820,260	3,465,243	435,000	480,813	3.78
2009	8,193,448	4,253,942	3,939,506	455,000	521,378	4.03
2010	6,500,945	4,012,820	2,488,125	475,000	503,192	2.54
2011	7,880,275	4,406,943	3,473,332	487,000	601,778	3.19
2012	8,376,945	4,987,855	3,389,090	683,067	620,735	2.60
2013	8,824,532	4,956,345	3,868,187	832,670	601,948	2.70
2014	9,078,218	5,465,760	3,612,458	997,285	806,694	2.00
2015	8,186,271	5,462,815	2,723,456	1,159,208	448,536	1.69
2016	8,383,896	6,043,456	2,340,440	1,181,515	425,352	1.46
2017	8,809,429	6,275,431	2,533,998	980,798	458,762	1.76

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

Fiscal Year	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2007	\$ 2,851,654	\$ 1,487,099	\$ 1,364,555	\$ 335,000	\$ 75,023	3.33
2008	3,036,568	1,936,988	1,099,580	391,209	80,436	2.33
2009	3,510,389	1,840,539	1,669,850	808,000	62,241	1.92
2010	3,572,534	2,408,876	1,163,658	632,801	163,422	1.46
2011	3,642,049	2,669,749	972,300	288,256	144,941	2.24
2012	3,815,313	2,417,443	1,397,870	609,892	101,135	1.97
2013	3,303,720	2,136,838	1,166,882	594,848	86,903	1.71
2014	3,776,750	2,289,592	1,487,158	613,474	68,481	2.18
2015	3,915,060	2,216,623	1,698,437	602,808	46,460	2.62
2016	3,856,298	2,121,758	1,734,540	621,433	31,058	2.66
2017	3,924,740	2,409,641	1,515,099	124,836	12,057	11.07

**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
2008	26,782	\$ 619,952	\$ 26,740	27.8	N/A	4,026	4.5%
2009	26,812	625,497	28,095	29.2	N/A	3,999	6.4%
2010	26,213	626,305	28,101	27.9	N/A	3,729	6.7%
2011	26,333	675,409	32,936	27.6	N/A	3,533	6.5%
2012	26,417	710,675	35,788	27.4	N/A	3,821	4.8%
2013	26,599	780,392	38,058	27.7	N/A	4,014	4.9%
2014	26,312	756,396	37,334	27.2	N/A	3,406	3.6%
2015	26,529	733,792	36,500	31.4	N/A	3,427	6.2%
2016	26,213	728,862	38,757	28.4	N/A	3,426	6.8%
2017	26,225	730,890	39,724	26.6	N/A	3,440	6.5%

\* Provided by Kingsville Economic Development Center

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

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

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

**CITY OF KINGSVILLE**

TOP TEN EMPLOYERS,  
CURRENT YEAR AND NINE YEARS AGO

SCHEDULE 17

Employer	2017			2008		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Texas A&M - Kingsville	2,210	1	21.49%	1,593	2	12.82%
Naval Air Station	1,536	2	14.94%	1,830	1	14.72%
Kingsville ISD	715	4	6.95%	683	3	5.50%
Celanese	650	3	6.32%	290	7	2.33%
Wal-Mart	304	5	2.96%	334	5	2.69%
King Ranch	200	6	1.94%	337	4	2.71%
City of Kingsville	306	7	2.98%	260	9	2.09%
Border Patrol	262	8	2.55%	242	10	1.95%
Brock-Jacobs (Formerly Mundy Corp.)	250	9	2.43%			
H-E-B Grocery	227	10	2.21%			
Christus Spohn Kleberg Hospital				300	6	2.41%
Kleberg County				275	8	2.21%
<b>Total</b>	<b>\$ 6,660</b>		<b>64.77%</b>	<b>\$ 6,144</b>		<b>49.43%</b>

<b>Source:</b> Workforce Solutions	Labor Force	10,819
of Coast	Employment	10,283
Greater Kingsville EDC	Unemployment	536
	Rate	5.0%

2008 Information from '07-08 CAFR

**CITY OF KINGSVILLE**

SCHEDULE 18

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

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
City Commission	5	5	5	5	5	5	5	5	5	5
General Government	33	27	33	29	33	35	38	34	40	45
Fire	33	33	31	32	31	32	30	33	34	32
Health	12	12	12	12	12	10	10	10	10	8
Library	8	8	8	9	9	6	9	9	9	9
Police	60	63	62	64	64	65	60	65	64	66
Public Works	96	97	94	95	94	94	94	94	98	93
Task Force	12	10	10	12	12	11	11	11	11	0
Parks Dept.	0	0	0	0	0	0	0	9	10	10
Golf Course	0	0	0	0	0	0	0	6	8	8
Total	<u>259</u>	<u>255</u>	<u>255</u>	<u>258</u>	<u>260</u>	<u>258</u>	<u>257</u>	<u>276</u>	<u>289</u>	<u>276</u>

Source: City of Kingsville

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

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

<u>Function/Program</u>	Fiscal Year				
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General Government					
Building Permits Issued	2,301	2,349	1,997	1,964	2,392
Building Inspections Conducted	1,934	1,575	1,324	1,654	2,267
Police					
Physical Arrest	1,829	1,955	1,999	2,590	1,519
Parking Violations	111	78	39	47	243
Traffic Violations	3,796	3,066	3,416	4,611	3,240
Fire					
Emergency Responses	2,159	2,831	2,990	2,214	2,797
Fire Extinguishers	521	546	600	398	460
Inspections	409	412	480	383	462
Refuse Collections					
Refuse Collected (tons per day; 365)	82	82	127	70	74
Recyclables Collected (tons per day; 365)	1	1	1	1	1
Other Public Works					
Street Resurfacing (miles)	4	3	3	3	2
Potholes Repaired	2,900	4,900	4,900	5,000	2,400
Parks and Recreation					
Athletic Field Permits Issued	-	-	-	-	-
Community Center Admissions	-	-	-	-	-
Library					
Volumes in Collection	66,015	64,749	65,013	59,245	58,503
Total Volumes Borrowed	50,526	48,643	49,012	45,420	47,997
Health					
Environmental Health	5,028	1,770	1,742	1,763	1,846
Consumer Health	2,440	2,519	2,464	2,348	1,833
Weed Control	2,527	2,401	2,569	2,915	2,827
Animal Control	10,956	8,535	6,748	8,681	9,220
Water					
New Connections	50	31	25	28	48
Water Main Breaks	445	608	556	339	244
Average Daily Consumption (thousands of gallons)	3,447	3,836	3,076	3,818	4,036
Peak Daily Consumption (thousands of gallons)	4,778	5,300	5,451	5,633	5,554
Wastewater					
Average Daily Sewer Treatment (thousands of gallons)	1,700	2,100	2,200	1,800	2,200

Sources: Various City Departments

SCHEDULE 19

2013	2014	2015	2016	2017
2,078	2,137	2,511	2,058	2,374
1,878	1,129	1,644	1,400	2,170
1,356	1,590	1,175	1,014	1,060
80	1,110	1,089	663	408
4,443	4,604	4,675	3,192	3,032
2,880	3,297	2,760	2,826	3,005
573	612	596	556	641
354	400	382	356	388
65	83	93	82	86
1	1	1	1	1
3	2	5	3	2
3,000	4,000	5,200	4,487	4,205
-	-	413	348	396
-	-	126	83	97
59,630	57,326	54,327	55,878	53,903
44,502	39,780	19,995	34,895	34,014
496	390	491	430	350
2,556	2,087	2,611	2,906	2,847
3,082	2,924	3,776	4,995	3,967
9,201	9,589	8,649	7,438	7,075
51	35	24	33	47
271	267	295	294	342
3,661	3,470	3,153	3,134	3,229
5,040	6,023	6,002	4,438	5,567
2,200	2,300	2,400	2,100	2,200

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

<u>Function/Program</u>	Fiscal Year				
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Police					
Stations	1	1	1	1	1
Patrol Units	43	47	48	55	64
Fire Stations	2	2	2	2	2
Refuse Collections					
Collection Trucks	18	20	16	13	13
Other Public Works					
Street (miles)	106	113	121	121	121
Highway (miles)					
Streetlights	554	569	569	584	584
Traffic Signals	4	4	4	4	4
Parks and Recreation					
Acreage	195	195	195	195	195
Playgrounds	9	9	9	9	9
Baseball/Softball Diamonds	12	12	12	12	12
Soccer/Football Fields	12	12	12	12	12
Community Centers	2	2	2	2	2
Water					
Water Mains (miles)	116	116	117	123	120
Fire Hydrants	696	705	801	812	808
Storage Capacity (thousands of gallons)	9,764	9,764	9,764	9,764	9,764
Wastewater					
Sanitary Sewers (miles)	96	96	97	97	98
Storm Sewers (miles)	16	16	16	16	16
Treatment Capacity (thousand of gallons)	4,000	4,000	4,000	4,000	6,000

**Sources:** Various City Departments



SCHEDULE 20

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
1	1	1	1	1
65	53	56	56	64
2	2	2	2	2
17	17	17	17	14
121	144	146	146	146
584	1,276	1,276	1,302	1,302
4	4	4	4	4
195	195	195	195	195
9	9	9	9	9
12	12	12	12	12
12	12	12	12	12
2	2	2	2	2
120	120	120	120	120
808	808	808	808	808
9,764	9,764	9,760	5,632	5,632
99	138	140	141	142
17	33	33	33	33
6,000	6,000	4,000	4,000	4,000



**King'sville**  
TEXAS





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

JOHN L. WOMACK, CPA  
MARGARET KELLY, CPA

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

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

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

Members of the Mayor and City Commission:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Kingsville, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise City of Kingsville's basic financial statements, and have issued our report thereon dated March 14, 2018.

**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. 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.



## Compliance and Other Matters

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

## Purpose of this Report

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

Respectfully submitted,



John Womack & Company, P.C.  
Kingsville, TX  
March 14, 2018

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

JOHN L. WOMACK, CPA  
MARGARET KELLY, CPA

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(361) 592-2671  
FAX (361) 592-1411

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

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

Members of the Mayor and City Commission:

**Report on Compliance for Each Major Federal Program**

We have audited the City of Kingsville's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on City of Kingsville's major federal program for the year ended September 30, 2017. City of Kingsville's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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



### **Opinion on Each Major Federal Program**

In our opinion, the City of Kingsville complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2017.

### **Report on Internal Control Over Compliance**

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

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

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

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

Respectfully submitted,

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

John Womack & Company, P.C.  
Kingsville, TX  
March 14, 2018

**CITY OF KINGSVILLE**

*SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017*

**A. Summary of Auditor's Results**

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified?  Yes  No

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

Noncompliance material to financial statements noted?  Yes  No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified?  Yes  No

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

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

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200?  Yes  No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
97.044	Assistance to Firefighters Grants

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?  Yes  No

**B. Financial Statement Findings**

NONE

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

NONE



**CITY OF KINGSVILLE**

*SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017*

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
2016-1 Internal Control - Golf Course Revenue  Condition: The City did not have adequate internal controls over golf course revenue. Fee schedules were not being consistently utilized, there was inadequate controls over cash collected, and more detail is necessary in the accounting for various revenue sources.  Criteria: Proper controls over golf course revenue are necessary to ensure that fees are correctly charged, collected, and accounted for, and to aid in prevention of errors or fraud.  Cause: The City recently began management of the Golf Course. There was turnover in the position of golf course manager, and much of the equipment was in poor condition. Fees were adjusted at times to encourage use of the facilities. Policies and procedures for proper controls were not in place when the City assumed management and are being developed as new management personnel have been hired.  Effect: The effect of the lack of control over revenue and cash collections is possible inaccuracies in the financial reporting due to errors or fraud.  Recommendation: We recommend that the City establish proper policies and procedures necessary to ensure that all revenues are correctly charged and recorded and that all cash collections are properly safeguarded to prevent errors or fraud.  Client Response: The Golf Course operations is a new endeavor for the City of Kingsville and has seen a change of managers in fiscal year 2015-2016. Additional oversight will be provided by the Parks and Recreation Director who was hired in fiscal year 2016-2017. The City installed a new POS system in fiscal year 2016-2017 which will provide better accountability of sales and inventory. Cameras have been installed both inside and outside. Current adopted fees have been reviewed to ensure compliance on what is being charged to customers. Finance has provided cash handling training to all pro shop employees. Finance is reviewing current operating procedures and developing internal controls.	Implemented	N/A

**CITY OF KINGSVILLE**  
*CORRECTIVE ACTION PLAN*  
*FOR THE YEAR ENDED SEPTEMBER 30, 2017*

There are no findings or questioned costs in the current year.

**CITY OF KINGSVILLE**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

EXHIBIT D-1

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
<b>OTHER PROGRAMS:</b>				
<u>U. S. Department of Housing &amp; Urban Development</u>				
Passed Through Texas Department of Agriculture:				
Infrastructure Grant	14.228	7215270	\$ --	\$ 191,926
Texas Capital Fund	14.228	7215362	--	53,218
Total Passed Through Texas Department of Agriculture			--	245,144
Total U. S. Department of Housing & Urban Development			--	245,144
<u>Department of Homeland Security</u>				
Passed Through Texas Department of Public Safety:				
Operation Stonegarden	97.067	EMV-2015-SS-00080	--	112,722
Night Vision Equipment	97.067	EMW-2016-SS-00056	--	27,000
Total Passed Through Texas Department of Public Safety			--	139,722
Passed Through Federal Emergency Management Agency:				
Disaster Recovery Assistance	97.036	PA-06-TX-4272-PW-00297	--	23,547
Assistance to Firefighters-Equipment	97.044	EMV-2013-FO-04946	--	5,806
Assistance To Firefighters-Vehicle Acquisition	97.044	EMV-2014-PV-02638	--	362,728
Total Passed Through Federal Emergency Management Agency			--	392,081
Total Department of Homeland Security			--	531,803
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ --</b>	<b>\$ 776,947</b>

The accompanying notes are an integral part of this schedule.

## **CITY OF KINGSVILLE**

### **NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED SEPTEMBER 30, 2017**

#### Basis of Presentation

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

#### Summary of Significant Accounting Policies

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

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



**King'sville**  
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