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FOR THE YEAR ENDED SEPTEMBER 30, 2018



CITY OF KINGSVILLE, TX
COMPREHENSIVE ANNUAL
FINANCIAL REPORT

2018

www.cityofkingsville.com

Comprehensive Annual Financial Report

September 30, 2018

CITY OF KINGSVILLE, TEXAS

City Commission

(for the fiscal year ended September 30, 2018)

Sam R. Fugate	Mayor
Edna Lopez	Mayor Pro-Tem
Hector Hinojosa	Commissioner
Arturo Pecos	Commissioner
Dianne Leubert	Commissioner

City Manager

Jesus A. Garza

Prepared By:

Department of Finance

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

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 For The Year Ended September 30, 2018

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King'sville
TEXAS



P.O. BOX 1458 - KINGSVILLE, TEXAS 78364

March 29, 2019

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, 2018, 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, 2018, 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, 2018, 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 26,071; 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 (KPD) is comprised of 49 sworn peace officers performing varied and multiple tasks, serving a population of 26,071 and is located off 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, ensuring 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 consists 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 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. They utilize a minimum of 8 full time personnel each day and are 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, 3 Advanced EMT's, and 12 Basic EMT's and are in hopes of filling the remaining 3 department vacancies 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 FY2020.

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 the South Texas Water Authority (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 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, a Skate Park 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 fiscal year 2017-2018, a Kiddie Pool was added to the Brookshire Pool and a new Splash Pad was constructed at Los Hermanos Flores 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 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 provided on a monthly and unaudited basis by the Finance Department and sent to management for review and use in monitoring revenues and expenditures.

The Quarterly Budget Report is provided to the City Commission for review and discussion.

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, 2018 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. 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, 2018 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 period ending at September, 2018. 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 locations for jet aviation training. Its primary mission is to train Student Naval Aviators for the United States Navy and Marine Corps and tactical jet pilots for other select NATO and Allied countries.

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

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

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

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

Major Eagle Ford Shale Region oil and gas discoveries, while too far away to have direct effect, are having a positive spillover impact of 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 2018. 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 (TXDOT) 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 Expenses

The government’s expenses relating to public safety and public works comprise 68.75% of total expenses for governmental activities as reflected in Exhibit B1 of the Comprehensive Annual Finance Report (CAFR). As evidenced by the table below, the government’s expenses relating to these activities have remained relatively constant. Expenses for public safety and public works have slightly decreased as a percentage of total expenses for governmental activities over the last ten years.

Activity	Expenses as a Percent of Total Governmental Activities		
	FY 08-09	FY 17-18	Net Change
Public Safety - Police & Fire	47.10%	41.42%	-5.68%
Public Works	29.49%	27.33%	-2.16%
Total	76.59%	68.75%	-7.84%

Long-term Financing Plan/Relevant Financing Policies

During FY 17-18, the City Commission approved an amendment to the current Fund Balance Policy to allow fund balances for the General Fund and the Utility Fund to drop from 25% to 20% if it became necessary. The City Commission set a payback period when a drop-in fund balance occurs. This was done due to the lack of debt capacity available to take care of pressing capital expenditures.

Major Initiatives

The City of Kingsville focused FY18 on continuing to improve the Quality of Life of residents via economic development, park and infrastructure improvements. Additionally, the City continued to work on enhancing City Facilities and for the first time in nearly two decades is enhancing public safety personnel.

FY18 saw the completion of the renovation of the first floor of the Municipal Building which houses the Utility Billing and Municipal Court. This renovation drastically enhances and modernizes the operation of both divisions and now provides a consistent customer experience at both City Hall and the Municipal Building.

The 2016 CO Series funds allocated for Park and Golf Course Improvements continued to be a priority. The biggest success during FY18 was the successful completion of a Splash Pad at Flores Park. FY18 saw the continuation 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 in FY14.

FY18 saw continued focus on Street Improvements with \$1.7 million budgeted for work on streets. Additionally, FY18 saw the commencement of a City-wide Drainage Master Plan that when completed will serve as a road map to improve neighborhood flooding throughout the City.

FY18 saw the addition of a Fire Fighter within the Fire Department for the first time in nearly two decades. Additionally, the Fire Department is replacing its aging fleet bringing online a new Fire Engine and Ambulance in FY18. Additionally, the Police Department continues to focus on enhancing its fleet with the purchase of new police vehicles.

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 on with these partners. Recently, that partnership has worked to create an economic development strategic plan that is focused on growing the commercial and industrial sectors of the economy. Additionally, these 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 the 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 in the Wildwood Trails subdivision. Of the 184 lots that can be constructed, 89 lots have homes on them. Nearly 50% of the subdivision has been developed in 4 years.

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.

There is a \$4.5 million remodel of the HEB grocery store in the downtown area of Kingsville currently going on.

McDonald's recently built a brand-new building on the same footprint where they were with a cost of 1 million dollars.

The Burger King in town is undergoing a \$300,000 remodel.

A veterinary office, which includes horse and other large animal services, is close to being finished at a cost of \$300,000.

A charter school in the community is currently constructing a gymnasium with the anticipation of increasing enrollment at a cost of \$800,000 dollars.

Future Construction Projects

The City is reviewing the construction plans for a Polaris facility in conjunction with the Neessen auto dealership. Polaris is a manufacturer of off the road vehicles. This facility, at a cost of \$1.8 million, would be to sell and service the Polaris vehicles.

Lake View Villas, a garden home development of 24 lots with 7 lots having homes on them, has been re-platted for a single-family home development. This has reduced the number of remaining lots to build on from 17 to 11. It is anticipated that this change will enhance the building of homes in this development.

We have also seen an increase in the number of remodeling projects in the Historic Development District.

We have also encountered a heightened interest in our downtown building with the addition of a restaurant and a retail specialty store.

The Economic Development Corporation is continually working on additional businesses to locate in Kingsville.

Tourism

The City of Kingsville's development as a thriving historical community has made it a unique tourism attraction for the South Texas region. The success of it all was made possible by the significant efforts of 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 the City's longevity lies 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. Tourism also manages and maintains the JK Northway Expo center, named for King Ranch's Dr. J. K. Northway, a long-time veterinarian from the beginning of the 20th century, whose work focused on breeding programs. Northway is credited with the success of the Santa Gertrudis breed of cattle and the King Ranch Quarter Horse. Today, the JK Northway hosts events ranging from concerts, to bull riding events and stock shows.

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 United States entering the First World War. With continuing operations for over 90 years, it has been designated as South Texas' oldest public college south of San Antonio. Today the university continues its growth and popularity especially by its 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. The Navy and the city have such good relations that in 2019, the Secretary of the Navy announced a new Independence-variant Littoral Combat Ship to be named USS Kingsville (LCS 36).

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. Tourism works to encourage visits and stays at our 12 operating properties who have a combined total of 706 hotel rooms.

Financing of Major Capital Projects

During the 2018 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, 2018. This was the third 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, 2017 continuing to confirm compliance with both GAAP and legal requirements. This was the twenty-ninth 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 David Bodiford, Accounting Manager; along with support staff members, Charlie Sosa, Sally Saenz, Lauren Flores 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,

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

Deborah Balli, CPA, CGFO
Director of Finance



Government Finance Officers Association

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

Presented to

**City of Kingsville
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2017

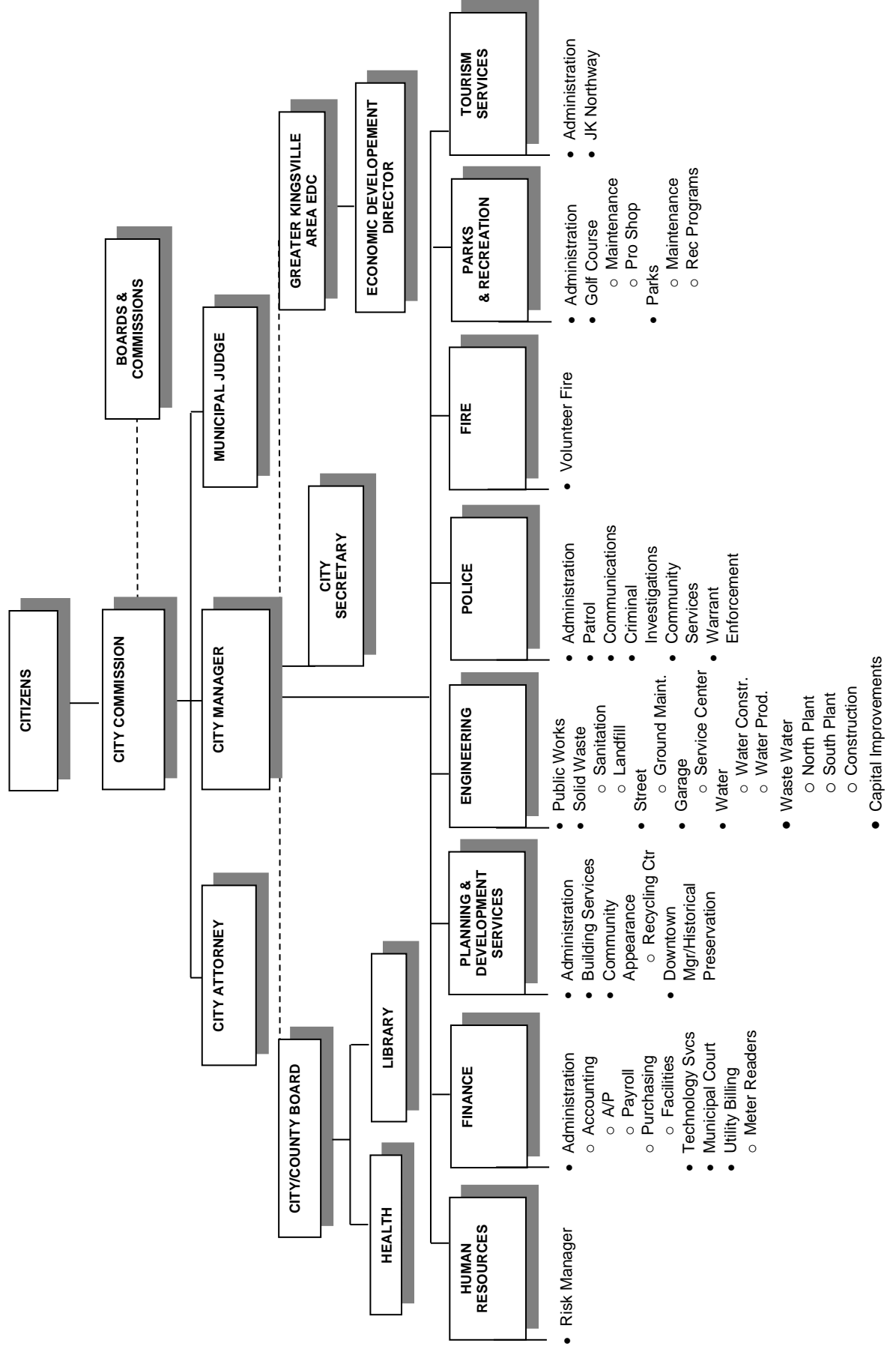
Christopher P. Morrill

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, 2018, 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, 2018, 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 2018, City of Kingsville adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

As described in Note A to the financial statements, in 2018, City of Kingsville adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 82, *Pension Issues*. Our opinion is not modified with respect to this matter.

As described in Note A to the financial statements, in 2018, City of Kingsville adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 85, *Omnibus 2017*. 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, and budgetary comparison information and schedule of the City's proportionate share of the net pension liability and schedule of City pension contributions, and schedule of the changes in the total OPEB liability and related ratios identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

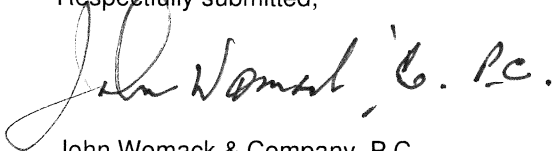
The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2019 on our consideration of City of Kingsville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Kingsville's internal control over financial reporting and compliance.

Respectfully submitted,



John Womack & Company, P.C.
Kingsville, TX
March 22, 2019



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, 2018. 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 \$31.9 million.
- The fund balance of the General Fund increased from \$9.1 million to \$10 million. This represents a 9.49% increase from the prior year's fund balance, and furthermore, represents 48.42% of the \$20.6 million in expenditures. The General Fund's Unassigned Fund Balance was \$7.0 million, or 33.77% of general fund expenditures.
- Total assets were \$69.1 million; total liabilities were \$35.9 million.
- The ratio of total assets to total liabilities for governmental activities was 2.08 times; for business-type activities the ratio was 1.78 times.
- The quick ratio (current assets to current liabilities) was 4.51 times for governmental activities and 3.41 times for business-type activities.
- Total net position was \$31.9 million, which is an increase from \$30.1 million for the prior year, or about 5.93%. Governmental activities' net position increased by 6.62%, while business-type activities' net position increased by 5.08%.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of: *management's 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

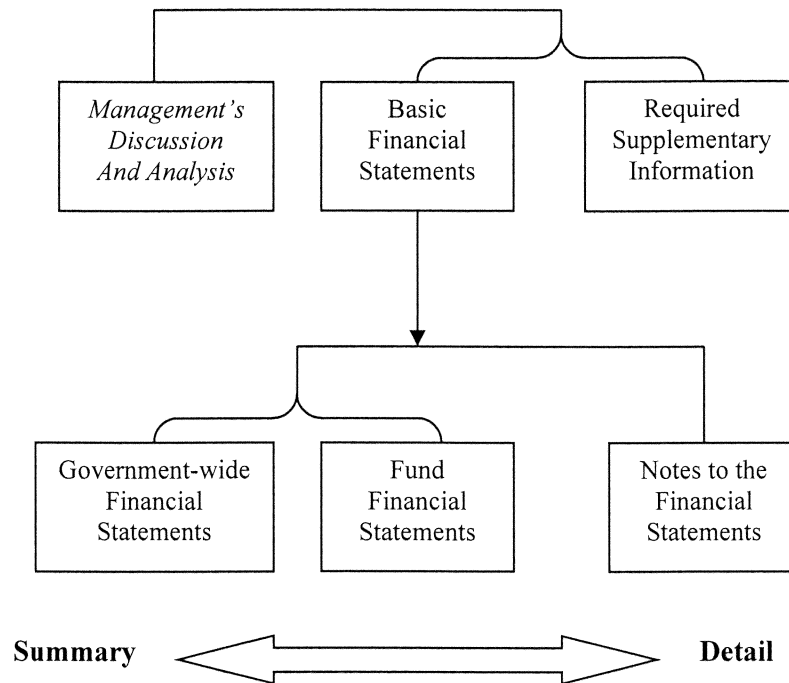


Figure A-1 shows how the required parts of this annual financial report are arranged and relate to one another. In addition to these required elements, a section with combining statements that provides details about the non-major governmental funds and internal service funds is included.

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, 2018, the net position totaled \$31.9 million, \$1.8 million more than the prior year. The composition of this net position is \$17.8 million for governmental activities and \$14.1 million for business-type activities, which is comprised primarily of the Combined Utility System.

A large portion of the City’s net position, 49.4%, 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 2.3% of its net position set aside for the retirement of debt. Approximately 44.1% of the City’s governmental activities’ net position is unrestricted in their use for City activities.

**Table A-1: Net Position for Governmental and Business-type Activities
September 30, 2018 and 2017
(in thousands of dollars)**

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current & other assests	\$ 17,580	\$ 19,610	\$ 9,695	\$ 10,340	\$ 27,275	\$ 29,950
Capital assets	18,921	17,746	22,932	22,406	41,853	40,152
Total assets	<u>36,501</u>	<u>37,356</u>	<u>32,627</u>	<u>32,746</u>	<u>69,128</u>	<u>70,102</u>
Deferred Outflows of Revenues	644	2,665	110	455	754	3,120
Long-term liabilities	13,615	18,175	15,496	16,903	29,111	35,078
Other liabilities	3,898	4,056	2,841	2,751	6,739	6,807
Total liabilities	<u>17,513</u>	<u>22,231</u>	<u>18,337</u>	<u>19,654</u>	<u>35,850</u>	<u>41,885</u>
Deferred Inflows of Revenues	1,853	1,115	311	139	2,164	1,254
Net investment in capital assets	6,481	8,360	9,270	7,889	15,751	16,249
Restricted	3,451	3,392	2,277	3,125	5,728	6,517
Unrestricted	7,847	4,923	2,542	2,394	10,389	7,317
Total net position	<u>\$ 17,779</u>	<u>\$ 16,675</u>	<u>\$ 14,089</u>	<u>\$ 13,408</u>	<u>\$ 31,868</u>	<u>\$ 30,083</u>

TABLE A-1: Governmental-Type Activities

Current & Other Assets decreased \$2.0 million from \$19.6 million in FY17 to \$17.6 million in FY18, or 10.35%. The majority of this decrease is due to the City’s lower cash balances and accounts receivable. Capital assets, net of accumulated depreciation, increased \$1.2 million from \$17.7 million in FY17, to \$18.9 million in FY18, or 6.62%. Long-term liabilities decreased \$4.6 million from \$18.2 million in FY17 to \$13.6 million in FY18, or 25.09%. The majority of this decrease is due to reduced post-employment benefit accruals and the net pension liability. Other liabilities decreased \$158 thousand from \$4.1 million in FY17 to \$3.9 million in FY18 or, 3.90%. This was due to decreases in accrued wages payable and customer deposits.

As a result of accurately reflecting the restrictions on fund balances, Restricted Net Position increased by \$59 thousand from \$3.4 million in FY17 to \$3.5 million in FY18 as follows:

(\$428,000)	decreased	Federal and State programs
\$28,832	increased	Debt Service
(\$5,721)	decreased	Capital projects
(\$86,417)	decreased	Municipal Court Building Security funds
\$611,372	increased	Law Enforcement
\$5,301	increased	Municipal Court Technology fund
(\$66,617)	decreased	Tourism funds

Unrestricted Net Position increased \$2.9 million from \$4.9 million in FY17 to \$7.8 million in FY18, or 59.39%.

TABLE A-1: Business-Type Activities

The Combined Utility System’s net position was \$14.1 million, which is 44.2% of total net position and is \$681 thousand more than the prior year. The Combined Utility System contributed all the total unrestricted business-type net position.

Current & Other Assets decreased \$645 thousand from \$10.3 million in FY17 to \$9.7 million in FY18, or 6.24%. Restricted Cash is down from \$2.2 million in FY17 to \$639 thousand in FY18 due to the completion of capital projects. Capital assets, net of accumulated depreciation, increased \$526 thousand from \$22.4 million in FY17 to \$22.9 million in FY18, or 2.35%, due to construction projects and annual straight-line depreciation costs.

Long-term liabilities decreased \$1.4 million from \$16.9 million in FY17 to \$15.5 million in FY18, or 8.32% due to reductions in contractual obligations and net pension liabilities. Net investment in capital assets increased \$1.4 million from \$7.9 million in FY17 to \$9.3 million in FY18, or 17.51% due to capital projects.

Restricted net position decreased \$848 thousand from \$3.1 million in FY17 to \$2.3 million in FY18, or 27.13%. Capital projects makes up all of the restricted net position.

Unrestricted net position increased \$147 thousand from \$2.4 million in FY17 to \$2.5 million in FY18, or 6.16%.

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, 2018 and 2017
(in thousands of dollars)**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenue:						
Program revenue:						
Charges for services	\$ 3,965	\$ 3,244	\$ 12,873	\$ 12,734	\$ 16,838	\$ 15,978
Operating grants and contributions	1,003	1,193	43	192	1,046	1,385
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	6,984	6,837	-	-	6,984	6,837
Sales taxes	4,764	4,770	-	-	4,764	4,770
Other taxes	1,610	1,605	-	-	1,610	1,605
Investment earnings	280	135	84	74	364	209
Insurance Settlement	-	573	-	-	-	573
Gain (loss) on disposal of capital assets	3	88	8	11	11	99
Other	61	99	-	-	61	99
Total revenues	<u>18,670</u>	<u>18,544</u>	<u>13,008</u>	<u>13,011</u>	<u>31,678</u>	<u>31,555</u>
Expenses:						
General government	4,509	4,803	-	-	4,509	4,803
Public safety	9,299	9,056	-	-	9,299	9,056
Public works	3,383	3,979	-	-	3,383	3,979
Health & other public svcs.	2,061	2,116	-	-	2,061	2,116
Tourism	591	976	-	-	591	976
Interest on long-term debt	337	362	-	-	337	362
Water, wastewater, & storm water	-	-	7,386	7,823	7,386	7,823
Solid waste	-	-	2,698	2,862	2,698	2,862
Total expenses	<u>20,180</u>	<u>21,292</u>	<u>10,084</u>	<u>10,685</u>	<u>30,264</u>	<u>31,977</u>
Increase in net position before transfers	(1,510)	(2,748)	2,924	2,326	1,414	(422)
Transfers	<u>2,286</u>	<u>3,304</u>	<u>(2,286)</u>	<u>(3,304)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	776	556	638	(978)	1,414	(422)
Net position, beginning	16,675	16,119	13,408	14,386	30,083	30,505
Prior period adjustment	328	-	43	-	371	-
Net position, ending	<u>\$ 17,779</u>	<u>\$ 16,675</u>	<u>\$ 14,089</u>	<u>\$ 13,408</u>	<u>\$ 31,868</u>	<u>\$ 30,083</u>

TABLE A-2: Governmental Activities

As shown in Table A-2, revenues were split between governmental activities and business-type activities at 58.94% and 41.06%, respectively. Expenses for each were 66.68% and 33.32%. Net position increased 6.62% from the prior period for governmental activities, increased 5.08% for business-type activities, and increased 5.93% overall.

The cost of all *governmental* activities for the fiscal year 2018 was \$20.2 million. However, the amount that taxpayers paid for these services through City taxes and business fees was \$13.4 million.

Some of the cost was paid by:

- Those who directly benefited from the programs, or \$4.0 million, and
- Other governments and organizations that subsidized certain programs with grants and contributions was \$1.0 million.
- Charges for services comprised 18.92% of governmental activities' revenues including transfers in and 98.96% of business-type activities' revenues without including transfers out.
- Taxes contributed 63.74% of governmental activities' revenues including transfers.
- Investment earnings, not including transfers, generated 1.50% and 0.65% of governmental activities revenues and business-type activities, respectively.
- Public Safety (including Police, Fire, Emergency Management, Inspections and Municipal Court) expenses accounted for 46.08% of governmental activities' expenses and 16.76% 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 \$6.5 million.
- General government comprises 22.34% of all governmental activities' expenses.

Charges for services revenue increased \$721 thousand from \$3.3 million in FY17 to \$4.0 million in FY18, or 22.23%. Sales tax revenue decreased \$6 thousand from \$4.77 million in FY17 to \$4.76 million in FY18, or 0.13%. In FY18, the City received \$36 thousand in one-time comptroller audit adjustments.

Other Revenues decreased from \$99 thousand in FY17 to \$61 thousand in FY18.

General government expenses decreased \$294 thousand from \$4.8 million in FY17 to \$4.5 million in FY18, or 6.12%. Public Safety expenses increased \$243 thousand from \$9.1 million in FY17 to \$9.3 million in FY18, or 2.68%. Public Works expenses decreased \$596 thousand from \$3.98 million in FY17 to \$3.38 million in FY18, or 14.98%.

The decrease in net position before transfers improved by \$1.2 million from a \$2.7 million deficit in FY17 to a \$1.5 million deficit in FY18. Transfers decreased \$1.0 million from \$3.3 million in FY17 to \$2.3 million in FY18, or 30.81%.

TABLE A-2: Business-Type Activities

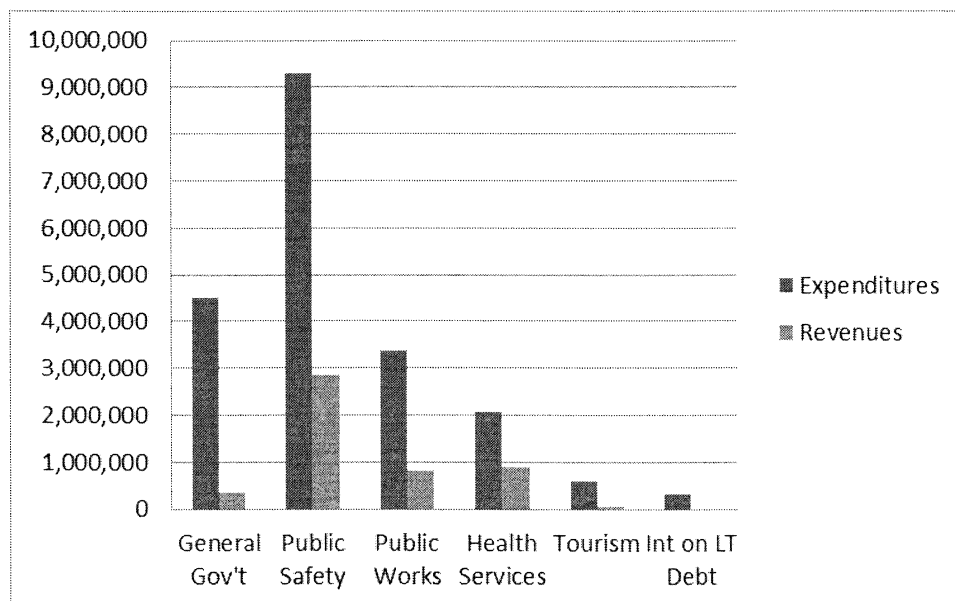
Charges for services revenue increased \$139 thousand from \$12.7 million in FY17 to \$12.9 million in FY18, or 1.09%. Water and Wastewater rates increased late in the year of FY18.

The increase in net position before transfers increased \$598 thousand from \$2.33 million in FY17 to \$2.92 million in FY18, or 25.71%. Transfers Out decreased \$1.0 million from \$3.3 million in FY17 to \$2.3 million in FY18, or 30.81%. In FY18, a new five-year Water and Wastewater Rate Model was developed resulting in these rates being increased. The prior rate model had expired and suggested gradual increases that had been recommended were not adopted in prior years, resulting in additional use of fund balance reserves.

Solid Waste expenses decreased \$164 thousand from \$2.86 million in FY17 to \$2.7 million in FY18, or 5.73%. Water and waste water expenses decreased \$437 thousand from \$7.82 million in FY17 to \$7.39 million in FY18, or 5.59%.

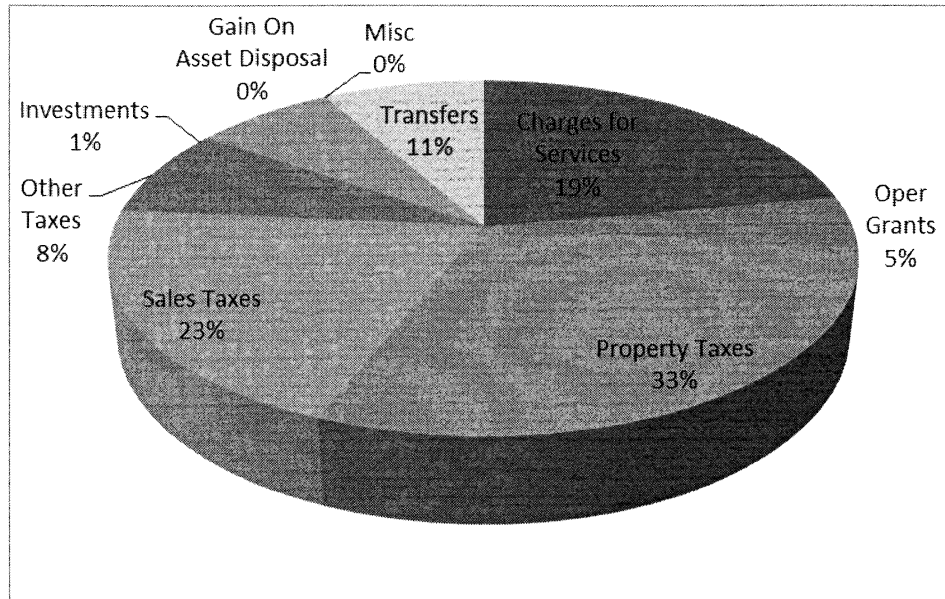
Graph 1 presents the cost of each of the City’s major governmental functions, as well as the associated program revenues.

Graph 1: Program Revenues to Activity Expenditures



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

Graph 2: Revenue by Source – Governmental Activities



Revenues of the City’s business-type activities are associated with operating activities accounted for in the Enterprise Funds. Solid Waste 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, wastewater, and storm water accounted for 73.24% of the expenses generated for business-type activities, with solid waste accounting for an additional 26.76%. The Utilities System had operating revenues of \$9.0 million, down by \$13 thousand, and operating income before transfers was of \$1.6 million, an increase of \$423 thousand. The major causes of these results were:

- Water revenues were down by \$14 thousand
- Wastewater revenues were up by \$46 thousand
- Stormwater revenues were up by \$103 thousand
- Operating grant revenues were down by \$149 thousand
- The operating expenses decreased by \$437 thousand, primarily due to overall expenditure reductions in water improvement, solid waste and wastewater.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds

- Total assets of the General Fund increased \$843 thousand from \$11.14 million to \$11.98 million between FY17 and FY18. Most of this overall increase in total assets is from an increase of \$1.0 million in the Equity in Pooled Cash and Cash Equivalents, an increase in Cash and Cash Equivalents of \$353 thousand, a decrease in Due From Other Funds and Other Governments of \$371 thousand, and a decrease of \$115 thousand in receivables from 2017.
- Deferred Revenues for FY18 decreased \$106 thousand. Total liabilities of the General Fund increased by \$84 thousand to approximately \$1.6 million, a 5.62% increase. The majority of the increase is attributed to an \$85 thousand increase in Due To Other Funds. This brings the ratio of total assets to total liabilities (including deferred revenues) to 6.00 times in 2018, up from 5.52 in 2017.
- 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.
- In FY18, the Street Maintenance fund balance was segregated from unassigned to committed for Street Maintenance. If this change were applied to the prior year 2017, General Fund Unassigned Fund Balance would have increased \$151 thousand in FY18 to \$7.0 million from \$6.8 million in FY17. Likewise, if the change were applied to the prior year 2017, Committed Fund Balance for Street Maintenance would have increased by \$309 thousand. The Committed Fund Balance for Landfill Closure/ Post Closure increased by \$313 thousand and increased \$118 thousand for Capital Outlay. The overall Fund Balance increased \$865 thousand from \$9.1 million in FY17 to \$10.0 million in FY18.

Police Forfeiture Funds

- Total assets of the Police Forfeiture Fund increased \$545 thousand from \$2.1 million to \$2.7 million between FY17 and FY18. Most of this overall increase in total assets is from an increase in Cash and Cash Equivalents of \$601 thousand and a decrease in Restricted Cash and Cash Equivalents of \$55 thousand as compared to FY17.
- Total liabilities of the Police Forfeiture Fund decreased by \$85 thousand from \$651 thousand in FY17 to approximately \$565 thousand in FY18. This brings the quick ratio (current assets to current liabilities) to 4.70 times in FY18 from 3.24 times in FY17. Year-end unsettled seizures remain from current City of Kingsville Police department seizures. Unsettled seizures pending were \$480 thousand down from \$541 thousand, and Due to Other Funds and Governments were down \$64 thousand at September 30, 2018, due to all payoffs being completed.
- The Police Forfeiture Fund revenues increased \$606 thousand or 150.71%, from \$402 thousand in FY17 to \$1.0 million in FY18. This amount of increase was due to large awarded seizure of funds. Police Forfeiture Fund expenditures saw a decrease of \$294 thousand from \$671 thousand in FY17 to \$378 thousand in FY18. Prior to the large awarded seizure in FY18, funding for expenditures had to be reduced due to the prior year ending fund balance. This fund's revenues and expenditures are based solely on the amount of funds available from seizures.

- The Police Forfeiture Fund Restricted Fund Balance increased by \$630 thousand from \$1.5 million in FY17 to \$2.1 million in FY18. The net of revenues over or under expenditures determines the change in value of the fund balance.

Debt Service Fund

- The Debt Service Fund Balance decreased \$198 thousand from \$757 thousand in FY17 to \$559 thousand in FY18. This was a decrease of 26.14% from FY17 to FY18. The City structures the Debt Service Fund Balance to minimize the balance being carried to no more than required for the cash flow necessary to service the City's debt.

Capital Projects Funds

- In FY 16-17, there were capital project funds for ongoing incomplete projects and these funds were reported in a separate column. Due to the small number of outstanding projects, these funds were combined with Other Governmental Funds for FY 17-18.

Other Governmental Funds

- Total assets of the Other Governmental Funds increased \$1.3 million from \$944 thousand to \$2.2 million between FY17 and FY18. Equity in Pooled Cash and Cash equivalents increased \$47 thousand, with Restricted Cash and Cash equivalents increasing \$1.6 million. Accounts Receivable decreased \$24 thousand and Due From Other Funds and Governments decreased \$365 thousand between FY17 and FY18.
- Total liabilities of the Other Governmental Funds decreased by \$361 thousand to approximately \$168 thousand, a 68.17% decrease. The majority of the decrease is attributed to a \$380 thousand decrease in Due to Other Funds and Governments due to end of year payoffs of these liabilities.
- Other Governmental Funds includes Federal and State grants and Capital Projects Funds. As the awarding of grants decline and capital projects are completed, these fund balances will continue to decrease due to the nature of these types of funds. The fund balance for these funds was \$415 thousand in FY17 and increased to \$2.1 million in FY18 due to Capital Projects now being included in this category.

Budgetary Results of the General Fund

Revenues

Per page 84, General Fund taxes and business fee revenues were \$11.65 million, which was \$78 thousand, or 0.68% above the final budget. Ad Valorem Delinquent revenues were \$25 thousand, or 19.84% above budget and penalty and interest was \$27 thousand, or 28.27%, 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 \$64 thousand, or 1.37% above budget. Franchise revenue was \$32 thousand or 3.43% higher than the final budget. These variances are the result of conservative budgeting and changes in the local economy.

Fines and Forfeitures revenue was more than the Final Budget for FY18 by \$133 thousand, or 17.31%. In FY18, there was \$77 thousand less budgeted for Fines revenue than in FY17. The budget was reduced due to past trends. Construction on their area was to begin and the court

would be required to hold smaller dockets. Even with these issues, Municipal Court outperformed revenue predictions.

Total Charges for Sanitation Services revenues were \$109 thousand, or 1.85% less than the final budget. Sanitation Services Garbage Fees revenue was lower than the final budget by \$37 thousand, or 1.11% of the Final Budget for FY18. Sanitation Services Landfill Fees revenue was less than the final budget by \$44 thousand, or about 6.93% for FY18.

Expenditures

City Special Services expenditures were lower than the final budget by \$35 thousand, or 5.82%. This favorable budget variance is mainly the result of lower expenditures for retiree group health insurance and lower non-reimbursed claims against the city.

Community Appearance Services expenditures were lower than the final budget by \$28 thousand, or 6.24%. The reason for less than budgeted expenditures was mainly due to a new program that did not get implemented.

Fire Department total expenditures were lower than the final budget by \$81 thousand, or 2.46%. Personal Services expenditures for the Fire Department were \$61 thousand below budget due to vacancies, along with Services at \$10 thousand below budget due to lower costs of the third-party ambulance billing company, Vehicle Maintenance was \$3 thousand below budget, and Capital Outlay costs were \$6 thousand below budget.

Police Department total expenditures were lower than the final budget by \$276 thousand, or 4.96%. Of this lower amount, \$148 thousand is related to Personal Services expenditures for the Police Department, or about 3.07% due to vacancies. Supplies were lower by \$22 thousand, Services were lower by \$76 thousand and Capital Outlays were lower by \$25 thousand. This department was conservatively budgeted with managerial oversight contributing to the positive variances.

Street Department total expenditures were lower than the final budget by \$559 thousand, or 20.91%. The majority of this came from lower building maintenance expenditures of \$407 thousand and \$73 thousand from Personal Services.

Landfill Department total expenditures were lower than the final budget by \$21 thousand, or 1.93%. Lower expenditures were evenly spread throughout the different categories for Personal Services, Services, Equipment Maintenance and Bad Debt.

General Fund total revenues were \$198 thousand, or 1.03% above the final budget. The General Fund expenditures came in at \$1.6 million, or 7.26% below the final budget. Actual Expenditures exceeded Revenues by \$1.2 million, but it does not include Other Financing Sources of \$2.1 million.

Budget Amendments of the General Fund

The General Fund revenues budget was amended by a decrease of \$498 thousand to the following sources:

- The Charges for Services budgets increased by \$74,365
- The Donations revenue budget was amended by \$3,500. Donations are never budgeted as this type of revenue is not an anticipated source of revenue. This budget is amended as donations are received.
- Operating Transfers In budgets increased by \$3,590
- The capital lease recordation revenue budgets were reduced by \$579,021 due to capital leases recorded in the prior year.

Further information on the revenue amendments are detailed on pages 77-78 of the Notes to the Financial Statement.

The General Funds expenditures budget was amended by \$115,247 which is detailed on page 78 of the Notes to the Financial Statement.

This General Funds comparison of expenditures from the Original Budget to the Final Budget overall changed by \$115,247 from the following sources:

The City Administration Department budget changed by \$1,415. Included in this overall department is:

- City Commission budget changed by \$2,000 due to an increase in supplies.
- City Special budget changed by (\$30,181) for decreases in catering, election and credit card discount fees.
- The Economic Development budget changed by \$29,596 for professional services resulting from the creation of a strategic plan and property taxes on city owned land.

The Urban Development Department budget changed by \$4,000. Included in this overall department is:

- Planning changed by \$1,808 due to additional testing on the Old County Hospital project.
- Permits and Licenses changed by \$5,300 for additional survey costs.
- Community Appearance changed by (\$4,108) for lower costs of motor gas and oil.
- Downtown changed by \$1,000 for downtown banners.

The Police department budget changed by \$57,851 due to the purchase of additional body armor and a phone system upgrade.

The Fire department changed by (\$258,839) due to the reclassification of a new capital lease. The expenditures were recognized in the prior year and the associated budget was moved when the reclass was done.

The Volunteer Fire department changed by (\$4,753) due to decreased costs for training and uniforms.

The Public Works Department changed by (\$142,937). Included in this overall department is:

- Public Works Administration changed by (\$1,685) for personal expenditures due to vacancies.
- Garage was changed by \$6,043 for group health insurance due to a change in coverage.

- Sanitation changed by \$100,779 for personal services, supplies and capital outlay
- Street changed by (\$36,994) for personal services due to vacancies
- Landfill changed by (\$217,079) due to the reclassification of a new capital lease. The expenditures were recognized in the prior year and the associated budget was moved when the reclass was done.
- The Recycling Center changed by \$6,000 due to increased recycling pickup fees.

The Parks and Recreation Department budget changed by \$50,655 due to donations received for summer recreation programs and the new dog park to be completed in FY19.

The Golf Course Department budget changed by \$87,929 for personal services due to staffing changes, increased supplies, professional services, and equipment maintenance.

The Tourism Department budget changed by \$97,262 due to storm damage repairs completed to the JK Northway.

Operating transfers out were changed by \$222,664 for additional capital outlay projects.

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 the portion of the financial statements found on pages 98-103. Total assets for the combined funds were \$2.2 million, total liabilities were \$168 thousand, and total fund balances were \$2.1 million, with \$58 in Assigned Fund Balance and \$2.1 million in Restricted Fund Balance.

The Tourism Fund makes up 62.19% of the revenues of the special revenue funds. The main source of funding for the Tourism Fund is from Hotel/Motel Occupancy Taxes. Another significant portion, 37.81%, 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, 2018 and 2017
(In thousands of dollars)**

	Governmental Activities			Business-type Activities		
	2018	2017	% Change FY 17-18	2018	2017	% Change FY 17-18
Land	\$ 470	\$ 470	0.00%	\$ 595	\$ 595	0.00%
Building & improvements	7,523	5,582	34.77%	15,027	15,199	-1.13%
Equipment	2,109	1,309	61.12%	2,935	2,694	8.95%
Vehicles	1,958	2,060	-4.95%	857	1,087	-21.16%
Road network	6,294	6,497	-3.12%	-	-	0.00%
Construction in progress	567	1,828	-68.98%	3,518	2,831	24.27%
Total	\$ 18,921	\$ 17,746	6.62%	\$ 22,932	\$ 22,406	2.35%

In the Notes to the Financial Statements located on page 65, the City has invested \$103.2 million (before depreciation) in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads and bridges, and its utility system.

TABLE A-3: Governmental Activities

Construction in progress decreased \$1.3 million from \$1.8 million in FY17 to \$567 thousand in FY18 with the on-going projects funded with Certificates of Obligation. As projects are completed, construction in progress will continue to decrease.

TABLE A-3: Business-type Activities

Building and improvements decreased \$172 thousand from \$15.2 million in FY17 to \$15.0 million in FY18, or 1.13%. Equipment increased \$242 thousand from \$2.7 million in FY17 to \$2.9 million in FY18, or 8.99%. Construction in progress increased \$686 thousand from \$2.8 million in FY17 to \$3.5 million in FY18, or 24.24% 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 65-66 of the Notes to the Financial Statements.

**Table A-4: Long-Term Liabilities
September 30, 2018 and 2017
(in thousands of dollars)**

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Certificates of obligation	\$ 10,904	\$ 11,757	\$ 6,626	\$ 7,153	\$ 17,530	\$ 18,910
Limited tax refunding bonds	505	680	5,890	6,665	6,395	7,345
Premium on bonds payable	263	277	229	256	492	533
Capital Leases	768	635	917	443	1,685	1,078
OPEB Liability	1,071	1,352	282	359	1,353	1,711
Total debt	<u>13,511</u>	<u>14,701</u>	<u>13,944</u>	<u>14,876</u>	<u>27,455</u>	<u>29,577</u>
Net pension liability	910	4,130	155	706	1,065	4,836
Compensated absences	1,032	1,067	78	83	1,110	1,150
Landfill closure cost	-	-	2,848	2,701	2,848	2,701
Total long-term debt	<u>\$ 15,453</u>	<u>\$ 19,898</u>	<u>\$ 17,025</u>	<u>\$ 18,366</u>	<u>\$ 32,478</u>	<u>\$ 38,264</u>

Table A-4 indicates that total long-term debt decreased by \$5.8 million from FY17 to FY18, or 15.12%. Of that, landfill closure costs increased \$147 thousand, or 5.43%, while compensated absences decreased 3.51%. Total debt outstanding at fiscal year-end was \$27.5 million, from \$29.6 million for the prior year.

In addition, there were overall reductions of \$1.4 million in certificates of obligation bonds and revenue bonds (Combined Utility System) through scheduled principal payments. Governmental Activities' certificate of obligations had an \$852 thousand debt decrease and the Business-type activities had a reduction of \$527 thousand. Additional information on the City's Long-Term Obligations can be found on Note G, Item # 1-3, and pages 67-70 of the Notes to the Financial Statements.

Ad Valorem Taxes

The FY17 tax rates were \$0.69055 for the General Fund and \$0.15165 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 \$13.3 million each year based on the assessed value of \$801,907,989. 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 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 2018-2019 ADOPTED OPERATING BUDGET

The total Revenues and Expenditures adopted budget for FY18-19 are \$40,854,156 and \$45,764,362, respectively. The \$4.9 million difference between expenditures and revenues is due mostly to drawing down fund balances to complete capital projects, the largest portion of which are for projects financed by Certificates of Obligation (C.O.'s). 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 \$4,953,582 and our ending estimated fund balance is \$5,262,547, leaving a projected operating surplus of \$309 thousand over the required minimum of \$4.95 million.

The net deficits for FY18 and FY19 are not generally attributed to the City's basic operations resulting instead from planned expenditures and draw down of bond proceeds (Certificates of Obligation) and accumulated operating surpluses from previous years.

General Discussion

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

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

Other Postemployment Benefits (OPEB)

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

Compensation Plan and Personnel Adjustments

FY18 expenditures for personnel services are proposed to increase \$701 thousand, or 4.18% from estimated actual expenditures of \$16,765,646 in FY18 to \$17,467,039 of budgeted expenditures in FY19. This increase is attributed to a 2% cost of living increase for all non-civil service employees and vacant positions that were not filled in FY18. All positions are budgeted at 100% regardless of prior year vacancies.

Capital Outlays

City staff capital outlay requests for FY19 totaled \$3,479,475; of which \$1,642,207 was approved. The capital outlay items approved promotes employee efficiency, effectiveness, and safety and is a combination of large and small items. It includes:

- \$22,200 for the restoration and preservation of minutes – Phase 3
- \$48,946 for the initial lease recordation of Nimble Array Storage
- \$10,000 for a chemical storage container at the Golf Course
- \$15,000 for fencing around the new splash pad
- \$14,673 for the purchase of a new K-9
- \$300,000 for the purchase of a swat Bearcat vehicle
- \$298,586 for the purchase and outfitting of (5) Chevy Tahoes
- \$28,568 for the purchase of a payment kiosk
- \$600,000 for the purchase of a Ferrara Fire Apparatus pumper
- \$60,000 for the decking at Brookshire pool
- \$125,000 for a ground storage tank replacement
- \$100,000 for (2) stainless steel basis canal gates at the South WW plant
- \$9,234 for a Polyblen polymer feed unit
- \$5,000 for a tilt trailer to transport the new skid loader
- \$5,000 for the irrigation repair of baseball field #5

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

CITY OF KINGSVILLE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 8,085,389	\$ 4,057,719	\$ 12,143,108
Equity in pooled cash and cash equivalents	3,705,604	3,006,910	6,712,514
Receivables (net of allowances for uncollectibles):			
Taxes	1,403,798	--	1,403,798
Accounts	269,197	1,742,919	2,012,116
Accrued interest	624	1,160	1,784
Internal balances	192,337	(192,337)	--
Due from other governments	247,128	3,087	250,215
Inventory, at cost	403,556	386,825	790,381
Restricted assets:			
Cash and cash equivalents	3,039,825	638,579	3,678,404
Equity in pooled cash and cash equivalents	232,725	--	232,725
Accounts	--	50,245	50,245
Long-term assets:			
Land and construction in progress	1,036,525	4,112,463	5,148,988
Capital assets, net of related depreciation	17,884,681	18,819,771	36,704,452
Total Assets	<u>36,501,389</u>	<u>32,627,341</u>	<u>69,128,730</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflow related to pensions	644,068	110,020	754,088
Total Deferred Outflows of resources	<u>644,068</u>	<u>110,020</u>	<u>754,088</u>
LIABILITIES			
Accounts payable	1,234,027	390,475	1,624,502
Accrued wages payable	32,105	5,406	37,511
Payable from restricted assets:			
Accrued interest payable	62,124	59,339	121,463
Customer deposits	480,383	856,940	1,337,323
Due to:			
Other governments	250,994	--	250,994
Others	149	--	149
Liabilities due within one year:			
Accumulated unpaid compensated absences	576,680	38,500	615,180
Leases payable	205,991	220,923	426,914
Contractual obligations payable	1,055,630	1,269,370	2,325,000
Liabilities due beyond one year:			
Accumulated unpaid compensated absences	455,525	39,156	494,681
Leases payable	562,117	696,535	1,258,652
OPEB liability	1,070,865	281,779	1,352,644
Contractual obligations payable	10,616,325	11,475,742	22,092,067
Net pension liability	910,077	155,460	1,065,537
Landfill closure costs	--	2,847,715	2,847,715
Total Liabilities	<u>17,512,992</u>	<u>18,337,340</u>	<u>35,850,332</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	1,811,952	309,523	2,121,475
Deferred inflows of resources related to OPEB	6,963	1,916	8,879
Other deferred inflows of resources	34,527	--	34,527
Total Deferred Inflows of Resources	<u>1,853,442</u>	<u>311,439</u>	<u>2,164,881</u>
NET POSITION:			
Net Investment in Capital Assets	6,481,143	9,269,664	15,750,807
Restricted For:			
Federal and State Programs	10,213	--	10,213
Debt Service	746,570	--	746,570
Capital Projects	36,079	2,277,168	2,313,247
Municipal Court Security	2,266	--	2,266
Law Enforcement	2,276,359	--	2,276,359
Municipal Court Technology	37,848	--	37,848
Tourism	341,404	--	341,404
Unrestricted	7,847,141	2,541,750	10,388,891
Total Net Position	<u>\$ 17,779,023</u>	<u>\$ 14,088,582</u>	<u>\$ 31,867,605</u>

The accompanying notes are an integral part of this statement.

CITY OF KINGSVILLE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government			
General government and administration	\$ 4,509,275	\$ 270,992	\$ 89,233
Public safety	9,299,188	2,515,424	332,523
Public works	3,382,760	813,052	--
City/County	2,060,985	314,270	577,334
Tourism	590,957	51,128	4,000
Interest on long-term debt	337,368	--	--
Total Government Activities	<u>20,180,533</u>	<u>3,964,866</u>	<u>1,003,090</u>
Business-type Activities:			
Water Improvement	4,381,668	5,071,190	42,587
Stormwater	327	330,649	--
Solid waste	2,697,771	3,927,251	--
Wastewater	3,004,453	3,543,469	--
Total Business-type Activities	<u>10,084,219</u>	<u>12,872,559</u>	<u>42,587</u>
Total Primary Government	<u>\$ 30,264,752</u>	<u>\$ 16,837,425</u>	<u>\$ 1,045,677</u>

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

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (4,149,050)		\$ (4,149,050)
(6,451,241)		(6,451,241)
(2,569,708)		(2,569,708)
(1,169,381)		(1,169,381)
(535,829)		(535,829)
(337,368)		(337,368)
<u>(15,212,577)</u>		<u>(15,212,577)</u>
--	\$ 732,109	732,109
--	330,322	330,322
--	1,229,480	1,229,480
--	539,016	539,016
--	<u>2,830,927</u>	<u>2,830,927</u>
<u>(15,212,577)</u>	<u>2,830,927</u>	<u>(12,381,650)</u>
6,983,970	--	6,983,970
4,764,200	--	4,764,200
979,444	--	979,444
2,762	--	2,762
61,752	--	61,752
566,267	--	566,267
280,161	84,354	364,515
3,000	8,002	11,002
61,377	--	61,377
2,286,274	(2,286,274)	--
<u>15,989,207</u>	<u>(2,193,918)</u>	<u>13,795,289</u>
776,630	637,009	1,413,639
16,674,860	13,407,913	30,082,773
327,533	43,660	371,193
<u>\$ 17,779,023</u>	<u>\$ 14,088,582</u>	<u>\$ 31,867,605</u>

CITY OF KINGSVILLE

BALANCE SHEET - GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2018

	General Fund	Police Forfeiture Fund
ASSETS	<u> </u>	<u> </u>
Assets:		
Cash and cash equivalents	\$ 4,131,615	\$ 2,085,030
Equity in pooled cash and cash equivalents	5,100,834	46,718
Receivables (net of allowances for uncollectibles):		
Taxes	1,304,066	--
Accounts	694,829	--
Assessments	59,824	--
Accrued interest	592	--
Due from:		
Other funds	74,862	--
Other governments	162,902	6,442
Inventory, at cost	354,037	--
Restricted assets:		
Cash and cash equivalents	44,009	480,383
Equity in pooled cash and cash equivalents	2,266	38,376
Accounts	50,244	--
Total Assets	<u>\$ 11,980,080</u>	<u>\$ 2,656,949</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND EQUITY		
Liabilities:		
Accounts payable	\$ 841,610	\$ 85,032
Accrued wages payable	31,649	--
Payable from restricted assets:		
Customer deposits	--	480,383
Due to:		
Other funds	462,367	--
Other governments	242,306	--
Others	149	--
Total Liabilities	<u>1,578,081</u>	<u>565,415</u>
Deferred Inflows of Resources:		
Deferred revenue	416,970	--
Total Deferred Inflows of Resources	<u>416,970</u>	<u>--</u>
Equity:		
Fund balances:		
Nonspendable:		
Inventory	354,036	--
Restricted:		
Debt service	--	--
Capital outlay	48	--
Municipal court building security	2,266	--
Municipal court technology	--	37,848
Law enforcement	--	2,053,686
Tourism	--	--
Federal and state programs	--	--
Committed:		
Landfill	1,368,850	--
Street maintenance	967,541	--
Sanitation capital outlay	324,778	--
Capital outlay	3,609	--
Assigned:		
Drug awareness	--	--
Unassigned:	6,963,901	--
Total Equity	<u>9,985,029</u>	<u>2,091,534</u>
Total Liabilities, Deferred Inflows of Resources, and Equity	<u>\$ 11,980,080</u>	<u>\$ 2,656,949</u>

The accompanying notes are an integral part of this statement.

EXHIBIT A-3

Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ --	\$ 175	\$ 6,216,820
--	89,853	5,237,405
99,732	--	1,403,798
--	45,582	740,411
--	--	59,824
--	--	592
95,036	--	169,898
--	77,784	247,128
--	1,012	355,049
347,382	2,021,778	2,893,552
132,322	--	172,964
--	--	50,244
<u>\$ 674,472</u>	<u>\$ 2,236,184</u>	<u>\$ 17,547,685</u>
\$ --	\$ 47,347	\$ 973,989
--	456	32,105
--	--	480,383
15,358	77,358	555,083
--	8,688	250,994
--	--	149
<u>15,358</u>	<u>133,849</u>	<u>2,292,703</u>
99,732	34,527	551,229
<u>99,732</u>	<u>34,527</u>	<u>551,229</u>
--	--	354,036
559,382	--	559,382
--	1,723,633	1,723,681
--	--	2,266
--	--	37,848
--	--	2,053,686
--	337,404	337,404
--	6,713	6,713
--	--	1,368,850
--	--	967,541
--	--	324,778
--	--	3,609
--	58	58
--	--	6,963,901
<u>559,382</u>	<u>2,067,808</u>	<u>14,703,753</u>
<u>\$ 674,472</u>	<u>\$ 2,236,184</u>	<u>\$ 17,547,685</u>

CITY OF KINGSVILLE

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 SEPTEMBER 30, 2018

Total fund balances - governmental funds balance sheet	\$ 14,703,753
Amounts reported for governmental activities in the Statement of Net Position ("SNP") are different because:	
Capital assets used in governmental activities are not reported in the funds.	18,921,206
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	429,630
The assets and liabilities of internal service funds are included in governmental activities in the SNP.	1,315,294
Payables for bond principal which are not due in the current period are not reported in the funds.	(11,408,680)
Payables for capital leases which are not due in the current period are not reported in the funds.	(768,108)
Payables for bond interest which are not due in the current period are not reported in the funds.	(62,124)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(1,032,205)
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 SNP.	(889,656)
Recognition of the City's proportionate share of the net pension liability is not reported in the funds.	(910,077)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(1,811,952)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	644,068
Bond premiums are amortized in the SNA but not in the funds.	(263,275)
Recognition of the City's proportionate share of the net OPEB liability is not reported in the funds.	(1,070,865)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.	(6,962)
Net position of governmental activities - Statement of Net Position	<u>\$ 17,779,023</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, 2018

	General Fund	Police Forfeiture Fund
	<u> </u>	<u> </u>
Revenue:		
Taxes	\$ 11,648,169	\$ --
Licenses and permits	193,757	--
Charges for services	5,807,967	--
Fines and forfeitures	903,853	982,969
Special assessments	774	--
Interest and miscellaneous	232,116	25,148
Donations	3,000	--
Intergovernmental revenue	550,000	--
Federal and state grants	71,187	--
Total Revenues	<u>19,410,823</u>	<u>1,008,117</u>
Expenditures:		
Current:		
General government and administration	4,290,941	10,979
Public safety	8,542,401	144,020
Public works	4,729,273	--
City/County	1,994,989	--
Tourism	4,170	--
Capital outlay	1,061,427	222,672
Debt service:		
Principal retired	--	--
Interest	--	--
Paying agent fees	--	--
Total Expenditures	<u>20,623,201</u>	<u>377,671</u>
Excess (deficiency) of revenues (under) expenditures	(1,212,378)	630,446
Other Financing Sources (Uses):		
Transfers in	1,584,365	--
Transfers out	(351,759)	--
Gain on sale of assets	--	--
Lease proceeds	845,105	--
Total Other Financing Sources (Uses)	<u>2,077,711</u>	<u>--</u>
Net Change in Fund Balances	865,333	630,446
Fund Balances/Equity, October 1	9,119,696	1,461,088
Fund Balances/Equity, September 30	<u>\$ 9,985,029</u>	<u>\$ 2,091,534</u>

The accompanying notes are an integral part of this statement.

EXHIBIT A-5

Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ 1,273,010	\$ 565,474	\$ 13,486,653
--	--	193,757
--	52,669	5,860,636
--	--	1,886,822
--	--	774
14,296	28,579	300,139
--	4,025	7,025
--	--	550,000
--	377,155	448,342
<u>1,287,306</u>	<u>1,027,902</u>	<u>22,734,148</u>
--	32,467	4,334,387
--	307,837	8,994,258
--	515,391	5,244,664
--	14,034	2,009,023
--	576,524	580,694
--	1,867,116	3,151,215
1,124,637	--	1,124,637
357,712	--	357,712
2,900	--	2,900
<u>1,485,249</u>	<u>3,313,369</u>	<u>25,799,490</u>
(197,943)	(2,285,467)	(3,065,342)
--	85,531	1,669,896
--	(157,437)	(509,196)
--	3,000	3,000
--	--	845,105
<u>--</u>	<u>(68,906)</u>	<u>2,008,805</u>
(197,943)	(2,354,373)	(1,056,537)
757,325	4,422,181	15,760,290
<u>\$ 559,382</u>	<u>\$ 2,067,808</u>	<u>\$ 14,703,753</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, 2018*

Net change in fund balances - total governmental funds	\$ (1,056,537)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	2,545,215
The depreciation of capital assets used in governmental activities is not reported in the funds.	(1,364,932)
Trade-in or disposal of capital assets decrease net position in the SOA but not in the funds.	(5,189)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(129,051)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	1,027,843
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	116,022
(Increase) decrease in accrued interest from beginning of period to end of period.	1,920
The net revenue (expense) of internal service funds is reported with governmental activities.	148,522
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	35,138
Solid waste activities are included in the general fund, but are included in business activities in SOA.	(453,726)
Bond premiums are reported in the funds but not in the SOA.	13,370
Proceeds of leases do not provide revenue in the SOA, but are reported as current resources in the funds.	(248,660)
The City's share of the unrecognized deferred inflows and outflows for the pension plan was amortized.	303,636
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	(103,399)
OPEB expense relating to GASB 75 is recorded in the SOA but not in the funds.	<u>(53,542)</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ 776,630</u>

The accompanying notes are an integral part of this statement.

CITY OF KINGSVILLE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2018

EXHIBIT A-7

	Enterprise Fund	Nonmajor Internal Service Fund
	Utility Fund	Insurance Fund
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,861,164	\$ 952,331
Equity in pooled cash and cash equivalents	2,778,788	--
Receivables (net of allowances for uncollectibles):		
Accounts	1,301,012	8,963
Accrued interest	1,160	32
Due from:		
Other funds	15,358	577,522
Other governments	3,087	--
Inventory, at cost	386,825	--
Prepaid expenses	--	48,507
Restricted assets - noncurrent:		
Cash and cash equivalents	655,465	--
Total current assets	<u>9,002,859</u>	<u>1,587,355</u>
Noncurrent assets:		
Capital assets:		
Land	181,743	--
Utility plant	42,199,022	--
Equipment	3,494,445	--
Vehicles	2,360,237	--
Construction in progress	1,168,637	--
Total capital assets	49,404,084	--
Less accumulated depreciation	(32,737,946)	--
Net capital assets	<u>16,666,138</u>	<u>--</u>
Total noncurrent assets	<u>16,666,138</u>	<u>--</u>
Total Assets	<u>25,668,997</u>	<u>1,587,355</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflow related to pensions	110,020	--
Total Deferred Outflows of Resources	<u>\$ 110,020</u>	<u>\$ --</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 390,475	\$ 270,323
Accrued wages payable	5,406	--
Due to:		
Other funds	207,695	--
Accumulated unpaid compensated absences	38,500	--
Current liabilities payable from restricted assets:		
Accrued interest payable	56,677	--
Contractual obligations payable	1,227,285	--
Customer deposits	856,940	--
Total current liabilities	<u>2,782,978</u>	<u>270,323</u>
Long-term liabilities, net of current portion:		
Accumulated unpaid compensated absences	39,156	--
OPEB liability	199,951	--
Contractual obligations payable	11,383,161	--
Net pension liability	155,460	--
Total long-term liabilities, net of current portion	<u>11,777,728</u>	<u>--</u>
Total Liabilities	<u>14,560,706</u>	<u>270,323</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflow related to pensions	309,523	--
Deferred inflow related to OPEB	1,313	--
Total Deferred Inflows of Resources	<u>310,836</u>	<u>--</u>
NET POSITION		
Net investment in capital assets	4,055,690	--
Restricted for:		
Self insurance	--	1,317,032
Capital outlay	2,277,168	--
Unrestricted	4,574,617	--
Total Net Position	<u>\$ 10,907,475</u>	<u>\$ 1,317,032</u>

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, 2018*

Utility Fund Net Position - Proprietary Funds Statement of Net Position \$ 10,907,475

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

Solid Waste is a business-type activity that is included in the general fund. Assets and liabilities relating to Solid Waste are included in business-type activities in the government-wide statement of net position 3,137,905

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 \$ 14,088,582

CITY OF KINGSVILLE

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
 IN FUND NET POSITION - PROPRIETARY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Enterprise Fund	Nonmajor Internal Service Fund
	Utility Fund	Insurance Fund
OPERATING REVENUES:		
Water	\$ 5,067,915	\$ --
Other income	--	32
Wastewater	3,877,393	--
Insurance premiums	--	3,781,188
Total Operating Revenues	<u>8,945,308</u>	<u>3,781,220</u>
OPERATING EXPENSES:		
Personal services	2,487,914	--
Supplies	501,040	--
Services	1,834,245	3,638,992
Maintenance	1,094,861	--
Uncollectable accounts	14,479	--
Depreciation and amortization	1,106,288	--
Total Operating Expenses	<u>7,038,827</u>	<u>3,638,992</u>
Operating Income (Loss)	<u>1,906,481</u>	<u>142,228</u>
NON-OPERATING REVENUES (EXPENSES):		
Interest	79,586	6,294
Gain or loss on sale of property	8,002	--
Federal grants	42,587	--
Interest and fiscal agent charge	(347,621)	--
Total Non-operating Revenues (Expenses)	<u>(217,446)</u>	<u>6,294</u>
Net Income (Loss) before Transfers	<u>1,689,035</u>	<u>148,522</u>
TRANSFERS IN (OUT):		
Transfers In	302,521	--
Transfers Out	(1,463,221)	--
Total Transfers In (Out)	<u>(1,160,700)</u>	<u>--</u>
Net Income (Loss)	528,335	148,522
Net Position, October 1	10,363,876	1,168,510
Prior period adjustment	15,264	--
Net Position, September 30	<u>\$ 10,907,475</u>	<u>\$ 1,317,032</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, 2018*

Change in net position - utility fund \$ 528,335

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. 108,674

Change in net position of Business-type activities - statement of activities \$ 637,009

CITY OF KINGSVILLE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Utility Fund	Internal Service Fund
Cash Flows from Operating Activities:		
Cash received from customers	\$ 8,877,486	\$ --
Cash receipts (payments) for interfund services provided and used	--	3,843,967
Cash payments to employees for services	(2,554,020)	--
Cash payments to other suppliers for goods and services	(3,381,596)	(3,921,147)
Net Cash Provided (Used) by Operating Activities	<u>2,941,870</u>	<u>(77,180)</u>
Cash Flows from Non-capital Financing Activities:		
Proceeds (payments) from (for) interfund borrowings	(266,098)	(84,148)
Proceeds from federal operating grant	57,851	--
Transfers to/from other funds	(1,160,700)	--
Net Cash Provided (Used) by Non-capital Financing Activities	<u>(1,368,947)</u>	<u>(84,148)</u>
Cash Flows from Capital and Related Financing Activities:		
Principal and interest paid	(1,584,473)	--
Proceeds from the disposition of assets	25,000	--
Acquisition or construction of capital assets	(1,519,267)	--
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>(3,078,740)</u>	<u>--</u>
Cash Flows from Investing Activities:		
Interest and dividends on investments	79,790	6,294
Net Cash Provided (Used) for Investing Activities	<u>79,790</u>	<u>6,294</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,426,027)	(155,034)
Cash and Cash Equivalents at Beginning of Year	8,721,444	1,107,365
Cash and Cash Equivalents at End of Year	<u>\$ 7,295,417</u>	<u>\$ 952,331</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ 1,906,481	\$ 142,228
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation	1,106,288	--
Provision for uncollectible accounts	14,479	--
Change in Assets and Liabilities:		
Decrease (increase) in receivables	(182,257)	62,747
Decrease (increase) in inventories	(8,472)	--
Decrease (increase) in prepaid expenses	--	(48,507)
Decrease (increase) in due from other governments	114,435	--
Increase (decrease) in accounts payable	157,871	36,582
Increase (decrease) in deferred inflows	172,024	(270,230)
Increase (decrease) in accrued wages payable	(66,106)	--
Increase (decrease) in accrued other employment and post employment benefits	(52,980)	--
Increase (decrease) in net pension liability	(550,121)	--
Increase (decrease) in deferred outflow related to pension	345,206	--
Increase (decrease) in accumulated compensated absences	(5,184)	--
Increase (decrease) in retainage payable	(33,066)	--
Increase (decrease) in customer deposits	23,272	--
Total Adjustments	<u>1,035,389</u>	<u>(219,408)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,941,870</u>	<u>\$ (77,180)</u>

The accompanying notes are an integral part of this statement.

CITY OF KINGSVILLE
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 SEPTEMBER 30, 2018

	Agency Fund
	Court Cash Bond Account
ASSETS	
Assets:	
Cash and cash equivalents	\$ 104,876
Total Assets	<u>\$ 104,876</u>
LIABILITIES AND EQUITY	
Liabilities:	
<i>Payable from restricted assets:</i>	
Customer deposits	\$ 104,876
Total Liabilities	<u>104,876</u>
Net Position:	
Total Net Position	<u>--</u>
Total Liabilities and Net Position	<u>\$ 104,876</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, 2018

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, 2018.

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, 2018.

b. Discretely Presented Component Unit

The City did not have a Discretely Presented Component Unit at September 30, 2018.

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, 2018

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.

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

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

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

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

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

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

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

CITY OF KINGSVILLE
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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. 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.

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.

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.

Future GASB Statement Implementations

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

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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 if applicable.

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 if applicable.

GASB Statement No. 88, Certain Disclosures Related to Debt, improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. The City will implement this Statement in fiscal year 2019 if applicable.

GASB Statement No. 89, Accounting for Interest Cost, enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The City will implement this Statement in fiscal year 2021 if applicable.

GASB Statement No. 90, Majority Equity Interests, improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. 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 if applicable.

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

4. Financial Statement Amounts

a. Equity in Pooled Cash and Cash Equivalents

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

CITY OF KINGSVILLE
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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 2017 tax rate was \$.84220 of which \$.69055 was distributed to the General Fund and \$.15165 was applied to the Debt Service Fund. Using the twenty-five percent rule, the City's legal margin is \$218,386,792.

Allowances for uncollectible tax receivables within the General Fund are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

The top ten taxpayers are as follows:

Taxpayer Name	Nature of Operations	Assessed Valuation	% of Total Taxable Valuation
AEP Texas Inc.	Electric Utility	32,595,840	4.06%
KL Phase 1 Owner LTD	Apartments	13,185,260	1.64%
NLP Kingsville Ventures LLC	Apartments	12,286,440	1.53%
Kingsville Legends LTD	Apartments	8,181,230	1.02%
Kingspointe- Victoria LLC	Apartments	7,880,960	0.98%
Apexone Javelina LLC	Apartments	7,603,630	0.95%
King Ranch Saddle Shop Inc.	Retail	5,780,170	0.72%
Wal-Mart Stores Texas, LLC US00442	Retail	5,748,150	0.72%
Wal-Mart Stores Inc #01-0442	Retail	5,419,990	0.68%
HEB Grocery Inc	Retail	4,769,040	0.59%

c. Inventory

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

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

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
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d. Use of Estimates

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

e. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	50
Building Improvements	20
Vehicles	2-15
Office Equipment	3-15
Computer Equipment	3-15

Impairment losses related to capital assets are recognized and measured when there has been a significant, unexpected decline in the service utility of capital assets. The events or changes in circumstances which lead to impairment determinations are not considered to be normal or ordinary. The service utility of a capital asset is the usable capacity which, at acquisition, was expected to be used or provide service. Common indicators of impairment include - evidence of physical damage where the level of damage is such that restoration efforts are needed to restore service utility; enactment of laws or approval of regulations as well as changes in environmental factors; technological developments, or other evidence of obsolescence; changes in the manner of duration of use of capital assets; or construction stoppage due to lack of funding. There were no impairment charges during fiscal year 2018.

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.

CITY OF KINGSVILLE
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Deferred outflows of resources in the Statement of Net Position totaled \$754,088, of which \$644,068 is in governmental activities and \$110,020 in business-type activities.

There were deferred inflows of resources in the Statement of Net Position of \$2,164,881, of which \$1,853,442 is in governmental activities, and \$311,439 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 H, Pension Plans, and Note I, Post Retirement Benefits.

h. Restricted Assets

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

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

i. Long-term Obligations

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

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

j. Pension Plans

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

k. Fund Equity

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

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

CITY OF KINGSVILLE

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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 spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

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

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

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

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

Minimum Unassigned Fund Balance - The City will maintain a minimum unassigned fund balance in its General Fund of 25% of the subsequent year's budgeted expenditures and outgoing transfers. The City will maintain a minimum unassigned fund balance in its Utility Fund of 25% of the subsequent year's budgeted expenditures and outgoing transfers. The City, as of September 30, 2018, met their minimum requirements.

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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.

l. Accumulated Unpaid Compensated Absences

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

m. Interfund Activity

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

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

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

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

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

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

C. Deposits and Investments

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

CITY OF KINGSVILLE
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Cash and Investments

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

1. Cash & Cash Equivalents

At September 30, 2018, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$22,873,365 and the bank balance was \$23,281,462. The City's cash deposits at March 14, 2018 and during the year ended September 30, 2018, were entirely covered by FDIC insurance or properly secured by collateral held by the City's agent in the City's name.

2. Investments

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

Investment Accounting Policy

The City's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's fair value does not vary with market interest rate changes. Non-negotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

Public Funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to : 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the fair value of its underlying investment portfolio within one-half of one percent of the value of its shares.

The City's investments in pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is a 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities & Exchange Commission ("SEC") as an investment company but, nevertheless, has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

<u>Investment</u>	<u>Reported Amount</u>	<u>Fair Value</u>
Texas Class (Rated @ AAAM)	\$ 6,500,145	\$ 6,500,145

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Analysis of Specific Deposit and Investment Risks:

GASB Statement No. 40 requires a determination as to whether the City was exposed to the following specific investment risks at year-end and, if so, the reporting of the certain related disclosures:

1. Credit Risks

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At the end of the period, the City was not significantly exposed to credit risk.

2. Custodial Credit Risk

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

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

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

3. Concentration of Risk

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

4. Interest Rate Risk

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

5. Foreign Currency Risk

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

D. Receivables

	General	Debt Service	Enterprise	Enterprise Restricted	Primary Government Total
Receivables:					
Accounts	\$ 4,922,599	\$ -	\$ 2,723,077	\$ 110,373	\$ 7,756,049
Taxes - Property	523,630	166,220	-	-	689,850
Taxes - Franchise & Sales	989,887	-	-	-	989,887
Special Assessments	59,824	-	-	-	59,824
Gross Receivables	6,495,940	166,220	2,723,077	110,373	9,495,610
Less: Allowance for uncollectable	(4,922,677)	(66,488)	(980,158)	(60,128)	(6,029,451)
Net total receivable	\$ 1,573,263	\$ 99,732	\$ 1,742,919	\$ 50,245	\$ 3,466,159

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E. Capital Assets

Capital asset activity for the year ended September 30, 2018, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 469,540	\$ -	\$ -	\$ 469,540
Construction in progress	1,828,240	437,452	(1,698,707)	566,985
Total capital assets not being depreciated	<u>2,297,780</u>	<u>437,452</u>	<u>(1,698,707)</u>	<u>1,036,525</u>
<i>Capital assets being depreciated:</i>				
Road network	19,244,996	40,850	-	19,285,846
Buildings and improvements	8,163,726	2,207,235	-	10,370,961
Equipment	5,320,161	1,335,713	(9,035)	6,646,839
Vehicles	6,141,606	222,672	(57,308)	6,306,970
Total capital assets being depreciated	<u>38,870,489</u>	<u>3,806,470</u>	<u>(66,343)</u>	<u>42,610,616</u>
Less accumulated depreciation for:				
Road network	(12,747,408)	(244,434)	-	(12,991,842)
Buildings and improvements	(2,581,547)	(266,109)	-	(2,847,656)
Equipment	(4,010,764)	(533,476)	6,389	(4,537,851)
Vehicles	(4,082,437)	(320,913)	54,764	(4,348,586)
Total accumulated depreciation	<u>(23,422,156)</u>	<u>(1,364,932)</u>	<u>61,153</u>	<u>(24,725,935)</u>
Total capital assets being depreciated, net	<u>15,448,333</u>	<u>2,441,538</u>	<u>(5,190)</u>	<u>17,884,681</u>
Governmental activities capital assets, net	<u>\$ 17,746,113</u>	<u>\$ 2,878,990</u>	<u>\$ (1,703,897)</u>	<u>\$ 18,921,206</u>
Business-type activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 594,943	\$ -	\$ -	\$ 594,943
Construction in progress	2,831,312	1,106,286	(420,078)	3,517,520
Total capital assets not being depreciated	<u>3,426,255</u>	<u>1,106,286</u>	<u>(420,078)</u>	<u>4,112,463</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	43,690,948	619,236	(13,572)	44,296,612
Equipment	5,696,862	819,822	(303,423)	6,213,261
Vehicles	4,961,818	-	-	4,961,818
Total capital assets being depreciated	<u>54,349,628</u>	<u>1,439,058</u>	<u>(316,995)</u>	<u>55,471,691</u>
Less accumulated depreciation for:				
Buildings and improvements	(28,491,523)	(791,628)	13,572	(29,269,579)
Equipment	(3,003,457)	(560,721)	286,425	(3,277,753)
Vehicles	(3,874,811)	(229,777)	-	(4,104,588)
Total accumulated depreciation	<u>(35,369,791)</u>	<u>(1,582,126)</u>	<u>299,997</u>	<u>(36,651,920)</u>
Total capital assets being depreciated, net	<u>18,979,838</u>	<u>(143,068)</u>	<u>(16,998)</u>	<u>18,819,771</u>
Business-type activities capital assets, net	<u>\$ 22,406,093</u>	<u>\$ 963,218</u>	<u>\$ (437,076)</u>	<u>\$ 22,932,234</u>

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

General Government	\$	214,143
Tourism		9,347
Public Safety		587,560
Public Works		460,930
City/County		92,952
	\$	<u>1,364,932</u>

Business-type depreciation was charged to functions as follows:

Water	\$	409,727
Wastewater		696,561
Solid Waste		475,838
	\$	<u>1,582,126</u>

F. Interfund Balances and Activity

1. Due To and From Other Funds

Balances due to and due from other funds at September 30, 2018, consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Other Governmental Funds	\$ 74,862	Short-term loans
Debt Service Fund	Utility Fund	95,036	Short-term loans
	Subtotal	<u>169,898</u>	
Utility Fund	Debt Service Fund	<u>15,358</u>	
Internal Service Fund	General Fund	462,367	Short-term loans
Internal Service Fund	Utility Fund	112,659	Short-term loans
Internal Service Fund	Other Governmental Funds	2,496	Short-term loans
	Subtotal	<u>577,522</u>	
	Total	<u>\$ 762,778</u>	

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

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
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2. Transfers To and From Other Funds

Transfers to and from other funds at September 30, 2018, consisted of the following:

Transfers To	Transfers From	Amount	Reason
General Fund	Other Governmental Fund	\$ 127,145	Supplement other funds sources
General Fund	Utility Fund	1,457,220	Supplement other funds sources
	Subtotal:	1,584,365	
Other Governmental Fund	Utility Fund	6,000	Supplement other funds sources
Other Governmental Fund	General Fund	56,760	Supplement other funds sources
Other Governmental Fund	Other Governmental Fund	22,771	Supplement other funds sources
	Subtotal:	85,531	
Utility Fund	General Fund	295,000	Supplement other funds sources
Utility Fund	Other Governmental Fund	7,521	Supplement other funds sources
	Subtotal:	302,521	
	Total	\$ 1,972,417	

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, 2018, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
Certificates of obligation	\$ 11,756,523	\$ -	\$ 852,842	\$ 10,903,681	\$ 955,630
Limited Tax Refunding					
Bond	680,000	-	175,000	505,000	100,000
Premium on Bonds Payable	276,645	-	13,370	263,275	-
Capital leases	635,470	248,660	116,022	768,108	205,991
Total long-term debt	13,348,638	248,660	1,157,234	12,440,064	1,261,621
Net pension liability *	4,130,493	2,582,252	5,802,668	910,077	-
Accumulated compensated absences*	1,067,342	743,812	778,950	1,032,204	576,680
OPEB liability *	1,351,819	79,701	360,655	1,070,865	-
Governmental activities					
Total long-term debt	\$ 19,898,292	\$ 3,654,425	\$ 8,099,507	\$ 15,453,210	\$ 1,838,301

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
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	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Business-type activities:					
Certificates of obligation	\$ 7,153,477	\$ -	\$ 527,157	\$ 6,626,320	\$ 479,370
Limited Tax Refunding Bond	6,665,000	-	775,000	5,890,000	790,000
Premium on Bonds Payable	255,609	-	26,817	228,792	-
Capital leases	443,332	596,444	122,319	917,457	220,923
Total long-term debt	14,517,418	-	1,451,293	13,662,569	1,490,293
Net pension liability *	705,581	455,691	1,005,812	155,460	-
Landfill closure cost	2,701,127	146,588	-	2,847,715	-
OPEB liability *	359,092	21,623	98,936	281,779	-
Accumulated compensated absences*	82,840	62,052	67,236	77,656	38,500
Business-type activities					
Long-term liabilities	\$ 18,366,058	\$ 685,954	\$ 2,623,277	\$ 17,025,179	\$ 1,528,793

* Other long-term liabilities

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

Liability	Activity Type
Accumulated compensated absences	Governmental activities
OPEB liability	Governmental activities
Net pension liability	Governmental activities
Accumulated compensated absences	Business-type activities
Net OPEB liability	Business-type activities
Net pension liability	Business-type activities

Certificates of obligation payable:	2018	2017
\$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)	6,450,000	6,960,000
\$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)	5,890,000	6,665,000
\$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%).	160,000	275,000
\$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

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
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\$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).	4,430,000	4,675,000
\$1,260,000 Limited Tax Refunding Bonds, Series 2013, for Capital Outlay and General Improvements, due in annual installments of \$170,000 to \$105,000 through September 2023; interest at 2.0% (100% General Fund)	505,000	680,000
\$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>6,490,000</u>	<u>6,740,000</u>
Total Certificates of Obligation Payable	<u>\$ 23,925,000</u>	<u>\$ 26,255,000</u>

2. Debt Service Requirements

Debt service requirements on long-term debt at September 30, 2018, are as follows:

Governmental Activities			
Year Ending September 30,	Principal	Interest	Total
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	1,268,864	214,737	1,483,601
2024-2028	2,888,947	757,719	3,646,666
2029-2032	2,207,777	292,416	2,500,193
2033-2037	350,000	24,675	374,675
Totals	<u>\$ 11,408,681</u>	<u>\$ 2,433,886</u>	<u>\$ 13,842,567</u>

Business-type Activities			
Year Ending September 30,	Certificates of Obligation		Revenue Bonds
	Principal	Interest	Total
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	1,266,136	232,938	1,499,074
2024-2028	4,021,053	712,291	4,733,344
2029-2033	2,237,225	226,539	2,463,764
Totals	<u>\$ 12,516,320</u>	<u>\$ 2,394,716</u>	<u>\$ 14,911,036</u>

CITY OF KINGSVILLE
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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, 2018, the City has no arbitrage liability.

3. Advance Refunding of Debt : There is no outstanding Refunded Debt as of September 30, 2018.

4. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of September 30, 2018, as follows:

<u>Year Ending September 30:</u>	Governmental Activities	Business-Type Activities	(1)
2019	\$ 224,108	\$ 228,927	
2020	222,796	163,685	
2021	152,368	163,684	
2022	152,367	163,685	
2023	68,067	95,277	
2024-2025	--	190,759	
Total Minimum Rentals	<u>819,706</u>	<u>1,006,017</u>	
Less: Amount representing interest	<u>51,598</u>	<u>88,560</u>	
Present value of net minimum lease payments	<u>\$ 768,108</u>	<u>\$ 917,457</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.tmr.com.

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

2. Benefits Provided

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

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

Employees covered by benefit terms:

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	162
Inactive employees entitled to but not yet receiving benefits	161
Active employees	260
Total covered employees	583

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 9.19% and 8.79% in calendar years 2017 and 2018, respectively. The City's contributions to TMRS for the year ended September 30, 2018 were \$1,023,749 and were equal to the required contributions.

4. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2017, 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, 2017 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

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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.

The long-term expected rate of return on pension plan investments is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
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	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

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Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2016	\$ 57,649,440	\$ 52,813,366	\$ 4,836,074
Changes for the year			
Service cost	1,542,091	-	1,542,091
Interest	3,865,404	-	3,865,404
Change of benefit terms	-	-	--
Difference between expected and actual experience	(59,073)	-	(59,073)
Changes of assumptions	-	-	--
Contributions - employer	-	1,044,347	(1,044,347)
Contributions - employee	-	795,478	(795,478)
Net investment income	-	7,318,990	(7,318,990)
Benefit payments, including refunds of employee contributions	(2,310,479)	(2,310,479)	--
Administrative expense	-	(37,934)	37,934
Other changes	-	(1,922)	1,922
Net changes	\$ 3,037,943	\$ 6,808,480	\$ (3,770,537)
Balance at 12/31/2017	\$ 60,687,383	\$ 59,621,846	\$ 1,065,537

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

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 9,842,988	\$ 1,065,537	\$ (6,091,152)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately issued TMRS financial report. That report may be obtained on the internet at www.tmrs.com.

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

For the year ended September 30, 2018, the City recognized pension expense of \$789,308.

Schedule of Pension Expense

Total Service Cost	\$ 1,542,091
Interest on the Total Pension Liability	3,865,404
Current Period Benefit Changes	-
Employee Contributions (Reduction of Expense)	(795,478)
Projected Earnings on Plan Investments (Reduction of Expense)	(3,564,902)
Administrative Expense	37,934
Other Changes in Fiduciary Net Position	1,922
Recognition of Current Year Outflow (Inflow) of Resources - Liabilities	(15,546)
Recognition of Current Year Outflow (Inflow) of Resources - Assets	(750,818)
Amortization of Prior Year Outflows (Inflows) of Resources - Liabilities	(344,604)
Amortization of Prior Year Outflows (Inflows) of Resources - Assets	813,305
Total Pension Expense	\$ 789,308

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At September 30, 2018, 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	\$ 1,593	\$ 620,813
Changes in actuarial assumptions	17,374	-
Difference between projected and actual investment earnings	-	1,500,662
Contributions subsequent to the measurement date	735,121	-
Total	<u>\$ 754,088</u>	<u>\$ 2,121,475</u>

\$735,121 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending September 30,	
2019	\$ (303,636)
2020	\$ (284,065)
2021	\$ (763,991)
2022	\$ (750,816)
2023	\$ -
Thereafter	\$ -

Texas Statewide Emergency Services Personnel Retirement Fund

1. Plan Description

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

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

2. Annual Required Contributions-City

The employer annual pension cost of \$7,296 for fiscal year ended September 30, 2018 was equal to the required and actual contributions and the City has no future liability. Three-year information is as follows:

	<u>2016</u>	<u>2017</u>	<u>2018</u>
Annual Required Contribution	\$ 5,472	\$ 4,707	\$ 7,296
Percentage of Required Cost Contributed	100%	100%	100%

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

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

CITY OF KINGSVILLE
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Deferred Compensation Plan

The City has a deferred compensation plan for its employees, created in accordance with Internal Revenue Code, Section 457. Participation in the plan is open to all regular employees and is voluntary. The City does not own or administer the amount deferred by employees and, therefore, the liability and corresponding investments are not reflected in the basic statements.

I. Post Retirement Benefits

1. Post-Employment Health Care Benefits

The City of Kingsville (the "City") provides post-employment medical benefits on behalf of its eligible retirees, through a self-funded single-employer benefit plan. As a result, the City is required to implement the Governmental Accounting Standards Board ("GASB") Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions ("GASB 75") which replaces GASB 45. GASB 75 requires public employers to perform periodic actuarial valuations to measure and disclose their retiree healthcare liabilities for the financial statement of the employer.

GASB 75 allows an actuarial valuation date no earlier than thirty months and one day prior to the fiscal year-end reporting date and a measurement date no earlier than one year and one day prior to the fiscal year-end reporting date. For the reporting year ending September 30, 2018, the City used an actuarial valuation date of October 1, 2017 and measurement date of September 30, 2018.

Note: Actuarial valuations are done every two years.

Plan Description and Funding Policy

Employees who retire from the City of Kingsville are eligible to continue to participate in the City's health insurance program at the employee group rate which is determined annually by the City of Kingsville and approved by the City Commission. Retirees have 31 days to elect to continue with the City's self-funded health insurance plan (City of Kingsville Benefit Plan Trust) in which they were participating at the time of retirement unless otherwise stated in the plan document or collective bargaining agreement. As of September 30, 2018, 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.

Eligibility for Retiree Benefits: Retirees are eligible to continue their medical coverage until they reach age 65.

To be eligible to continue coverage, retired employees must be receiving benefits for retirement from the Texas Municipal Retirement System, actively employed at the time of retirement.

Texas Municipal Retirement System:

Age 60 with 5 years of service
 20 years of service

Dependent Eligibility Spouses and children of the retiree are not eligible for the plan

Medical Benefits Retirees can continue coverage under the self-funded medical plan

Other Post Retirement Welfare Benefits None

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Actuarial Assumptions: The Total OPEB Liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Measurement Date:	September 30, 2018
Actuarial Valuation Date:	October 1, 2017
Inflation:	3.00%
Salary Increases, including inflation:	3.00%
Discount Rate:	3.83%
Prior Year Discount Rate:	3.50%

The discount rate was based on the 9/30/18 Fidelity General Obligation AA 20-Year Yield.

Mortality rates for active employees were based on the RPH-2014 Employee Mortality Table, Generational with Projection Scale MP-2018 for males or females, as appropriate.

Mortality rates for retirees were based on the RPH-2014 Healthy Annuitant Mortality Table, Generational with Projection Scale MP-2018 for males or females, as appropriate.

Inactive employees currently receiving benefits payments	7
Inactive employees entitled to but not yet receiving benefit payments	--
Active employees	<u>254</u>
	<u>261</u>

Balance at 9/30/2017 \$ 1,293,247

Changes for the year:	
Service Cost	50,437
Interest	50,887
Differences between expected and actual experience	(11,837)
Changes in Assumptions/Inputs	--
Change in Benefit Terms	--
Benefit payments	(30,090)
Administrative expense	--
Net Changes	<u>\$ 59,397</u>

Balance at 9/30/2018 \$ 1,352,644

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
Discount Rate:	\$ 1,525,791	\$ 1,352,644	\$ 1,223,379
Healthcare Cost Trend Rates:	\$ 1,191,306	\$ 1,352,644	\$ 1,574,980

OPEB Expense	
Service cost	\$ 50,437
Interest on liabilities	50,887
Difference between actual and expected experience	(2,959)
Changes in assumptions-inputs	--
Change in benefit terms	--
Total OPEB Expense	<u>\$ 98,365</u>

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Deferred Outflows and Inflows	Outflows	Inflows
Differences between actual and expected experience	\$ --	\$ 8,878
Changes of assumptions or other inputs	--	--
Total Deferred Outflows and Inflows	\$ --	\$ 8,878

Amounts reported and deferred outflows of resources and deferred inflows of resources related to OPEB expense will be recognized in OPEB expense as follows:

Year Ended Sept. 30:	
2019	\$ (2,959)
2020	(2,959)
2021	(2,959)
2022	--
2023	--
Thereafter	--

J. Commitments and Contingencies

1. Contingencies

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

2. Litigation

No reportable litigation was pending against the City at September 30, 2018.

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, 2018 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:

\$497,566 reduction in revenues and other financing sources comprised of:

- \$34,500 in Parks and Recreation - Donation revenue for construction of a dog park
- \$1,255 in Parks and Recreation - Donation revenue for recreational programs
- \$13,850 in Parks and Recreation - Donation revenue for summer programs and equipment

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

\$1,900 in Parks and Recreation - Donation revenue to the Parks Department

\$25,000 in Non-Departmental - Revenue from cell tower lease agreement for new telephone system at the Kingsville Police Department

\$3,590 in Non-Departmental - Transfer revenue from Texas Parks and Wildlife Community Outdoor Grant

\$860 in Police Department - Donation revenue for Kingsville Police Department

\$500 in Fire Department - Donation revenue to the Kingsville Volunteer Fire Department

\$8,235 in Street - For capital lease final adjustments

(\$318,216) in Landfill - Due to reduction in anticipated capital leases

(\$330,422) in Fire Department - Due to reduction in anticipated capital leases

\$61,382 in Sanitation - For capital lease final adjustments

\$115,247 addition to expenditures and other financing uses comprised of:

\$34,500 in Parks and Recreation - For dog park construction provided by donation

\$9,555 in Parks and Recreation - For recreational programs provided by donation

\$5,550 in Parks and Recreation - For park equipment provided by donation

\$1,000 in Parks and Recreation - For park improvements provided by donation

\$900 in Parks and Recreation - For recreational programs

\$32,051 in Police - For purchase of additional body armor for Police Department

\$25,000 in Police - For upgrades to phone system at Police Department

\$360 in Police - For purchase of traffic safety vests

\$500 in Police - For purchase of medical supplies provided by Police donation

\$10,000 in Licenses and Permits - For additional inspection services

\$35,904 in City Special - To transfer funds for DEAAG Grant land purchase

\$5,319 in City Special - For property insurance premiums

\$1,500 in City Special - For purchase of supplies for NAS Wings over South Texas

\$40,000 in Landfill - For additional professional services

(\$318,216) in Landfill - Due to reduction in anticipated capital leases

(\$330,422) in Fire Department - Due to reduction in anticipated capital leases

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

- \$20,000 in Fire Department - For critical repairs to Fire Aerial Truck
- \$1,330 in Fire Department - For additional equipment for NAS Wings over South Texas
- \$500 in Fire Department - For additional services provided by Fire Department donation
- \$5,000 in Fire Department - For purchase of additional medical supplies
- \$40,000 in Fire Department - For additional vehicle maintenance in the Fire division
- \$8,235 in Street - For capital lease final adjustments
- \$18,000 in Fund Transfers - To Transfer to PD Grant - JAG Fund for purchase and installation of dispatch consoles
- \$61,382 in Sanitation - For capital lease final adjustments
- \$62,662 in Landfill - For equipment maintenance
- \$97,779 in Parks and Recreation - For Parks grounds and permanent fixtures
- \$120,000 in Fund Transfers - To Transfer to Capital Projects Fund for renovation on municipal building
- \$97,262 in JK Northway Coliseum - For insurance claim from storm damage
- \$29,596 in Economic Development - For professional services

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, 2018, the liability for accrued vacation leave and accrued sick leave is approximately \$1,109,860. The amount applicable to the General Fund and Enterprise Fund of \$1,032,204 and \$77,656, respectively, and have been recorded in its respective fund.

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

M. Contracts With South Texas Water Authority

South Texas Water Authority contract: New five-year contract with the City running from October 1, 2017 through September 30, 2022.

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

PRICES AND TERMS

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

1. Handling Charge

- a. The handling charge shall be designed to cover all of the Authority's expenses other than the cost of water, including operation and maintenance expenses and amounts budgeted to be paid in the current year for capital improvements, plus an amount sufficient to accumulate and maintain a reasonably adequate reserve fund as stated in subparagraph b, less tax receipts and all other income and revenue. The handling charge, commencing on the effective date of this one-year contract extension and remaining in effect until September 30, 2018 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, 2018

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 \$2.312247 to \$2.400483.

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 \$388,075 and \$351,727 in 2018 and 2017, 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 \$270,323 at September 30, 2018 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 2018 and 2017 were:

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Beginning-of Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2016	\$ 183,570	\$ 2,617,116	\$ 2,582,956	\$ 217,730
2017	\$ 217,730	\$ 2,413,284	\$ 2,397,274	\$ 233,740
2018	\$ 233,740	\$ 2,514,049	\$ 2,477,466	\$ 270,323

The liability at year end is equal to three months of paid claims subsequent to September 30, 2018 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, 2018 is \$2,847,715 based on 40.43% usage (filled) of the landfill through September 30, 2018. It is estimated that an additional \$4,195,697 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 \$7,043,412 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, 2018. 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 15, 2019 (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.

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

S. Prior Period Adjustment

During fiscal year 2018, the City adopted GASB Statement No. 75 for Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The adoption of GASB 75, which replaced GASB 45, required a prior period adjustment in the Governmental Activities and Business-Type Activities on Exhibit A-2, as well as a prior period adjustment in the Proprietary Fund Statement on Exhibit A-8. These adjustments resulted in a credit, or increase, to beginning net position in the following amounts:

Governmental Activities	\$	327,533
Business-Type Activities	\$	90,160
Proprietary Fund	\$	61,764

In addition, the City inadvertently accrued a grant receivable in the prior year for expenditures that should have been paid through the City's matching portion of the grant. As a result, prior year grant receivable and grant revenue in the proprietary fund were overstated. The City has recorded a credit to grant receivable and a debit (decrease) to beginning net position in the current year in the amount of \$46,500, in both the Proprietary Fund and the Business-Type Activities.

The following are the total prior period adjustments:

Governmental Activities	\$	327,533
Business-Type Activities	\$	43,660
Proprietary Fund	\$	15,264



City of

King'sville
TEXAS



CITY OF KINGSVILLE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2018

EXHIBIT B-1
Page 1 of 8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Taxes:				
General Property Taxes:				
Current taxes	\$ 5,535,672	\$ 5,535,672	\$ 5,449,183	\$ (86,489)
Delinquent taxes	125,000	125,000	149,800	24,800
Penalty and interest	95,000	95,000	121,856	26,856
Late rendition fee	6,000	6,000	4,286	(1,714)
In lieu of tax payments	106,000	106,000	114,886	8,886
Total General Property Taxes	<u>5,867,672</u>	<u>5,867,672</u>	<u>5,840,011</u>	<u>(27,661)</u>
City Sales Tax	<u>4,700,000</u>	<u>4,700,000</u>	<u>4,764,200</u>	<u>64,200</u>
Mixed Drink Tax	<u>55,000</u>	<u>55,000</u>	<u>61,752</u>	<u>6,752</u>
Bingo Tax	<u>--</u>	<u>--</u>	<u>2,762</u>	<u>2,762</u>
Business Taxes:				
Electric franchise tax	675,000	675,000	745,333	70,333
Telephone franchise tax	100,000	100,000	69,985	(30,015)
Gas franchise tax	82,000	82,000	79,740	(2,260)
Cable T.V. franchise tax	90,000	90,000	84,386	(5,614)
Total Business Taxes	<u>947,000</u>	<u>947,000</u>	<u>979,444</u>	<u>32,444</u>
Total Taxes	<u>11,569,672</u>	<u>11,569,672</u>	<u>11,648,169</u>	<u>78,497</u>
Permits and Licenses:				
Plumbing permits	22,000	22,000	8,834	(13,166)
Electric permits	30,000	30,000	18,753	(11,247)
Building permits	65,000	65,000	50,318	(14,682)
Moving permits	600	600	550	(50)
Other permits	61,300	61,300	47,287	(14,013)
Amusement licenses	100	100	45	(55)
Beer and mixed drink licenses	7,200	7,200	7,445	245
Electrical licenses	5,000	5,000	--	(5,000)
Contractor licenses	34,000	34,000	29,335	(4,665)
Solicitor licenses	425	425	470	45
Food handler licenses	30,000	30,000	30,195	195
Other licenses	1,000	1,000	525	(475)
Total Permits and Licenses	<u>256,625</u>	<u>256,625</u>	<u>193,757</u>	<u>(62,868)</u>
Charges for Services:				
General Service Fees:				
Zoning fees	3,500	3,500	4,500	1,000
Platting fees	1,000	1,000	300	(700)
Police accident reports	2,000	2,000	996	(1,004)
Arrest fees	20,000	20,000	16,681	(3,319)
Child safety fund reports	--	360	--	(360)
Fire reports	30	30	--	(30)
Ambulance service	560,000	560,000	610,924	50,924
Park and recreational fees	346,750	395,755	339,253	(56,502)
Cell tower rental	--	25,000	26,800	1,800
Street maintenance fees	812,000	812,000	812,278	278
Other service fees	29,228	29,228	29,489	261
Total General Service Fees	<u>1,774,508</u>	<u>1,848,873</u>	<u>1,841,221</u>	<u>(7,652)</u>

CITY OF KINGSVILLE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2018

EXHIBIT B-1
Page 2 of 8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
City/County Services:				
Demolition recovery revenue	20,000	20,000	10,632	(9,368)
Weed control	30,000	30,000	22,689	(7,311)
Total City/County Services	50,000	50,000	33,321	(16,679)
Sanitation Services:				
Garbage fees	3,325,000	3,325,000	3,288,031	(36,969)
Landfill fees	637,000	637,000	592,837	(44,163)
Miscellaneous	56,400	56,400	52,557	(3,843)
Total Sanitation Services	4,018,400	4,018,400	3,933,425	(84,975)
Total Charges for Services	5,842,908	5,917,273	5,807,967	(109,306)
Fines and Forfeits:				
Court fines	710,000	710,000	851,307	141,307
Minor fines	16,500	16,500	8,290	(8,210)
Collection of state taxes	18,000	18,000	16,988	(1,012)
Other court fines	26,000	26,000	27,268	1,268
Total Fines and Forfeits	770,500	770,500	903,853	133,353
Special Assessments	--	--	774	774
Interest and Miscellaneous:				
Interest from investments	63,634	63,634	121,482	57,848
Auction revenue	1,000	1,000	625	(375)
Sale of city publications	1,520	1,520	944	(576)
Sale of recycle item	1,250	1,250	8,404	7,154
Miscellaneous	27,400	27,400	100,661	73,261
Total Interest and Miscellaneous	94,804	94,804	232,116	137,312
Gain or Loss on Sale of Property	50,000	50,000	--	(50,000)
Donations	--	3,500	3,000	(500)
Intergovernmental Revenue	550,000	550,000	550,000	--
Federal and state grants	--	--	71,187	71,187
Total Revenues	19,134,509	19,212,374	19,410,823	198,449
Expenditures:				
City Administration Department				
City Commission:				
Personal services	83,599	81,602	70,144	11,458
Supplies	1,500	3,500	2,850	650
Services	70,992	72,989	63,202	9,787
Total City Commission	156,091	158,091	136,196	21,895

CITY OF KINGSVILLE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2018

EXHIBIT B-1
Page 3 of 8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
City Manager:				
Personal services	240,514	251,774	251,024	750
Supplies	2,500	2,271	1,757	514
Services	37,047	26,016	23,706	2,310
Total City Manager	280,061	280,061	276,487	3,574
Municipal Building:				
Personal services	62,689	62,689	55,279	7,410
Supplies	16,100	22,438	20,801	1,637
Services	209,433	156,299	153,792	2,507
Equipment maintenance	--	546	546	--
Building maintenance	96,384	104,195	104,094	101
Capital outlay	11,560	49,999	49,161	838
Total Municipal Building	396,166	396,166	383,673	12,493
City Special:				
Personal services	29,000	30,102	24,928	5,174
Supplies	1,900	3,997	3,879	118
Services	592,807	559,427	530,963	28,464
Lease payments	13,992	13,992	12,366	1,626
Total City Special	637,699	607,518	572,136	35,382
Economic Development:				
Personal services	65,000	65,000	64,340	660
Services	90,313	119,909	106,478	13,431
Total Economic Development	155,313	184,909	170,818	14,091
Total City Administration Department	1,625,330	1,626,745	1,539,310	87,435
Management Services Department				
Personnel:				
Personal services	294,880	298,981	297,295	1,686
Supplies	20,795	16,458	14,060	2,398
Services	58,744	58,980	42,182	16,798
Total Personnel	374,419	374,419	353,537	20,882
Municipal Court:				
Personal services	278,504	278,504	269,740	8,764
Supplies	4,165	7,165	6,803	362
Services	12,355	9,355	5,518	3,837
Total Municipal Court	295,024	295,024	282,061	12,963

CITY OF KINGSVILLE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2018

EXHIBIT B-1
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	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Finance:				
Personal services	558,562	558,562	534,945	23,617
Supplies	7,000	6,570	5,073	1,497
Services	115,604	100,592	87,378	13,214
Lease payments	--	442	442	--
Total Finance	681,166	666,166	627,838	38,328
Computer Operations:				
Personal services	161,869	146,896	144,862	2,034
Supplies	40,406	58,630	58,514	116
Services	265,397	277,146	261,231	15,915
Equipment maintenance	--	1	1	--
Lease payments	21,542	21,542	20,940	602
Total Computer Operations	489,214	504,214	485,548	18,666
Total Management Services Department	1,839,823	1,839,823	1,748,984	90,839
Legal Department				
Personal services	205,963	205,963	205,600	363
Supplies	1,775	2,000	1,927	73
Services	45,796	45,571	31,832	13,739
Total Legal Department	253,534	253,534	239,359	14,175
Urban Development Department				
Planning:				
Personal services	156,688	157,043	156,111	932
Supplies	1,850	2,060	808	1,252
Services	13,721	14,264	10,721	3,543
Lease payments	--	700	700	--
Total Planning	172,259	174,067	168,340	5,727
Permits and Licenses:				
Personal services	168,741	165,621	123,506	42,115
Supplies	3,631	5,277	4,771	506
Services	9,031	15,805	14,000	1,805
Equipment maintenance	500	500	439	61
Lease payments	3,500	3,500	3,478	22
Total Permits and Licenses	185,403	190,703	146,194	44,509

CITY OF KINGSVILLE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2018

EXHIBIT B-1
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	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Community Appearance:				
Personal services	335,145	335,781	329,996	5,785
Supplies	24,818	13,118	10,447	2,671
Services	78,339	84,251	66,874	17,377
Equipment maintenance	4,700	4,025	3,868	157
Lease payments	2,500	3,175	2,668	507
Capital outlay	--	1,045	--	1,045
Total Community Appearance	<u>445,502</u>	<u>441,394</u>	<u>413,853</u>	<u>27,541</u>
Downtown Manager:				
Personal services	64,352	64,666	64,411	255
Supplies	700	807	807	--
Services	7,630	8,210	8,143	67
Total Downtown Manager	<u>72,682</u>	<u>73,682</u>	<u>73,361</u>	<u>321</u>
Total Urban Development Department	<u>875,846</u>	<u>879,846</u>	<u>801,748</u>	<u>78,098</u>
Police Department				
Personal services	4,814,368	4,813,639	4,665,784	147,855
Supplies	162,627	218,230	196,605	21,625
Services	456,141	437,361	361,546	75,815
Equipment maintenance	58,253	55,733	52,454	3,279
Lease payments	16,000	14,800	12,880	1,920
Capital outlay	--	25,477	--	25,477
Total Police Department	<u>5,507,389</u>	<u>5,565,240</u>	<u>5,289,269</u>	<u>275,971</u>
Fire Department				
Personal services	2,818,293	2,804,609	2,744,076	60,533
Supplies	124,204	132,409	131,640	769
Services	188,868	189,976	179,972	10,004
Equipment maintenance	34,450	105,585	102,106	3,479
Lease payments	37,928	37,000	36,992	8
Capital outlay	330,422	5,748	--	5,748
Total Fire Department	<u>3,534,165</u>	<u>3,275,326</u>	<u>3,194,786</u>	<u>80,540</u>
Volunteer Fire Department				
Personal services	17,404	17,919	14,169	3,750
Supplies	39,100	37,407	27,459	9,948
Services	23,900	20,325	15,915	4,410
Equipment maintenance	2,081	2,081	803	1,278
Total Volunteer Fire Department	<u>82,485</u>	<u>77,732</u>	<u>58,346</u>	<u>19,386</u>

CITY OF KINGSVILLE
 GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

EXHIBIT B-1
 Page 6 of 8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Public Works Department				
Public Works Administration:				
Personal services	197,854	189,164	170,496	18,668
Supplies	4,668	12,466	10,780	1,686
Services	48,656	47,341	45,045	2,296
Equipment maintenance	1,520	1,000	918	82
Building maintenance	--	380	373	7
Lease payments	3,600	4,263	4,014	249
Total Public Works Administration	256,298	254,613	231,626	22,987
Garage:				
Personal services	422,348	428,626	424,640	3,986
Supplies	18,372	21,482	21,425	57
Services	9,232	6,095	5,902	193
Equipment maintenance	4,100	3,891	3,890	1
Total Garage	454,052	460,095	455,857	4,238
Sanitation:				
Personal services	647,718	686,149	679,727	6,422
Supplies	165,505	184,889	184,889	--
Services	21,354	16,252	15,172	1,080
Equipment maintenance	252,212	247,181	246,357	824
Building maintenance	1,000	1,000	945	55
Lease payments	96,777	96,777	11,695	85,082
Capital outlay	606,256	667,481	584,750	82,731
Bad debt	15,000	6,872	6,872	--
Total Sanitation	1,805,822	1,906,601	1,730,407	176,194
Street:				
Personal services	925,813	807,598	734,361	73,237
Supplies	75,047	74,749	73,952	797
Services	219,482	266,240	247,860	18,380
Equipment maintenance	53,000	132,747	132,747	--
Building maintenance	1,029,500	972,475	565,132	407,343
Lease payments	127,726	127,726	71,082	56,644
Capital outlay	281,150	292,187	289,946	2,241
Bad debt	--	1,000	472	528
Total Street	2,711,718	2,674,724	2,115,552	559,172

CITY OF KINGSVILLE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2018

EXHIBIT B-1
Page 7 of 8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Landfill:				
Personal services	448,319	463,324	458,239	5,085
Supplies	93,695	73,950	72,899	1,051
Services	184,664	238,400	233,274	5,126
Equipment maintenance	112,112	169,353	164,396	4,957
Building maintenance	19,000	7,960	7,463	497
Lease payments	133,551	133,551	133,550	1
Capital outlay	329,216	16,940	16,205	735
Bad debt	4,695	4,695	706	3,989
Total Landfill	<u>1,325,252</u>	<u>1,108,173</u>	<u>1,086,732</u>	<u>21,441</u>
Recycling Center:				
Supplies	713	713	477	236
Services	5,781	11,781	9,528	2,253
Equipment maintenance	4,800	4,800	375	4,425
Building maintenance	500	500	321	179
Capital outlay	--	--	5,045	(5,045)
Total Recycling Center	<u>11,794</u>	<u>17,794</u>	<u>15,746</u>	<u>2,048</u>
Total Public Works Department	<u>6,564,936</u>	<u>6,421,999</u>	<u>5,635,920</u>	<u>786,079</u>
Health Department				
Personal services	261,821	261,821	249,090	12,731
Supplies	30,850	30,440	24,320	6,120
Services	41,805	41,805	29,697	12,108
Equipment maintenance	2,400	3,552	2,672	880
Building maintenance	9,000	8,258	1,871	6,387
Total Health Department	<u>345,876</u>	<u>345,876</u>	<u>307,650</u>	<u>38,226</u>
Parks and Recreation Department				
Personal services	701,618	622,376	606,556	15,820
Supplies	48,600	47,131	44,913	2,218
Services	137,543	123,138	122,633	505
Equipment maintenance	14,000	20,259	20,259	--
Building maintenance	14,000	110,523	91,958	18,565
Lease payments	3,938	6,577	6,576	1
Capital outlay	--	40,351	4,776	35,575
Total Parks and Recreation Department	<u>919,699</u>	<u>970,354</u>	<u>897,671</u>	<u>72,683</u>

CITY OF KINGSVILLE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2018

EXHIBIT B-1
Page 8 of 8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Golf Course				
Personal services	246,870	285,664	266,706	18,958
Supplies	87,158	111,293	103,676	7,617
Services	82,183	104,870	96,244	8,626
Equipment maintenance	7,500	9,627	9,089	538
Building maintenance	26,000	8,826	8,219	607
Lease payments	61,776	57,176	54,860	2,316
Capital outlay	--	21,961	21,959	2
Total Golf Course	<u>511,487</u>	<u>599,416</u>	<u>560,753</u>	<u>38,663</u>
Library Department				
Personal services	210,028	210,028	190,525	19,503
Supplies	37,649	35,169	31,825	3,344
Services	27,420	27,763	21,843	5,920
Equipment maintenance	6,607	9,703	9,310	393
Building maintenance	4,800	3,841	2,147	1,694
Total Library Department	<u>286,504</u>	<u>286,504</u>	<u>255,650</u>	<u>30,854</u>
Tourism Department				
Supplies	--	7,677	4,170	3,507
Capital outlay	--	89,585	89,585	--
Total Tourism Department	<u>--</u>	<u>97,262</u>	<u>93,755</u>	<u>3,507</u>
Total Expenditures	<u>22,347,074</u>	<u>22,239,657</u>	<u>20,623,201</u>	<u>1,616,456</u>
Excess (deficiency) of revenues (under) expenditures	(3,212,565)	(3,027,283)	(1,212,378)	1,814,905
Other Financing Sources (Uses):				
Operating transfers in	1,810,533	1,814,123	1,584,365	(229,758)
Operating transfers out	(400,968)	(623,632)	(351,759)	271,873
Lease proceeds	1,517,299	938,278	845,105	(93,173)
Total Other Financing Sources (Uses)	<u>2,926,864</u>	<u>2,128,769</u>	<u>2,077,711</u>	<u>51,058</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(285,701)	(898,514)	865,333	1,763,847
Fund Balances/Equity, October 1	9,119,696	9,119,696	9,119,696	--
Fund Balances/Equity, September 30	<u>\$ 8,833,995</u>	<u>\$ 8,221,182</u>	<u>\$ 9,985,029</u>	<u>\$ 1,763,847</u>

CITY OF KINGSVILLE
POLICE FORFEITURE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2018

EXHIBIT B-2

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Fines and Forfeits:				
Confiscated revenue	\$ --	\$ --	\$ 966,688	\$ 966,688
Minor fines	13,000	13,000	16,281	3,281
Total Fines and Forfeits	<u>13,000</u>	<u>13,000</u>	<u>982,969</u>	<u>969,969</u>
Interest and Miscellaneous:				
Interest from investments	15,015	15,015	25,148	10,133
Total Interest and Miscellaneous	<u>15,015</u>	<u>15,015</u>	<u>25,148</u>	<u>10,133</u>
Total Revenues	<u>28,015</u>	<u>28,015</u>	<u>1,008,117</u>	<u>980,102</u>
Expenditures:				
Management Services Department:				
Municipal Court:				
Services	12,000	12,000	6,593	5,407
Lease payments	6,000	6,000	4,386	1,614
Total Municipal Court	<u>18,000</u>	<u>18,000</u>	<u>10,979</u>	<u>7,021</u>
Total Management Services Department	<u>18,000</u>	<u>18,000</u>	<u>10,979</u>	<u>7,021</u>
Police Department				
Supplies	61,745	65,230	48,650	16,580
Services	138,369	129,809	90,310	39,499
Equipment maintenance	--	5,060	5,060	--
Capital outlay	329,178	637,678	222,672	415,006
Total Police Department	<u>529,292</u>	<u>837,777</u>	<u>366,692</u>	<u>471,085</u>
Total Expenditures	<u>547,292</u>	<u>855,777</u>	<u>377,671</u>	<u>478,106</u>
Excess (deficiency) of revenues (under) expenditures	(519,277)	(827,762)	630,446	1,458,208
Fund Balances/Equity, October 1	1,461,088	1,461,088	1,461,088	--
Fund Balances/Equity, September 30	<u>\$ 941,811</u>	<u>\$ 633,326</u>	<u>\$ 2,091,534</u>	<u>\$ 1,458,208</u>

CITY OF KINGSVILLE

EXHIBIT B-3

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

	Measurement Year			
	2017	2016	2015	2014
Total Pension Liability				
Service cost	\$ 1,542,091	\$ 1,518,194	\$ 1,478,821	\$ 1,277,906
Interest (on the total pension liability)	3,865,404	3,724,025	3,700,688	3,516,450
Changes of benefit terms	--	--	--	--
Difference between expected and actual experience	(59,073)	(830,982)	(652,092)	37,693
Changes in assumptions	--	--	70,021	--
Benefit payments, including refunds of employee contributions	(2,310,479)	(2,346,871)	(2,279,840)	(2,321,247)
Net Change in Total Pension Liability	3,037,943	2,064,366	2,317,598	2,510,802
Total Pension Liability - Beginning	57,649,440	55,585,074	53,267,476	50,756,674
Total Pension Liability - Ending (A)	\$ 60,687,383	\$ 57,649,440	\$ 55,585,074	\$ 53,267,476
Plan Fiduciary Net Position				
Contributions - employer	\$ 1,044,347	\$ 1,044,455	\$ 1,067,110	\$ 1,076,141
Contributions - employee	795,478	780,276	778,913	761,677
Net investment income	7,318,990	3,378,510	74,370	2,755,154
Benefit payments, including refunds of employee contributions	(2,310,479)	(2,346,871)	(2,279,840)	(2,321,247)
Administrative expense	(37,934)	(38,160)	(45,302)	(28,766)
Other	(1,922)	(2,056)	(2,237)	(2,365)
Net Change in Plan Fiduciary Net Position	6,808,480	2,816,154	(406,986)	2,240,594
Plan Fiduciary Net Position - Beginning	52,813,366	49,997,212	50,404,198	48,163,604
Plan Fiduciary Net Position - Ending (B)	\$ 59,621,846	\$ 52,813,366	\$ 49,997,212	\$ 50,404,198
Net Pension Liability - Ending (A-B)	\$ 1,065,537	\$ 4,836,074	\$ 5,587,862	\$ 2,863,278
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	98.24%	91.61%	89.95%	94.62%
Covered Payroll	\$ 11,363,969	\$ 11,146,799	\$ 11,127,323	\$ 10,881,102
Net Pension Liability as a Percentage of Covered Employee Payroll	9.38%	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				
	2018	2017	2016	2015	2014
Contractually required contribution	\$ 1,023,749	\$ 1,036,718	\$ 1,056,924	\$ 1,067,110	\$ 1,076,141
Contributions in relation to the contractually required contribution	(1,023,749)	(1,036,718)	(1,056,924)	(1,067,110)	(1,076,141)
Contribution deficiency (excess)	\$ <u> --</u>	\$ <u> --</u>	\$ <u> --</u>	\$ <u> --</u>	\$ <u> --</u>
City's covered-employee payroll	\$ 11,503,830	\$ 11,222,189	\$ 11,208,130	\$ 11,127,323	\$ 10,881,102
Contributions as a percentage of covered-employee payroll	8.90%	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*SCHEDULE OF CHANGES IN THE TOTAL
OPEB LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS **

	<u>2018</u>
Total OPEB Liability	
Service Cost	\$ 50,437
Interest	50,887
Changes of benefit terms	--
Differences between expected and actual experience	(11,837)
Changes in assumptions or other inputs	--
Benefit payments	<u>(30,090)</u>
Net Change in Total OPEB Liability	<u>59,397</u>
Total OPEB Liability - Beginning	<u>1,293,247</u>
Total OPEB Liability - Ending	<u><u>\$ 1,352,644</u></u>
Covered Payroll	\$ 9,736,899
Total OPEB Liability as a percentage of covered payroll	13.89%

* 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 only for those years for which information is available.

CITY OF KINGSVILLE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED SEPTEMBER 30, 2018

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	28 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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2018

City of Kingsville OPEB Plan

Valuation Date	October 1, 2017
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Payroll, Closed
Remaining amortization period	4 years
Inflation	3.0%
Salary Increases	3.0%, including inflation
Discount Rate	3.83%
Retirement Age	Experience-based table based on rates that are specific to the City's plan of benefits.
Mortality	RPH-2014 Healthy Annuitant Mortality Table, Generational Mortality Improvement with Projection Scale MP-2018
Changes of Benefit Terms	None
Changes of Assumptions	Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the rates used in each period: 2018 - 3.83%

**COMBINING STATEMENTS AND BUDGET COMPARISONS
AS SUPPLEMENTARY INFORMATION**

CITY OF KINGSVILLE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

	Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds (See Exhibit A-3)
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Assets:			
Cash and cash equivalents	\$ 175	\$ --	\$ 175
Equity in pooled cash and cash equivalents	67,157	22,696	89,853
Receivables (net of allowances for uncollectibles):			
Accounts	45,582	--	45,582
Due from:			
Other governments	77,784	--	77,784
Inventory, at cost	1,012	--	1,012
Restricted assets:			
Cash and cash equivalents	303,341	1,718,437	2,021,778
Total Assets	<u>\$ 495,051</u>	<u>\$ 1,741,133</u>	<u>\$ 2,236,184</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND EQUITY			
Liabilities:			
Accounts payable	\$ 29,847	\$ 17,500	\$ 47,347
Accrued wages payable	456	--	456
Due to:			
Other funds	77,358	--	77,358
Other governments	8,688	--	8,688
Total Liabilities	<u>116,349</u>	<u>17,500</u>	<u>133,849</u>
Deferred Inflows of Resources:			
Deferred revenue	34,527	--	34,527
Total Deferred Inflows of Resources	<u>34,527</u>	<u>--</u>	<u>34,527</u>
Equity:			
Fund balances:			
Restricted:			
Capital outlay	--	1,723,633	1,723,633
Tourism	337,404	--	337,404
Federal and state programs	6,713	--	6,713
Assigned:			
Drug awareness	58	--	58
Total Equity	<u>344,175</u>	<u>1,723,633</u>	<u>2,067,808</u>
Total Liabilities, Deferred Inflows of Resources, and Equity	<u>\$ 495,051</u>	<u>\$ 1,741,133</u>	<u>\$ 2,236,184</u>

CITY OF KINGSVILLE

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenue:			
Taxes	\$ 565,474	\$ --	\$ 565,474
Charges for services	52,669	--	52,669
Interest and miscellaneous	189	28,390	28,579
Donations	4,025	--	4,025
Federal and state grants	377,155	--	377,155
Total Revenues	<u>999,512</u>	<u>28,390</u>	<u>1,027,902</u>
Expenditures:			
Current:			
General government and administration	31,467	1,000	32,467
Public safety	307,837	--	307,837
Public works	--	515,391	515,391
City/County	14,034	--	14,034
Tourism	576,524	--	576,524
Capital outlay	52,553	1,814,563	1,867,116
Total Expenditures	<u>982,415</u>	<u>2,330,954</u>	<u>3,313,369</u>
Excess (deficiency) of revenues (under) expenditures	17,097	(2,302,564)	(2,285,467)
Other Financing Sources (Uses):			
Transfers in	56,481	29,050	85,531
Transfers out	(144,016)	(13,421)	(157,437)
Gain on sale of assets	--	3,000	3,000
Total Other Financing Sources (Uses)	<u>(87,535)</u>	<u>18,629</u>	<u>(68,906)</u>
Net Change in Fund Balances	(70,438)	(2,283,935)	(2,354,373)
Fund Balances/Equity, October 1	414,613	4,007,568	4,422,181
Fund Balances/Equity, September 30	<u>\$ 344,175</u>	<u>\$ 1,723,633</u>	<u>\$ 2,067,808</u>

CITY OF KINGSVILLE
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2018

	<u>Tourism Fund</u>	<u>Federal Grants</u>
ASSETS		
Assets:		
Cash and cash equivalents	\$ 175	\$ --
Equity in pooled cash and cash equivalents	30,281	3,309
Receivables (net of allowances for uncollectibles):		
Accounts	45,582	--
Due from:		
Other governments	--	77,784
Inventory, at cost	1,012	--
Restricted assets:		
Cash and cash equivalents	303,341	--
Total Assets	<u>\$ 380,391</u>	<u>\$ 81,093</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND EQUITY		
Liabilities:		
Accounts payable	\$ 29,847	\$ --
Accrued wages payable	456	--
Due to:		
Other funds	2,496	74,862
Other governments	8,688	--
Total Liabilities	<u>41,487</u>	<u>74,862</u>
Deferred Inflows of Resources:		
Deferred revenue	1,500	3,117
Total Deferred Inflows of Resources	<u>1,500</u>	<u>3,117</u>
Equity:		
Fund balances:		
Restricted:		
Tourism	337,404	--
Federal and state programs	--	3,114
Assigned:		
Drug awareness	--	--
Total Equity	<u>337,404</u>	<u>3,114</u>
Total Liabilities, Deferred Inflows of Resources, and Equity	<u>\$ 380,391</u>	<u>\$ 81,093</u>

EXHIBIT C-3

<u>State Grants</u>	<u>Other Special Revenues</u>	<u>Total Nonmajor Special Revenue Funds (See Exhibit C-1)</u>
\$ --	\$ --	\$ 175
33,509	58	67,157
--	--	45,582
--	--	77,784
--	--	1,012
--	--	303,341
<u>\$ 33,509</u>	<u>\$ 58</u>	<u>\$ 495,051</u>
\$ --	\$ --	\$ 29,847
--	--	456
--	--	77,358
--	--	8,688
--	--	116,349
<u>29,910</u>	--	<u>34,527</u>
<u>29,910</u>	--	<u>34,527</u>
--	--	337,404
3,599	--	6,713
--	58	58
<u>3,599</u>	<u>58</u>	<u>344,175</u>
<u>\$ 33,509</u>	<u>\$ 58</u>	<u>\$ 495,051</u>

CITY OF KINGSVILLE

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Tourism Fund	Federal Grants
Revenue:		
Taxes	\$ 565,474	\$ --
Charges for services	51,921	748
Interest and miscellaneous	189	--
Donations	4,025	--
Federal and state grants	--	273,709
Total Revenues	<u>621,609</u>	<u>274,457</u>
Expenditures:		
Current:		
General government and administration	--	31,467
Public safety	--	219,618
City/County	--	--
Tourism	576,524	--
Capital outlay	4,000	45,053
Total Expenditures	<u>580,524</u>	<u>296,138</u>
Excess (deficiency) of revenues (under) expenditures	41,085	(21,681)
Other Financing Sources (Uses):		
Transfers in	25,000	31,481
Transfers out	(134,216)	(9,800)
Total Other Financing Sources (Uses)	<u>(109,216)</u>	<u>21,681</u>
Net Change in Fund Balances	(68,131)	--
Fund Balances/Equity, October 1	405,535	3,114
Fund Balances/Equity, September 30	<u>\$ 337,404</u>	<u>\$ 3,114</u>

EXHIBIT C-4

State Grants	Other Special Revenues	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
\$ --	\$ --	\$ 565,474
--	--	52,669
--	--	189
--	--	4,025
<u>103,446</u>	<u>--</u>	<u>377,155</u>
<u>103,446</u>	<u>--</u>	<u>999,512</u>
--	--	31,467
85,912	2,307	307,837
14,034	--	14,034
--	--	576,524
3,500	--	52,553
<u>103,446</u>	<u>2,307</u>	<u>982,415</u>
--	(2,307)	17,097
--	--	56,481
<u>--</u>	<u>--</u>	<u>(144,016)</u>
<u>--</u>	<u>--</u>	<u>(87,535)</u>
--	(2,307)	(70,438)
3,599	2,365	414,613
<u>\$ 3,599</u>	<u>\$ 58</u>	<u>\$ 344,175</u>

CITY OF KINGSVILLE
TOURISM FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2018

EXHIBIT C-5

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
General Property Taxes:				
Hotel/Motel property tax	\$ 485,000	\$ 485,000	\$ 565,474	\$ 80,474
Total General Property Taxes	<u>485,000</u>	<u>485,000</u>	<u>565,474</u>	<u>80,474</u>
Charges for Services:				
General Service Fees:				
Park and recreational fees	40,255	40,255	51,128	10,873
Total General Service Fees	<u>40,255</u>	<u>40,255</u>	<u>51,128</u>	<u>10,873</u>
Sanitation Services:				
Miscellaneous	200	200	793	593
Total Sanitation Services	<u>200</u>	<u>200</u>	<u>793</u>	<u>593</u>
Total Charges for Services	<u>40,455</u>	<u>40,455</u>	<u>51,921</u>	<u>11,466</u>
Interest and Miscellaneous:				
Interest from investments	300	300	189	(111)
Total Interest and Miscellaneous	<u>300</u>	<u>300</u>	<u>189</u>	<u>(111)</u>
Donations	--	4,025	4,025	--
Total Revenues	<u>525,755</u>	<u>529,780</u>	<u>621,609</u>	<u>91,829</u>
Expenditures:				
Tourism Department				
Personal services	237,392	234,842	224,974	9,868
Supplies	20,298	17,477	16,460	1,017
Services	364,084	376,603	316,818	59,785
Equipment maintenance	4,250	2,569	1,279	1,290
Building maintenance	15,100	15,238	12,820	2,418
Lease payments	8,850	4,331	4,173	158
Capital outlay	9,350	4,439	4,000	439
Total Tourism Department	<u>659,324</u>	<u>655,499</u>	<u>580,524</u>	<u>74,975</u>
Total Expenditures	<u>659,324</u>	<u>655,499</u>	<u>580,524</u>	<u>74,975</u>
Excess (deficiency) of revenues (under) expenditures	(133,569)	(125,719)	41,085	166,804
Other Financing Sources (Uses):				
Operating transfers in	25,000	25,000	25,000	--
Operating transfers out	(124,866)	(134,216)	(134,216)	--
Total Other Financing Sources (Uses)	<u>(99,866)</u>	<u>(109,216)</u>	<u>(109,216)</u>	<u>--</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(233,435)	(234,935)	(68,131)	166,804
Fund Balances/Equity, October 1	405,535	405,535	405,535	--
Fund Balances/Equity, September 30	<u>\$ 172,100</u>	<u>\$ 170,600</u>	<u>\$ 337,404</u>	<u>\$ 166,804</u>

CITY OF KINGSVILLE
FEDERAL GRANTS FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2018

EXHIBIT C-6

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Park and recreational fees	\$ --	\$ 838	\$ 748	\$ (90)
Federal and state grants	--	395,278	273,709	(121,569)
Total Revenues	--	396,116	274,457	(121,659)
Expenditures:				
Urban Development Department				
Planning:				
Supplies	--	--	175	(175)
Building maintenance	--	3,588	4,450	(862)
Total Planning	--	3,588	4,625	(1,037)
Downtown Manager:				
Services	--	28,600	26,842	1,758
Total Engineering	--	28,600	26,842	1,758
Total Urban Development Department	--	32,188	31,467	721
Police Department				
Personal services	--	240,526	168,046	72,480
Supplies	--	108,650	51,572	57,078
Capital outlay	--	50,000	45,053	4,947
Total Police Department	--	399,176	264,671	134,505
Total Expenditures	--	431,364	296,138	135,226
Excess (deficiency) of revenues (under) expenditures	--	(35,248)	(21,681)	13,567
Other Financing Sources (Uses):				
Operating transfers in	--	31,660	31,481	(179)
Operating transfers out	--	--	(9,800)	(9,800)
Total Other Financing Sources (Uses)	--	31,660	21,681	9,979
Excess of revenues and other financing sources over (under) expenditures and other financing uses	--	(3,588)	--	3,588
Fund Balances/Equity, October 1	3,114	3,114	3,114	--
Fund Balances/Equity, September 30	\$ 3,114	\$ (474)	\$ 3,114	\$ 3,588

CITY OF KINGSVILLE
 STATE GRANTS FUND
 SPECIAL REVENUE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

EXHIBIT C-7

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Federal and state grants	\$ 75,000	\$ 107,983	\$ 103,446	\$ (4,537)
Total Revenues	75,000	107,983	103,446	(4,537)
Expenditures:				
Police Department				
Personal services	75,000	89,539	85,002	4,537
Services	--	910	910	--
Total Police Department	75,000	90,449	85,912	4,537
Parks and Recreation Department				
Personal services	--	3,159	3,159	--
Supplies	--	5,953	5,953	--
Services	--	4,922	4,922	--
Capital outlay	--	7,090	3,500	3,590
Total Parks and Recreation Department	--	21,124	17,534	3,590
Total Expenditures	75,000	111,573	103,446	8,127
Excess (deficiency) of revenues (under) expenditures	--	(3,590)	--	3,590
Fund Balances/Equity, October 1	3,599	3,599	3,599	--
Fund Balances/Equity, September 30	\$ 3,599	\$ 9	\$ 3,599	\$ 3,590



King'sville
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CITY OF KINGSVILLE
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2018

EXHIBIT C-8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
General Property Taxes:				
Current taxes	\$ 1,215,675	\$ 1,215,675	\$ 1,196,649	\$ (19,026)
Delinquent taxes	40,000	40,000	43,594	3,594
Penalty and interest	35,000	35,000	32,767	(2,233)
Total General Property Taxes	<u>1,290,675</u>	<u>1,290,675</u>	<u>1,273,010</u>	<u>(17,665)</u>
Interest and Miscellaneous:				
Interest from investments	5,000	5,000	14,296	9,296
Total Interest and Miscellaneous	<u>5,000</u>	<u>5,000</u>	<u>14,296</u>	<u>9,296</u>
Total Revenues	<u>1,295,675</u>	<u>1,295,675</u>	<u>1,287,306</u>	<u>(8,369)</u>
Expenditures:				
Debt Service				
Principal retired	1,175,000	1,153,853	1,124,637	29,216
Interest	336,565	357,712	357,712	--
Paying agent fees	3,400	3,400	2,900	500
Total Debt Service	<u>1,514,965</u>	<u>1,514,965</u>	<u>1,485,249</u>	<u>29,716</u>
Total Expenditures	<u>1,514,965</u>	<u>1,514,965</u>	<u>1,485,249</u>	<u>29,716</u>
Excess (deficiency) of revenues (under) expenditures	(219,290)	(219,290)	(197,943)	21,347
Fund Balances/Equity, October 1	757,325	757,325	757,325	--
Fund Balances/Equity, September 30	<u>\$ 538,035</u>	<u>\$ 538,035</u>	<u>\$ 559,382</u>	<u>\$ 21,347</u>



City of

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CITY OF KINGSVILLE
CAPITAL IMPROVEMENTS FUND
CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2018

EXHIBIT C-9
Page 1 of 2

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Interest and Miscellaneous:				
Interest from investments	\$ 25,000	\$ 25,000	\$ 28,390	\$ 3,390
Total Interest and Miscellaneous	<u>25,000</u>	<u>25,000</u>	<u>28,390</u>	<u>3,390</u>
Total Revenues	<u>25,000</u>	<u>25,000</u>	<u>28,390</u>	<u>3,390</u>
Expenditures:				
City Administration Department				
City Special:				
Services	--	1,000	1,000	--
Capital outlay	<u>1,129,003</u>	<u>1,266,543</u>	<u>35,830</u>	<u>1,230,713</u>
Total City Special	<u>1,129,003</u>	<u>1,267,543</u>	<u>36,830</u>	<u>1,230,713</u>
Total City Administration Department	<u>1,129,003</u>	<u>1,267,543</u>	<u>36,830</u>	<u>1,230,713</u>
Management Services Department				
Computer Operations:				
Supplies	<u>18,755</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total Computer Operations	<u>18,755</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total Management Services Department	<u>18,755</u>	<u>--</u>	<u>--</u>	<u>--</u>
Police Department				
Capital outlay	<u>--</u>	<u>827,114</u>	<u>823,521</u>	<u>3,593</u>
Total Police Department	<u>--</u>	<u>827,114</u>	<u>823,521</u>	<u>3,593</u>
Fire Department				
Capital outlay	<u>--</u>	<u>40,586</u>	<u>39,827</u>	<u>759</u>
Total Fire Department	<u>--</u>	<u>40,586</u>	<u>39,827</u>	<u>759</u>
Public Works Department				
Public Works Administration:				
Capital outlay	<u>--</u>	<u>8,923</u>	<u>8,923</u>	<u>--</u>
Total Public Works Administration	<u>--</u>	<u>8,923</u>	<u>8,923</u>	<u>--</u>

CITY OF KINGSVILLE
CAPITAL IMPROVEMENTS FUND
CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2018

EXHIBIT C-9
Page 2 of 2

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Street:				
Supplies	--	8,983	8,983	--
Building maintenance	662,902	522,057	506,408	15,649
Capital outlay	--	45,917	27,900	18,017
Total Street	<u>662,902</u>	<u>576,957</u>	<u>543,291</u>	<u>33,666</u>
Total Public Works Department	<u>662,902</u>	<u>585,881</u>	<u>552,214</u>	<u>33,667</u>
Health Department				
Capital outlay	<u>25,000</u>	<u>25,000</u>	<u>--</u>	<u>25,000</u>
Total Health Department	<u>25,000</u>	<u>25,000</u>	<u>--</u>	<u>25,000</u>
Parks and Recreation Department				
Building maintenance	200,000	150,000	--	150,000
Capital outlay	<u>1,056,405</u>	<u>959,889</u>	<u>536,123</u>	<u>423,766</u>
Total Parks and Recreation Department	<u>1,256,405</u>	<u>1,109,889</u>	<u>536,123</u>	<u>573,766</u>
Golf Course				
Supplies	6,425	--	--	--
Services	40,000	--	--	--
Building maintenance	50,000	--	--	--
Capital outlay	<u>143,387</u>	<u>345,429</u>	<u>342,439</u>	<u>2,990</u>
Total Golf Course	<u>239,812</u>	<u>345,429</u>	<u>342,439</u>	<u>2,990</u>
Total Expenditures	<u>3,331,877</u>	<u>4,201,441</u>	<u>2,330,954</u>	<u>1,870,487</u>
	<u>(43,755)</u>	<u>(24,999)</u>	<u>--</u>	
Excess (deficiency) of revenues (under) expenditures	<u>(3,306,877)</u>	<u>(4,176,441)</u>	<u>(2,302,564)</u>	<u>1,873,877</u>
Other Financing Sources (Uses):				
Operating transfers in	--	29,050	29,050	--
Operating transfers out	--	(13,600)	(13,421)	179
Gain on disposal of assets	--	--	3,000	3,000
Total Other Financing Sources (Uses)	<u>--</u>	<u>15,450</u>	<u>18,629</u>	<u>(3,179)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>(3,306,877)</u>	<u>(4,160,991)</u>	<u>(2,283,935)</u>	<u>1,877,056</u>
Fund Balances/Equity, October 1	4,007,568	4,007,568	4,007,568	--
Fund Balances/Equity, September 30	<u>\$ 700,691</u>	<u>\$ (153,423)</u>	<u>\$ 1,723,633</u>	<u>\$ 1,877,056</u>

CITY OF KINGSVILLECOMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
YEAR ENDED SEPTEMBER 30, 2018**EXHIBIT C-10**

	Balance October 1, 2015	Additions	Deductions	Balance September 30, 2018
Corporation Court Cash Bond Account Fund				
ASSETS				
Cash and investments	\$ 97,176	\$ 66,011	58,311	\$ 104,876
Total Assets	<u>\$ 97,176</u>	<u>\$ 66,011</u>	<u>\$ 58,311</u>	<u>\$ 104,876</u>
LIABILITIES				
Cash bonds held	\$ 97,176	\$ 66,011	\$ 58,311	\$ 104,876
Total Liabilities	<u>\$ 97,176</u>	<u>\$ 66,011</u>	<u>\$ 58,311</u>	<u>\$ 104,876</u>



King'sville
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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>
Financial Trends	
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	111-118
Revenue Capacity	
These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.	119-127
Debt Capacity	
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	128-134
Demographic and Economic Information	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time with other governments.	135-136
Operating Information	
These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	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				
	2018	2017	2016	2015	2014
Governmental Activities					
Net investment in Capital Assets	\$ 6,481,143	\$ 8,359,623	\$ 8,385,155	\$ 9,978,832	\$ 7,857,043
Restricted	3,450,739	3,391,989	2,691,190	3,214,449	4,552,225
Unrestricted	7,847,141	4,923,248	5,042,603	2,347,890	1,671,613
Total governmental activities net position	\$ 17,779,023	\$ 16,674,860	\$ 16,118,948	\$ 15,541,171	\$ 14,080,881
Business-type activities					
Net Investment in Capital Assets	\$ 9,269,664	\$ 7,888,672	\$ 5,337,203	\$ 3,658,702	\$ 842,427
Restricted	2,277,168	3,124,894	3,783,641	5,606,600	6,361,728
Unrestricted	2,541,750	2,394,348	5,265,570	4,667,465	8,899,435
Total Business-Type Activities Net Position	\$ 14,088,582	\$ 13,407,914	\$ 14,386,414	\$ 13,932,767	\$ 16,103,590
Primary Government					
Net investment in Capital Assets	\$ 15,750,807	\$ 16,248,295	\$ 13,722,358	\$ 13,637,534	\$ 8,699,470
Restricted	5,727,907	6,516,883	6,474,831	8,821,049	10,913,953
Unrestricted	10,388,891	7,317,596	10,308,173	7,015,355	10,571,048
Total Primary Government Net Position	\$ 31,867,605	\$ 30,082,774	\$ 30,505,362	\$ 29,473,938	\$ 30,184,471

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					
2013	2012	2011	2010	2009	
\$ 7,196,801	\$ 8,641,553	\$ 8,703,647	\$ 7,242,987	\$ 7,229,724	
5,952,091	3,139,930	-	911,541	2,946,915	
<u>2,846,877</u>	<u>4,221,605</u>	<u>6,456,755</u>	<u>5,818,599</u>	<u>5,341,187</u>	
<u>\$ 15,995,769</u>	<u>\$ 16,003,088</u>	<u>\$ 15,160,402</u>	<u>\$ 13,973,127</u>	<u>\$ 15,517,826</u>	
\$ 2,766,006	\$ 4,049,345	\$ 3,398,641	\$ 3,028,078	\$ 1,028,641	
539,925	1,086,225	1,403,545	2,225,545	1,704,129	
<u>11,624,979</u>	<u>8,689,906</u>	<u>6,601,689</u>	<u>5,843,383</u>	<u>7,191,437</u>	
<u>\$ 14,930,910</u>	<u>\$ 13,825,476</u>	<u>\$ 11,403,875</u>	<u>\$ 11,097,006</u>	<u>\$ 9,924,207</u>	
\$ 9,962,807	\$ 12,690,898	\$ 12,102,288	\$ 10,271,065	\$ 8,258,365	
6,492,016	4,226,155	2,086,412	3,137,086	4,651,044	
<u>14,471,856</u>	<u>12,911,511</u>	<u>13,058,444</u>	<u>11,661,982</u>	<u>12,532,624</u>	
<u>\$ 30,926,679</u>	<u>\$ 29,828,564</u>	<u>\$ 27,247,144</u>	<u>\$ 25,070,133</u>	<u>\$ 25,442,033</u>	

CITY OF KINGSVILLE
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS

	Fiscal Year				
	2018	2017	2016	2015	2014
Expenses					
Governmental Activities:					
General Government	\$ 4,509,275	\$ 4,803,413	\$ 4,487,935	\$ 3,995,650	\$ 4,127,259
Public Safety	9,299,188	9,056,283	10,415,086	9,204,930	10,189,111
Public Works	3,382,760	3,978,987	3,321,641	3,306,944	3,727,188
City/County	2,060,985	2,116,324	2,735,353	1,861,469	797,635
Tourism	590,957	976,056	533,758	489,686	482,331
Interest on Long-Term Debt	337,368	362,092	415,124	255,927	309,706
Total Governmental Activities Expenses	20,180,533	21,293,155	21,908,897	19,114,606	19,633,230
Business-Type Activities:					
Water	4,381,668	4,587,773	4,576,376	4,136,054	4,569,960
Solid Waste	2,697,771	2,861,670	2,594,497	2,705,535	2,706,916
Waste Water	3,004,453	3,234,997	2,992,974	2,769,038	2,547,557
Storm Water	327	270	253	631	834
Total Business-Type Activity Expenses	10,084,219	10,684,710	10,164,100	9,611,258	9,825,267
Total Primary Government Expenses	\$ 30,264,752	\$ 31,977,865	\$ 32,072,997	\$ 28,725,864	\$ 29,458,497
Program Revenue (see schedule 3)					
Governmental Activities					
Charges for Services:					
General Government	\$ 270,992	\$ 289,523	\$ 342,476	\$ 336,553	\$ 427,047
Public Safety	2,515,424	1,738,745	3,596,477	3,394,881	2,374,591
Public Works	813,052	853,075	601,700	62,577	54,893
City/County	314,270	308,082	467,315	295,084	30,038
Tourism	51,128	55,173	935	1,985	626,066
Operating Grants and Contributions	1,003,090	1,192,770	1,071,004	947,173	298,649
Capital Grants and Contributions	-	-	-	-	2,074
	4,967,956	4,437,368	6,079,907	5,038,253	3,813,358
Business-Type Activities:					
Charges for Services:					
Water	5,071,190	5,084,940	4,748,558	4,509,790	5,021,529
Waste Water	3,543,469	3,497,038	3,409,252	3,451,936	3,830,649
Solid Waste	3,927,251	3,924,740	3,856,298	3,915,060	3,776,750
Storm Water	330,649	227,449	226,086	224,545	228,883
Operating Grants and Contributions	42,587	191,926	111,987	-	-
Capital Grants and Contributions	-	-	-	-	-
Total Business-Type Activities Program Revenues	12,915,146	12,926,093	12,352,181	12,101,331	12,857,811
Total Primary Government Program Revenues	\$ 17,883,102	\$ 17,363,461	\$ 18,432,088	\$ 17,139,584	\$ 16,671,169

SCHEDULE 2

						Fiscal Year									
						2013	2012	2011	2010	2009					
\$	3,957,983	\$	3,285,875	\$	2,974,363	\$	2,853,471	\$	2,481,859						
	9,100,303		9,475,608		9,144,528		8,450,026		8,175,281						
	3,342,824		2,823,707		2,521,159		2,838,815		2,770,070						
	754,701		811,546		801,490		782,399		761,837						
	404,947		389,259		484,470		421,233		440,694						
	362,523		335,136		319,288		190,913		262,818						
	<u>17,923,281</u>		<u>17,121,131</u>		<u>16,245,298</u>		<u>15,536,857</u>		<u>14,892,559</u>						
	4,232,121		4,570,338		3,847,697		3,474,155		3,687,376						
	2,541,678		2,417,443		2,669,749		2,273,372		2,201,955						
	2,287,392		2,451,466		2,392,136		3,201,052		2,692,116						
	1,074		-		-		-		-						
	<u>9,062,265</u>		<u>9,439,247</u>		<u>8,909,582</u>		<u>8,948,579</u>		<u>8,581,447</u>						
\$	<u>26,985,546</u>	\$	<u>26,560,378</u>	\$	<u>25,154,880</u>	\$	<u>24,485,436</u>	\$	<u>23,474,006</u>						
\$	373,672	\$	265,724	\$	357,478	\$	160,225	\$	309,430						
	2,718,033		1,975,762		2,486,253		2,476,666		2,981,961						
	531,161		23,470		48,367		60,302		661						
	23,118		21,581		32,587		20,302		9,117						
	519,940		542,582		483,424		422,584		440,694						
	403,484		308,366		479,148		486,855		294,364						
	2,673		19,700		92,993		-		176,363						
	<u>4,572,081</u>		<u>3,157,185</u>		<u>3,980,250</u>		<u>3,626,934</u>		<u>4,212,590</u>						
	5,239,019		5,064,986		4,516,381		3,769,784		4,808,714						
	3,357,948		3,815,313		3,646,165		3,572,534		3,378,346						
	3,303,720		3,329,276		3,363,894		2,708,503		3,510,389						
	243,952		-		-		-		-						
	-		-		-		700		172,469						
	-		-		-		-		-						
	<u>12,144,639</u>		<u>12,209,575</u>		<u>11,526,440</u>		<u>10,051,521</u>		<u>11,869,918</u>						
\$	<u>16,716,720</u>	\$	<u>15,366,760</u>	\$	<u>15,506,690</u>	\$	<u>13,678,455</u>	\$	<u>16,082,508</u>						

CITY OF KINGSVILLE
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS

	Fiscal Year				
	2018	2017	2016	2015	2014
Net (Expense)/Revenue					
Governmental Activities	\$ (15,212,577)	\$ (16,855,787)	\$ (15,828,990)	\$ (14,076,353)	\$ (15,819,872)
Business-Type Activities	2,830,927	2,241,383	2,188,081	2,490,073	3,032,544
Total Primary Government Net Expenses	<u>\$ (12,381,650)</u>	<u>\$ (14,614,404)</u>	<u>\$ (13,640,909)</u>	<u>\$ (11,586,280)</u>	<u>\$ (12,787,328)</u>
General Revenues - Other Changes in Net Position					
Governmental Activities					
Taxes					
Property Taxes	\$ 6,983,970	\$ 6,837,284	\$ 6,425,348	\$ 6,247,458	\$ 6,111,394
Franchise Taxes	979,444	989,053	996,256	1,003,931	1,019,888
Sales Taxes	4,764,200	4,770,174	4,599,145	4,520,268	4,543,435
Hotel/Motel Taxes	566,267	549,471	510,673	564,056	-
Other Taxes	64,514	66,553	55,932	57,265	57,136
Payment in Lieu of Taxes	-	-	100,000	100,000	100,000
Insurance Settlement	-	573,250	1,605,908	-	-
Investment Earnings	280,161	134,896	251,491	128,334	83,492
Gain (loss) on disposal of capital assets	3,000	87,712	-	-	-
Miscellaneous (loss)	61,377	98,935	24,320	21,292	2,000
Transfers	2,286,274	3,304,371	1,837,694	4,442,361	1,987,639
Total Governmental Activities	<u>15,989,207</u>	<u>17,411,699</u>	<u>16,406,767</u>	<u>17,084,965</u>	<u>13,904,984</u>
Business-Type Activities					
Investment Earnings	84,354	73,974	103,258	45,957	127,777
Other	8,002	10,514	-	-	-
Transfers	(2,286,274)	(3,304,371)	(1,837,694)	(4,442,361)	(1,987,638)
Total Business-Type Activities	<u>(2,193,918)</u>	<u>(3,219,883)</u>	<u>(1,734,436)</u>	<u>(4,396,404)</u>	<u>(1,859,861)</u>
Total Primary Government	<u>\$ 13,795,289</u>	<u>\$ 14,191,816</u>	<u>\$ 14,672,331</u>	<u>\$ 12,688,561</u>	<u>\$ 12,045,123</u>
Changes in Net Position					
Governmental Activities (loss)	\$ 776,630	\$ 555,912	\$ 577,777	\$ 3,008,612	\$ (1,914,888)
Business-Type Activities (loss)	637,009	(978,500)	453,645	(1,906,331)	1,172,684
Total Primary Government (loss)	<u>\$ 1,413,639</u>	<u>\$ (422,588)</u>	<u>\$ 1,031,422</u>	<u>\$ 1,102,281</u>	<u>\$ (742,204)</u>

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

SCHEDULE 2
(Continued)

Fiscal Year				
2013	2012	2011	2010	2009
\$ (13,351,200)	\$ (13,963,946)	\$ (12,265,048)	\$ (11,909,923)	\$ (10,679,969)
<u>3,082,374</u>	<u>2,770,328</u>	<u>2,616,858</u>	<u>1,102,942</u>	<u>3,288,471</u>
<u>\$ (10,268,826)</u>	<u>\$ (11,193,618)</u>	<u>\$ (9,648,190)</u>	<u>\$ (10,806,981)</u>	<u>\$ (7,391,498)</u>
\$ 5,956,227	\$ 5,891,693	\$ 5,898,032	\$ 5,467,439	\$ 5,251,584
971,761	977,459	981,170	976,187	989,368
4,338,360	4,204,521	4,582,312	3,699,421	3,872,834
-	-	-	-	-
49,137	45,703	46,381	49,591	50,319
100,000	100,000	100,000	100,000	100,000
-	-	-	-	-
211,942	83,886	87,229	147,868	239,018
-	-	-	-	-
399	295,794	220	36,672	(23,926)
<u>1,849,660</u>	<u>2,662,842</u>	<u>2,439,847</u>	<u>1,002,840</u>	<u>1,972,734</u>
<u>13,477,486</u>	<u>14,261,898</u>	<u>14,135,191</u>	<u>11,480,018</u>	<u>12,451,931</u>
37,971	137,410	129,857	78,863	29,285
-	-	-	-	-
<u>(1,849,660)</u>	<u>(2,662,842)</u>	<u>(2,439,847)</u>	<u>(1,002,838)</u>	<u>(1,972,734)</u>
<u>(1,811,689)</u>	<u>(2,525,432)</u>	<u>(2,309,990)</u>	<u>(923,975)</u>	<u>(1,943,449)</u>
<u>\$ 11,665,797</u>	<u>\$ 11,736,466</u>	<u>\$ 11,825,201</u>	<u>\$ 10,556,043</u>	<u>\$ 10,508,482</u>
\$ 126,286	\$ 297,952	\$ 1,870,143	\$ (429,905)	\$ 1,771,962
<u>1,270,685</u>	<u>244,896</u>	<u>306,868</u>	<u>178,967</u>	<u>1,345,022</u>
<u>\$ 1,396,971</u>	<u>\$ 542,848</u>	<u>\$ 2,177,011</u>	<u>\$ (250,938)</u>	<u>\$ 3,116,984</u>

CITY OF KINGSVILLE

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

	Fiscal Year				
	2018	2017	2016	2015	2014
General Fund					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-	890,143
Nonspendable	354,036	285,323	252,475	224,369	208,104
Restricted	2,314	97,057	97,400	137,203	129,744
Committed	2,664,778	1,266,453	2,945,543	4,817,647	6,396,343
Unassigned	6,963,901	7,470,863	7,149,475	5,339,938	4,792,075
Total General Fund	\$ 9,985,029	\$ 9,119,696	\$ 10,444,893	\$ 10,519,157	\$ 12,416,409
All Other Governmental Funds					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, Reported in Special Revenue Funds	-	-	-	-	-
Restricted					
Debt Service Funds	559,382	757,325	618,994	579,648	588,942
Special Revenue Funds	344,117	412,248	534,268	1,124,758	2,095,662
Capital Projects Funds	1,723,633	4,007,567	6,509,573	-	-
Unassigned, Reported in Special Revenue Funds	2,091,534	1,461,090	1,726,151	1,439,902	890,143
Assigned					
Drug Awareness	58	2,365	2,365	2,365	2,365
Total All Other Governmental Funds	\$ 4,718,724	\$ 6,640,595	\$ 9,391,351	\$ 3,146,673	\$ 3,577,112

Notes:

The City implemented GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions" in fiscal year 2011.

SCHEDULE 3

Fiscal Year				
2013	2012	2011	2010	2009
\$ -	\$ -	\$ -	\$ 279,242	\$ 445,405
-	-	-	8,441,728	8,209,389
208,104	208,104	186,270	-	-
122,629	124,837	124,067	-	-
5,785,885	4,771,546	4,191,118	-	-
4,933,418	5,629,480	5,917,128	-	-
<u>\$ 11,050,036</u>	<u>\$ 10,733,967</u>	<u>\$ 10,418,583</u>	<u>\$ 8,720,970</u>	<u>\$ 8,654,794</u>
\$ -	\$ -	\$ -	\$ 483	\$ 8,301
-	-	-	2,434,595	2,187,562
-	-	-	702,976	3,064,926
-	-	-	431,185	397,850
625,918	733,821	654,664	-	-
570,780	451,571	10,303	-	-
3,498,203	3,066,934	4,349,466	-	-
1,734,655	1,681,034	2,509,776	-	-
-	-	-	-	-
<u>\$ 6,429,556</u>	<u>\$ 5,933,360</u>	<u>\$ 7,524,209</u>	<u>\$ 3,569,239</u>	<u>\$ 5,658,639</u>

CITY OF KINGSVILLE

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

	Fiscal Year				
	2018	2017 *	2016 *	2015 *	2014 *
Revenues					
Property Taxes	\$ 6,998,136	\$ 6,706,943	\$ 6,370,231	\$ 6,324,292	\$ 6,211,394
Taxes-Other	6,488,517	6,483,549	6,267,496	6,144,962	6,224,035
Licenses, Fees and Permits	193,757	246,379	262,275	281,595	371,219
Fines and Penalties	1,886,822	1,107,731	2,999,672	2,857,165	1,766,230
Charges for Services	5,860,636	5,900,175	5,417,808	4,868,259	4,448,868
Special Assessment	774	2,797	-	-	2,571
Intergovernmental	550,000	550,000	550,000	947,173	300,723
Investment Earnings/Other	300,139	207,464	402,997	161,103	176,663
Federal Grant	448,342	642,770	521,004	-	-
Donations	7,025	29,300	1,730	4,400	2,000
Total Revenues	22,734,148	21,877,108	22,793,213	21,588,949	19,503,703
Expenditures					
General Government	4,334,387	5,387,819	4,499,066	3,946,280	4,031,495
Public Safety	8,994,258	9,392,971	9,726,283	9,420,023	9,720,606
Public Works	5,244,664	5,994,479	4,953,034	4,961,418	5,519,498
City/County	2,009,023	2,976,194	2,846,518	1,892,789	771,719
Tourism	580,694	971,148	553,609	513,596	480,742
Other	-	-	-	2,800	53,888
Capital Outlay	3,151,215	2,750,583	2,165,305	2,362,760	1,217,907
Debt Service					
Interest	357,712	458,762	278,696	318,555	377,700
Principal	1,124,637	980,798	1,463,485	1,425,793	1,452,714
Bond Issuance Cost	2,900	3,550	91,800	-	-
Total Expenditures	25,799,490	28,916,304	26,577,796	24,844,014	23,626,269
Excess of Revenues over/ (under) Expenditures	<u>(3,065,342)</u>	<u>(7,039,196)</u>	<u>(3,784,583)</u>	<u>(3,255,065)</u>	<u>(4,122,566)</u>
Other Financing Sources (uses)					
Gain on Sale of Assets	3,000	105,806	-	-	38,000
Lease Proceeds	845,105	750,879	10,396	-	458,350
Bonds Issued	-	-	6,740,000	-	-
Bond Issuance Costs	-	-	-	-	-
Bond Issuance Premium	-	-	198,693	-	-
Insurance Settlement	-	573,250	1,605,908	-	-
Refunding Bonds Issued	-	-	-	-	-
Payment to Refunding Bonds					
Escrow Agent	-	-	-	-	-
Transfers In	1,669,896	3,121,412	2,365,743	2,297,234	2,767,926
Transfers Out	(509,196)	(1,588,105)	(965,743)	(479,714)	(1,517,925)
Total Other Financing Sources (uses)	2,008,805	2,963,242	9,954,997	1,817,520	1,746,351
Net Change In Fund Balances	\$ (1,056,537)	\$ (4,075,954)	\$ 6,170,414	\$ (1,437,545)	\$ (2,376,215)
Debt Services as a Percentage of Noncapital Expenditures	6.54%	5.24%	7.01%	7.55%	8.39%

* Restated to reflect capital outlay that is part of the above expenditures

SCHEDULE 4

						Fiscal Year									
						2013 *	2012	2011	2010	2009					
\$	6,056,227	\$	6,019,795	\$	5,998,518	\$	5,268,890	\$	5,303,987						
	5,834,703		5,769,313		6,093,287		5,448,277		5,354,064						
	228,156		185,708		175,386		194,004		217,657						
	2,193,241		1,367,469		1,975,760		1,990,136		2,521,442						
	4,417,144		4,453,626		4,245,457		4,106,546		4,017,155						
	9,965		15,725		45,192		19,910		-						
	393,927		326,628		548,805		544,351		463,770						
	372,414		178,110		273,989		209,382		314,091						
	-		-		-		-		-						
	399		295,794		220		2,007		1,890						
	<u>19,506,176</u>		<u>18,612,168</u>		<u>19,356,614</u>		<u>17,783,503</u>		<u>18,194,056</u>						
	3,854,608		3,406,264		3,519,126		2,998,296		2,675,542						
	9,193,035		9,221,523		9,470,845		8,251,125		8,176,498						
	4,830,337		5,447,175		4,360,930		6,440,127		6,377,218						
	768,239		773,413		813,991		750,783		859,333						
	401,893		389,081		484,470		420,379		440,694						
	35,230		17,187		37,053		37,237		53,376						
	635,678		-		-		-		-						
	469,062		536,062		291,020		1,590,000		1,760,000						
	1,417,329		1,266,933		1,453,000		428,796		2,156,860						
	-		-		-		-		-						
	<u>21,605,411</u>		<u>21,057,638</u>		<u>20,430,435</u>		<u>20,916,743</u>		<u>22,499,521</u>						
	<u>(2,099,235)</u>		<u>(2,445,470)</u>		<u>(1,073,821)</u>		<u>(3,133,240)</u>		<u>(4,305,465)</u>						
	23,000		58,500		11,000		-		-						
	414,191		-		-		-		-						
	965,000		-		5,385,040		-		4,270,000						
	-		-		-		-		(175,273)						
	58,408		-		80,361		-		128,181						
	-		-		-		-		-						
	1,260,000		-		-		-		1,890,000						
	(1,247,918)		-		-		-		-						
	1,880,045		1,677,920		1,682,936		1,684,912		2,211,690						
	<u>(441,587)</u>		<u>(427,920)</u>		<u>(432,936)</u>		<u>(574,890)</u>		<u>(957,037)</u>						
	<u>2,911,139</u>		<u>1,308,500</u>		<u>6,726,401</u>		<u>1,110,022</u>		<u>7,367,561</u>						
\$	<u>811,904</u>	\$	<u>(1,136,970)</u>	\$	<u>5,652,580</u>	\$	<u>(2,023,218)</u>	\$	<u>3,062,096</u>						
	9.57%		8.56%		8.54%		9.65%		17.41%						

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
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
2018	793,841,251	39,726,389	83,376,720	115,036,371	801,907,989	0.84220	916,944,360

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
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
2018	0.69055	0.15165	0.84220	1.51890	0.79500	0.08517

Source: Kleberg County Tax Assessor Office

CITY OF KINGSVILLE

SCHEDULE 7

PRINCIPAL PROPERTY TAX PAYERS,
CURRENT YEAR AND NINE YEARS AGO

Taxpayer	2018			2009		
	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.	\$ 32,595,840	1	4.06%			
KL Phase 1 Owner LTD	13,185,260	2	1.64%			
NLP Kingsville Ventures LLC	12,286,440	3	1.53%			
Kingsville Legends LTD	8,181,230	4	1.02%			
Kingspointe-Victoria LLC	7,880,960	5	0.98%			
Apexone Javelina LLC	7,603,630	6	0.95%			
King Ranch Saddle Shop Inc	5,780,170	7	0.72%			
Wal-Mart Stores Texas, LLC US00442	5,748,150	8	0.72%			
Wal-Mart Stores Inc #01-0442	5,419,990	9	0.68%			
HEB Grocery Inc	4,769,040	10	0.59%			
AEP Texas Central Company				\$ 17,571,180	1	2.75%
Kingsville Two				7,409,690	2	1.16%
Collegiate Kingsville Partners LP				6,841,560	3	1.07%
HBC Holding LTD				6,761,360	4	1.06%
Eddie Yaklin Ford Lincoln Mercury LTD				6,302,690	5	0.99%
Wal-Mart Stores East LP #01-0442				6,291,430	6	0.98%
Wal-Mart Stores Inc #01-0442				5,114,850	7	0.80%
Lowes Home Centers Inc				5,055,180	8	0.79%
HEB Grocery Inc				4,568,520	9	0.72%
Lowes Home Centers Inc				4,502,880	10	0.70%
Total	\$ <u>103,450,710</u>		<u>12.90%</u>	\$ <u>70,419,340</u>		<u>11.02%</u>

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
2009	\$ 5,207,851	\$ 4,990,889	95.8%	\$ 191,198	\$ 5,182,087	99.51%
2010	5,385,014	5,174,338	96.1%	175,897	5,350,235	99.35%
2011	5,759,638	5,557,746	96.5%	170,474	5,728,220	99.45%
2012	5,751,687	5,564,076	96.7%	147,345	5,711,421	99.30%
2013	5,831,373	5,618,741	96.4%	166,669	5,785,410	99.21%
2014	5,987,424	5,791,937	96.7%	138,629	5,930,566	99.05%
2015	6,145,880	5,939,500	96.6%	136,524	6,076,024	98.86%
2016	6,350,640	6,115,195	96.3%	143,069	6,258,264	98.55%
2017	6,640,180	6,396,334	96.3%	104,577	6,500,911	97.90%
2018	6,880,532	6,645,832	96.6%	-	6,645,832	96.59%

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				
	2018	2017	2016	2015	2014
Building Materials, Hardware, etc.	\$ 31,589	\$ 31,293	\$ 31,075	\$ 28,114	\$ 26,377
General Merchandise	53,021	50,670	48,926	48,493	47,472
Food Stores	21,319	20,990	18,733	21,273	20,521
Automotive Dealers and Gasoline	21,449	21,689	22,194	23,225	22,701
Apparel and Accessory Stores	2,343	3,209	4,256	5,388	6,089
Home Furniture, Furnishing, and Equipment	4,828	4,685	5,059	5,439	5,795
Eating and Drinking Places	51,130	48,936	46,526	48,222	46,716
All Other Outlets	14,066	14,064	15,596	12,843	17,483
Total	\$ 199,745	\$ 195,536	\$ 192,365	\$ 192,997	\$ 193,154
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	2012	2011	2010	2009
\$	25,717	\$ 24,742	\$ 23,997	\$ 22,382	\$ 21,737
	46,063	46,642	45,585	45,818	47,022
	19,363	17,751	17,093	16,567	16,560
	22,359	23,282	21,096	20,459	19,592
	6,161	5,662	4,943	4,620	4,570
	5,663	2,497	693	-	2,647
	44,846	43,511	40,727	37,506	35,596
	18,356	17,576	15,306	14,447	14,785
\$	<u>188,528</u>	<u>\$ 181,663</u>	<u>\$ 169,440</u>	<u>\$ 161,799</u>	<u>\$ 162,509</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>
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%
2018	0.50%	1.00%	0.50%	6.25%

Source: Texas Comptroller of Public Accounts

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

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

Fiscal Year	Governmental Activities		Business-Type Activities	
	General Obligation Bonds	Capital Leases	Water Revenue Bonds	Certificates of Obligation
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
2018	11,671,956	768,108	-	12,745,112

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

	Capital Lease	Total Primary Government	Percentage of Personal Income	Per Capita
\$	-	\$ 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
	917,457	26,102,633	3.58%	997.16

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

SCHEDULE 12

Fiscal Year	<u>General Bonded Debt Outstanding</u>		Percentage of Actual Taxable Value of Property	Per Capita
	\$	General Obligation Bonds		
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		11,995,429	1.3465%	457.40
2018		10,849,298	1.1832%	414.46

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, 2018

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	\$ 65,009,993	100.00%	\$ 65,009,993
Kleberg County	7,265,000	56.57%	4,109,811
Ricardo ISD	1,294,000	6.53%	84,498
South Texas Water Authority	4,095,000	45.96%	<u>1,882,062</u>
Subtotal, Overlapping Debt			71,086,364
City Direct Debt; Bonds			23,925,001
Capital Leases			<u>768,108</u>
Total Direct and Overlapping Debt			<u>\$ 95,779,473</u>

Sources: Data provided by Municipal Advisory Council of Texas

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				
	2009	2010	2011	2012	2013
Debt Limit	\$ 162,365,819	\$ 184,391,927	\$ 187,958,785	\$ 189,284,636	\$ 191,964,270
Total Net Debt Applicable to Limit	<u>5,895,349</u>	<u>4,904,805</u>	<u>8,901,626</u>	<u>8,165,426</u>	<u>8,430,848</u>
Legal Debt Margin	\$ <u>156,470,470</u>	\$ <u>179,487,122</u>	\$ <u>179,057,159</u>	\$ <u>181,119,210</u>	\$ <u>183,533,422</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	3.63%	2.66%	4.74%	4.31%	4.39%

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							
		2014	2015	2016	2017	2018			
\$	197,911,697	\$	204,045,008	\$	213,123,097	\$	222,713,909	\$	229,236,090
	<u>7,628,579</u>		<u>6,814,889</u>		<u>12,673,491</u>		<u>11,676,198</u>		<u>10,849,298</u>
\$	<u>190,283,118</u>	\$	<u>197,230,119</u>	\$	<u>200,449,606</u>	\$	<u>211,037,711</u>	\$	<u>218,386,792</u>
	3.85%		3.34%		5.95%		5.24%		4.73%

Assessed Value		\$	<u>916,944,360</u>
Debt Limit (25% of assessed value)			229,236,090
Debt Applicable to Limit:			
General Obligation Bonds	\$	11,408,680	
Less: Amount Set Aside for Repayment of General Obligation Debt		<u>559,382</u>	
Total Net Debt Applicable to Limit			<u>10,849,298</u>
Legal Debt Margin		\$	<u>218,386,792</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	
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	6,734,194	2,075,235	1,259,203	400,464	1.25
2018	8,945,308	6,280,160	2,665,148	1,205,363	372,188	1.69

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	
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
2018	3,927,251	2,221,933	1,705,318	96,794	7,954	16.28

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 Fund bonds and, therefore, were restated in the Utility Fund.

* This year has been restated

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
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%
2018	26,177	729,588	38,886	26.8	N/A	3,435	4.7%

* 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
Kingsville Economic Development Center

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	2018			2009		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Naval Air Station - Kingsville	1,502	1	14.53%	1,834	1	13.77%
Texas A&M University-Kingsville	1,029	2	9.96%	1,500	2	11.27%
Kingsville ISD	690	3	6.68%	651	3	4.89%
City of Kingsville	313	4	3.03%	260	10	1.95%
Kleberg County	290	5	2.81%	275	9	2.07%
Wal-Mart	279	6	2.70%	307	5	2.30%
HEB	243	7	2.35%	-	-	-
Border Patrol	219	8	2.12%	300	7	2.25%
Christus Spohn Kleberg Hospital	216	9	2.09%	300	6	2.25%
Celanese	140	10	1.35%	290	8	2.18%
King Ranch				376	4	2.82%
Total	\$ 4,921		47.62%	\$ 6,093		45.75%

Source: Workforce Solutions of Coast Greater Kingsville EDC
 Labor Force 10,847
 Employment 10,334
 Unemployment 513
 Rate 4.7%

2009 Information from '08-09 CAFR

CITY OF KINGSVILLE

SCHEDULE 18

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
City Commission	5	5	5	5	5	5	5	5	5	5
General Government	43	45	40	34	38	35	33	29	33	27
Fire	33	32	34	33	30	32	31	32	31	33
Health	8	8	10	10	10	10	12	12	12	12
Library	9	9	9	9	9	6	9	9	8	8
Police	67	66	64	65	60	65	64	64	62	63
Public Works	93	93	98	94	94	94	94	95	94	97
Task Force	0	0	11	11	11	11	12	12	10	10
Parks Dept.	11	10	10	9	0	0	0	0	0	0
Golf Course	<u>8</u>	<u>8</u>	<u>8</u>	<u>6</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>277</u>	<u>276</u>	<u>289</u>	<u>276</u>	<u>257</u>	<u>258</u>	<u>260</u>	<u>258</u>	<u>255</u>	<u>255</u>

Source: City of Kingsville

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

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

<u>Function/Program</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
General Government					
Building Permits Issued	2,059	2,374	2,058	2,511	2,137
Building Inspections Conducted	1,633	2,170	1,400	1,644	1,129
Police					
Physical Arrest	1,295	1,060	1,014	1,175	1,590
Parking Violations	246	408	663	1,089	1,110
Traffic Violations	6,307	3,032	3,192	4,675	4,604
Fire					
Emergency Responses	3,005	3,005	2,826	2,760	3,297
Fire Extinguishers	610	641	556	596	612
Inspections	434	388	356	382	400
Refuse Collections					
Refuse Collected (tons per day; 365)	82	86	82	93	83
Recyclables Collected (tons per day; 365)	1	1	1	1	1
Other Public Works					
Street Resurfacing (miles)	2	2	3	5	2
Potholes Repaired	15,136	4,205	4,487	5,200	4,000
Parks and Recreation					
Athletic Field Permits Issued	474	396	348	413	-
Community Center Admissions	219	97	83	126	-
Library					
Volumes in Collection	55,326	53,903	55,878	54,327	57,326
Total Volumes Borrowed	34,859	34,014	34,895	19,995	39,780
Health					
Environmental Health	285	350	430	491	390
Consumer Health	2,436	2,847	2,906	2,611	2,087
Weed Control	3,966	3,967	4,995	3,776	2,924
Animal Control	8,225	7,075	7,438	8,649	9,589
Water					
New Connections	36	47	33	24	35
Water Main Breaks	254	342	294	295	267
Average Daily Consumption (thousands of gallons)	3,499	3,229	3,134	3,153	3,470
Peak Daily Consumption (thousands of gallons)	6,096	5,567	4,438	6,002	6,023
Wastewater					
Average Daily Sewer Treatment (thousands of gallons)	2,500	2,200	2,100	2,400	2,300

Sources: Various City Departments

SCHEDULE 19

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
2,078	2,392	1,964	1,997	2,349
1,878	2,267	1,654	1,324	1,575
1,356	1,519	2,590	1,999	1,955
80	243	47	39	78
4,443	3,240	4,611	3,416	3,066
2,880	2,797	2,214	2,990	2,831
573	460	398	600	546
354	462	383	480	412
65	74	70	127	82
1	1	1	1	1
3	2	3	3	3
3,000	2,400	5,000	4,900	4,900
-	-	-	-	-
-	-	-	-	-
59,630	58,503	59,245	65,013	64,749
44,502	47,997	45,420	49,012	48,643
496	1,846	1,763	1,742	1,770
2,556	1,833	2,348	2,464	2,519
3,082	2,827	2,915	2,569	2,401
9,201	9,220	8,681	6,748	8,535
51	48	28	25	31
271	244	339	556	608
3,661	4,036	3,818	3,076	3,836
5,040	5,554	5,633	5,451	5,300
2,200	2,200	1,800	2,200	2,100

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

Function/Program	Fiscal Year				
	2018	2017	2016	2015	2014
Police					
Stations	1	1	1	1	1
Patrol Units	62	64	56	56	53
Fire Stations	2	2	2	2	2
Refuse Collections					
Collection Trucks	14	14	17	17	17
Other Public Works					
Street (miles)	146	146	146	146	144
Highway (miles)					
Streetlights	1,302	1,302	1,302	1,276	1,276
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)	120	120	120	120	120
Fire Hydrants	808	808	808	808	808
Storage Capacity (thousands of gallons)	5,632	5,632	5,632	9,760	9,764
Wastewater					
Sanitary Sewers (miles)	142	142	141	140	138
Storm Sewers (miles)	33	33	33	33	33
Treatment Capacity (thousand of gallons)	4,000	4,000	4,000	4,000	6,000

Sources: Various City Departments

SCHEDULE 20

Fiscal Year				
2013	2012	2011	2010	2009
1	1	1	1	1
65	64	55	48	47
2	2	2	2	2
17	13	13	16	20
121	121	121	121	113
584	584	584	569	569
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
120	120	123	117	116
808	808	812	801	705
9,764	9,764	9,764	9,764	9,764
99	98	97	97	96
17	16	16	16	16
6,000	6,000	4,000	4,000	4,000

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, 2018, 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 22, 2019.

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.



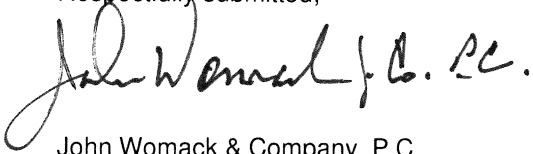
Compliance and Other Matters

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,

A handwritten signature in black ink that reads "John Womack & Company, P.C." The signature is written in a cursive, flowing style.

John Womack & Company, P.C.
Kingsville, TX
March 22, 2019

CITY OF KINGSVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

A. Summary of Auditor's Results

1. Financial Statements

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

2. Federal Awards

A Single Audit was not required in the current year.

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

CITY OF KINGSVILLE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
There were no findings or questioned costs in the prior year.		

CITY OF KINGSVILLE
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2018

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