

# City of Kingsville

## Comprehensive Annual Financial Report

Fiscal Year Ended September 30, 2009



TEXAS

Terri Vasquez, Asst. Accountant II



# Comprehensive Annual Financial Report

September 30, 2009

## CITY OF KINGSVILLE, TEXAS

### City Commission

(for the fiscal year ended September 30, 2009)

Sam R. Fugate	Mayor
Alfonso Garcia	Mayor Pro-Tem
Arturo Pecos	Commissioner
Stanley Laskowski	Commissioner
Charles E. Wilson	Commissioner

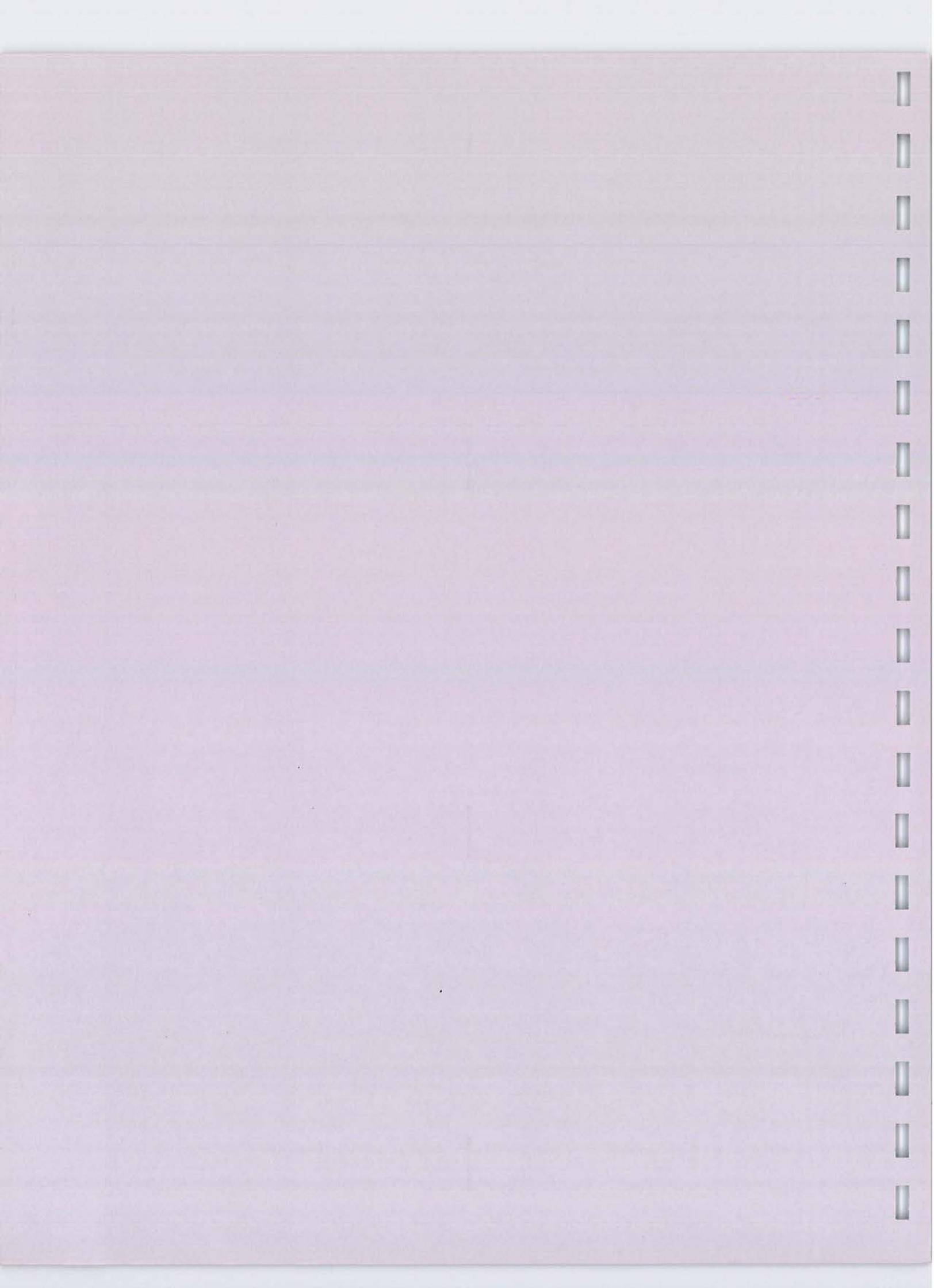
### City Manager

Carlos R. Yarena

### Prepared By:

#### Department of Finance

Mark Rushing - Director of Finance  
Caron S. Vela - Accounting Manager  
Terri Vasquez - Assistant Accountant II  
Vilma Castillo/Diana Medina - Collections Manager  
Sally Saenz - Assistant Accountant I  
Norma Cavazos - Assistant Accountant I  
Rudy Najera - Information System Technician



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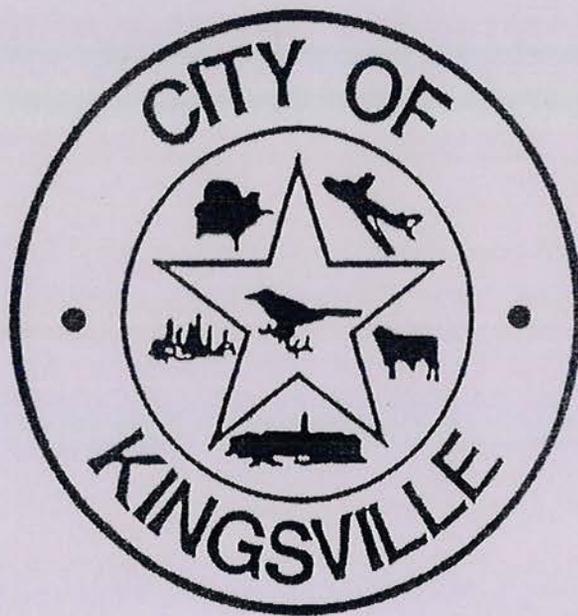
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INTRODUCTORY SECTION



# CITY OF KINGSVILLE



P. O. BOX 1458 – KINGSVILLE, TEXAS 78364

May 28, 2010

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, 2009, 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, 2009, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Kingsville's financial statements for the fiscal year ended September 30, 2009, 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 require 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 2000 Census of Kingsville, the City now has a population of 25,575; this represents a 1.2 percent increase over the 1990 Census of 25,267. The City of Kingsville's standard metropolitan statistical area consists of Kleberg County which has a population of 31,549 according to the 2000 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 13.63 square miles. The City may expand its jurisdiction, by adding territory adjoining or lying adjacent to the City, by ordinance pursuant to its regularly updated and statutorily required annexation plan.

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

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

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

The City is a full service municipality, providing a full range of services. The City's public safety services include police protection, fire protection, building inspection, and a specialized emergency management operation. Law enforcement is provided through the Police Department with 64 employees, which includes 48 police officers and 16 support personnel. The City's Fire Department operates two fire stations, and includes an emergency medical service comprised of two staffed ambulances, with a third ambulance available if needed. Fire protection and emergency medical services are provided with 33 employees, which include 32 fire fighters and 1 support personnel. Of the 32 fire fighters 10 have their Paramedic or Emergency Medical Technician certification.

The City has a combined utility system (System) comprised of water and wastewater. The City's water system, consisting of 115.94 miles of waterlines, serves all residents of the City, as well as several other customers and industries within Kleberg County and a 2 mile radius of the City. The City's water supply is primarily provided by seven water wells. The second water supply source is with STWA which maintains a 42" water line

to the City of Corpus Christi. The City's water supply is now sufficient to continue serving the City for the next several decades.

The City has recently completed the Carriage Park Drainage Project which included 3,550 feet of storm pipes, inlets, outfall structures and ditch. City staff has determined the drainage problem areas in the entire city and probable solutions of drainage problem for these areas. The City has completed the process of designing, installing and constructing three major drainage systems with the Carriage Park project as the last one. This drainage improvement project was part of a 5-yr plan for drainage improvement for the City.

The City has completed building a new water well, Water Well #23, in fiscal 2008-09 with all the finishing touches and plans to complete Water Well #24 in fiscal 2009-10, to continue to meet the City's water needs.

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

In addition to operating the combined utility system, the City also provides garbage collection and disposal. Garbage collection is primarily limited to residential service, with automated garbage collection using specialized equipment initiated in 2009 and City households are now using the garbage rollouts with automated inventory bar codes and GPS tracking. The City, with its automated garbage collection program, provides for twice a week garbage pick-up with a savings of more than \$100,000 a year. The City owns and operates a regional waste disposal facility, also accepting waste from outside of the City and from commercial garbage haulers. Other public works operations of the City include drainage and street maintenance, street lighting and traffic signalization and engineering. The City also provides engineering services to support all public works departments as well as the planning department. It also provides the City with engineering design for City construction projects.

Community enrichment and culture services are also major programs of the City. The City and Kleberg County own and operate a library with over 64,700 volumes. The City and Kleberg County also own and maintain extensive recreational facilities, which include 195 acres of parks and playgrounds, one swimming pool, 12 baseball and softball diamonds, 12 soccer fields, and 2 recreational centers.

Public health, animal control/care, and vector control services are provided by the jointly operated City of Kingsville/Kleberg County Health Department.

The City of Kingsville has financial accountability for the legally separate Convention and Visitor's Bureau, which is reported separately within the City of Kingsville's financial statements. Additional information on these legally separate entities can be found in Note A-1, page 42, of the financial statements.

## **Annual Budget Process**

State laws and the City Charter require the preparation and filing of a balanced annual operating budget. Following a City Manager and department head meeting in May, 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 a month of budget discussions and deliberations with City Commission, a public hearing is scheduled for the first week of September and adoption of the budget Ordinance and supporting fee schedules occur no later than September 30th. The operating budget is prepared by fund, department, function, and organizational unit or project levels.

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

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

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

## **FINANCIAL CONDITION**

### **Local Economy**

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

### **Major Revenues**

The City's major sources of revenue are property, sales and other taxes, and business fees. The September 30, 2009, period showed the following changes in these sources from the prior year: (1) an increase of 10.73% in property tax receipts due to an increase in the property values, (2) a decrease of .5% in sales tax, and (3) an increase of 3.8% in

business fees. This illustrates the resilience of the local economy despite negative revenue trends for other state and local governments in the nation. Real property tax collections as a percent of levy collected has remained stable. Total collections as a percent of the net total tax levy collections to date has decreased from 97.3% to 95.8%. Current fiscal year collected taxes to date, as a percent of the net current tax levy, have increased slightly from 95.7% to 95.8%.

Real property assessed values, over the last fiscal year, increased 4.96%. Sales tax decreased from \$3,891,958 to \$3,872,834 over the last fiscal year. This further illustrates steady and stable growth for the local economic conditions.

### **Employment**

The local unemployment rate increased to 7.0% in September 2009 from 4.3% in October 2008 and the number of jobs in the community increased from 15,558 in October 2008 to 15,703 in September 2009. During the same period, personal income rose from \$26,740 to \$28,095 or 5.07%. As of April 2010, the local unemployment rate was 6.8%, a decrease from September's rate and much lower than the unemployment rate of the nation, which is 9.5% and the state's rate of 8.1%.

### **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 Kingsville (TAMUK) is also located within the city limits of the City of Kingsville. There has been a lot of new building construction activity on the campus during this fiscal year.

The federal government also has a major presence within the area with three bases that make up the south Texas military complex: Naval Air Station – Kingsville (jet aviation training), Naval Air Station – Corpus Christi, and Naval Station – Ingleside (base for the Navy's mine warfare fleet).

The City of Kingsville's trade area consists of three counties: Kleberg, 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, wind farm generated electricity and more.

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.

## **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. The Airport has completed the finishing touches on its new terminal building and a new covered parking lot and concession area. 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 links the City of Kingsville to both the Rio Grande Valley/Mexico to the south and Victoria (which then provides a direct connection to U.S. 59 and Houston). State Highway 44 and U.S. Highway 59 also link the City of Kingsville to Laredo/Mexico from U.S. Highway 77 at Robstown and Victoria. All highways are four-lane roads and are maintained at interstate or near interstate standards. There is a total of 145.76 miles of local streets within the city limits of Kingsville. Of this total, the Texas Department of Transportation (TX Dot) owns and maintains approximately 25.76 miles of roadway. The City of Kingsville owns and maintains the other 120.0 miles of streets. Seventeen separate motor carriers serve the City of Kingsville for truck transport of products to market. Rail service to and from the City of Kingsville is provided by the Burlington Northern/Santa Fe Railway, Texas Mexican Railway and Union Pacific Railroad.

## **Major Initiatives**

During the fiscal year 2009, the citizens and elected officials of Kingsville cooperated in the planning and implementation of several major projects and capital asset acquisitions.

The City Code Enforcement Department, in conjunction with the Texas National Guard, has established the Kingsville Wipe Out Program (KWOP) to provide free demolition and hauling to property owners who own a structure that is dilapidated and is a drug haven or hosts illegal activity. The City, through its Trash-Off Days, has also been providing citizens with periodic services to make Kingsville clean and beautiful. Generally, on a quarterly basis, the City suspends fees normally charged for landfill access to encourage participation and provides a convenient drop-off spot east of the Kingsville Police Station for citizens to bring certain types of debris. The City, in partnership with our community, has provided opportunities to participate in the Adopt-A-Spot program as an ongoing project in beautifying, cleaning, and maintaining Kingsville's neighborhoods, creeks, and parks.

The City received a \$345K grant from the federal Office of Economic Adjustment for implementation of the Joint Land Use Study (JLUS) which includes part of the City's master plan, and for GIS equipment to assist with implementation.

The City's Police Department received over \$123K for equipment and overtime costs to fight drug trafficking along the highway and within the city limits.

With the PFFCO 2007, the City purchased a new 100' platform ladder fire truck for the Fire Department which was received in the early part of fiscal year 2008-09. The central fire station was remodeled and a new bay addition was added to house the new ladder truck.

### **City Growth and Development**

In fiscal year 2009, the City completed upgrades of lift stations and sewer force mains with a total cost of \$1,740,051; rehabilitation of 3 elevated storage tanks and one ground storage tank with a total cost of \$1,224,050; rehabilitation of the clarifier and stairs with a cost of \$2,544,856; upgrade on the SCADA system for the wastewater treatment plant with a total cost of \$37,899; and installation of blowers at the North and South Wastewater Plants with a total cost of \$1,089,033. All of the above projects were paid for with 2005 Certificates of Obligation bond funds.

The city has been conducting smoke tests for the Inflow and Infiltration (I&I) study of existing sanitary sewer lines and will continue testing through fiscal year 2009-2010.

### **Economic Development**

The City received a \$300k grant from the Office of Community and Rural Affairs (ORCA) for a major water line improvement project for economically disadvantage areas. The City is continuing the project of the installation of 12,000 linear feet of water line utilizing ORCA grant funds and matching City funds. The design and construction of Sector III Landfill Cell is completed. The estimated cost for this project was \$1.2 million. The City is in the process of implementing a sanitary sewer pipe and manhole rehabilitation project to reduce the inflow and infiltration as per the recommendation of the overflow study (I&I study) done last year.

### **Current Construction Projects**

- ❖ The Holiday Inn Express completed construction on a 42,078 square foot hotel in 2007 and was completed and opened for business FY 2008. IHOP, which is 4,828 square foot, completed construction in the General Cavazos Subdivision and was completed and opened for business in FY 2008.
- ❖ The 18,000 square foot building for the Colston Rehabilitation Center, located next to the hospital, was completed in May 2009.
- ❖ Tractor Supply Company was approved for remodeling of the old Wal-Mart Store, consisting of more than 35,000 square feet, on Brahma Blvd. and completed construction in May of 2009.
- ❖ Aaron Rents constructed a new facility consisting of 8,000 square feet, on General Cavazos Blvd. which was completed in August 2009.
- ❖ Daddy O's Restaurant remodeled a building of 612 square feet and opened May 2009.
- ❖ The Cash Store and Fred Loya Insurance Agency, at 1,300 square feet each, were opened next to the AT&T Wireless store on General Cavazos Blvd. in May 2009.

- ❖ In July 2009, Little Caesar's Pizza relocated next to the Cash Store and Fred Loya Insurance Agency, at 1,300 square feet.
- ❖ Saint Gertrude's Church, rectory, business office and pastor's residence began remodeling construction in the spring of 2009 and finished in June 2009.
- ❖ A new mini-storage facility on Sage Road, Serenity Storage, completed construction in the summer of 2009. This project has a value of \$71,912 for 6,000 square foot buildings.
- ❖ The La Esquina Restaurant on King St. and Armstrong underwent a \$50,000 remodeling project that was completed in July 2009.

### **Future Construction Projects**

- ❖ The Taiwan Restaurant underwent a remodeling project costing approximately \$10,500 and should be completed in the summer of 2010.
- ❖ Wal-Mart remodeled their entire store, costing approximately \$2,588,536, starting in April and completed the project in October 2009.
- ❖ The Santa Gertrudis Independent School District, located on the King Ranch, began construction of a new elementary and middle school and administration office in the spring of 2009 and completed the project in May 2010. The project value is approximately \$3 million and consists of over 54,000 square feet.
- ❖ The new Chemcel Credit Union bank building has been completed. It is located at Carlos Truan Blvd. and Highway 77 Frontage Rd. and will open in February 2010.
- ❖ The new Harvey Elementary School is under construction on Kenedy Ave. and should be completed by the end of 2010.
- ❖ Harrell and Kleberg Elementary Schools have both undergone remodeling and additions in 2009-2010.
- ❖ A new Wells Fargo Bank will be constructed at E. King and 8<sup>th</sup> St. They plan to open in the summer of 2010.
- ❖ Sellers Market re-located to 220 1/2 E. Kleberg Ave. A new fire suppression system is being installed in the previous location at 205 E. Kleberg Ave. for a new tenant.
- ❖ Brink's Seafood, a new business, plans to remodel and move into the old Long John Silvers building on S. 14<sup>th</sup> St.
- ❖ The First Community Bank will begin construction of their new bank building in the spring of 2010. The new bank will be located on Brahma Blvd. near General Cavazos Blvd.
- ❖ The Law Office of Sam R. Fugate plans to relocate after a new office is constructed at 6<sup>th</sup> St. and Henrietta St.
- ❖ The Douglas Community Center project will be constructed during 2010.
- ❖ Big House BBQ Restaurant opened in the fall of 2009 on King St. near Highway 77.
- ❖ There is a new Pet Store located at 214 E. Kleberg Ave.
- ❖ The new Western Finance business opened at 225 1/2 E. Kleberg Ave.
- ❖ A new retail store is being proposed to be built at King St. and May St. A building permit will probably be issued in the spring of 2010.

## **Residential Developments**

- ❖ The construction of Paulson Falls Phase III is underway. Sixty-three (63) new Single family residences will be built in 2010-2011.
- ❖ Serenity Estates II, a new 13 lot subdivision was approved in 2009 and one lot is currently being developed with a new home.
- ❖ Texas A&M Kingsville will complete a new, 600 unit, student housing section on their campus in the summer of 2009. This project and a new parking lot will be completed in early 2010.
- ❖ The Brown Villa public housing units on Corral Ave. and Avenue D will be demolished and new units, parking and landscaping will be built to replace them.
- ❖ The Kingsville Lulac Manor Apartment complex is undergoing a refurbishment project valued at approximately \$2,568,341 and consisting of over 78,400 square feet that will be completed in phases. The first phase of this project should be completed by the summer of 2009. The remaining phases of remodeling and upgrading of the Lulac Housing project should be completed in 2010.
- ❖ In fiscal year 2009, a total of 28 new housing permits were issued.

## **Tourism**

The City of Kingsville continues to be a favorite stop-over for vacationers, tourists, hunters and outdoorsman with the historic King Ranch, the City's historic downtown area, two museums, various bays that are ideal for fishing and numerous hunting leases that surround the city. The City is home to several festivals, including the South Texas Wildlife and Birding Festival, the Annual Charity Bike Ride on the King Ranch, and the NCAA Division II Cactus Bowl Game.

## **Financing of Major Capital Projects**

During the 2009 fiscal year, the City continued to utilize the three 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. The City was able to retire the CO 2001 by utilizing a bond defeasance to restructure its bond debt through refunding the debt at the best possible price.

## **Cash Management**

The Public Funds Investment Act (PFIA) requires quarterly reporting to the governing body by its investment officers. The City Commission adopts the investment policy with any recommended amendments annually. In addition to PFIA requirements, the City's Investment Committee requires quarterly reporting on investment results.

The City pools its cash balances for investment purposes. A primary objective of the City's investment program is to protect the principal through proper collateralization.

The City depository holds all funds in various MBIA investment pool accounts with the exception of minimum operating funds held in the local depository bank that must be held separately. The bank performs all normal banking functions for the City, as well as, collateralizing deposits with government securities. The interest rate is variable being 0.5% less than the 13-week T-Bill rate. The City's cash management policy is adopted by the City Commission and strictly defines the parameters by which City investments are made. The annual average interest rate was 1.47% and the total interest earned was \$255,983, in the City's bank depository and all investments.

### **Risk Management**

The City maintains a Risk Management internal service fund to provide funding for its self insured workers' compensation, commercial property/general liability, and health benefits exposures. Contributions to the fund arise from employee contributions and contributions (transfers and allocations) from the general fund, special revenue funds, and the enterprise fund of the City. Supplemental insurance policies are also purchased to cover large health benefits and workers' compensation exposures. The City has a safety program that focuses on job specific safety training for all employees over the course of their careers. Particular emphasis is placed on those jobs or work units that experience claims and injuries at an increasing or unusual rate or for those inherently higher risk work units, such as public safety and public work functions. Additionally, information on the City's risk management activities can be found in the notes of the financial statements.

### **Pension Benefits**

The City participates in two retirement plans. Firefighters are provided benefits through the City's single employer defined benefit pension plan—Texas Emergency Services Retirement System (TESRS). It is administered by an independent board of trustees. Although state law requires that an actuarial analysis be prepared every three years, the Systems' Board engages an independent actuary every second year to calculate the amount of the annual contribution and review the scope of benefits to ensure that the plan will be able to fully meet its obligations to retired employees on a timely basis.

The latest actuarial valuations for both the TESRS and for the City employees were completed as of December 31, 2008. The funded ratio of actuarial accrued liability for the Volunteer Fire Fighter's TESRS was 95% as of August 31, 2009, at the date of the last actuarial reports. 100% of the City's Annual Pension Cost (APC) was contributed for both plans. As a matter of policy, in 2009 the City contributed \$20 per volunteer firefighter toward pension financing each year, with no contribution from the individual firefighters.

The City also provides pension benefits for its other employees, both uniformed police officers and full time firefighters, and all other civilian employees. These benefits are provided through a non-institutional, joint contributory, defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 827 plans administered by TMRS, an agent multiple-employer public employee retirement system. Employees contributed 7% of their salary and the City contributed 10.48% of salaries. The funded

ratio of actuarial accrued liability for the City employees' plan, TMRS, was 70.8% at the date of the last actuarial reports.

**CAFR Program**

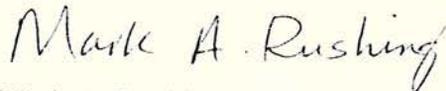
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Kingsville for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2008 continuing to confirm compliance with both GAAP and legal requirements. This was the twenty-first 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 Caron S. Vela, Accounting Manager; Teresa Vasquez, Assistant Accountant II; Sally Saenz, Assistant Accountant I; Norma Cavazos, Assistant Accountant I; Vilma Castillo, previous Collections Manager; Diana Medina, current Collections Manager; Yolanda Vasquez, Municipal Court Manager; and Rudy Najera, Information Systems Technician. Special thanks must be given to the City Manager for his continued guidance and support.

Credit must also be given to the Mayor and the City Commission 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,



Mark A. Rushing  
Director of Finance



# 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, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



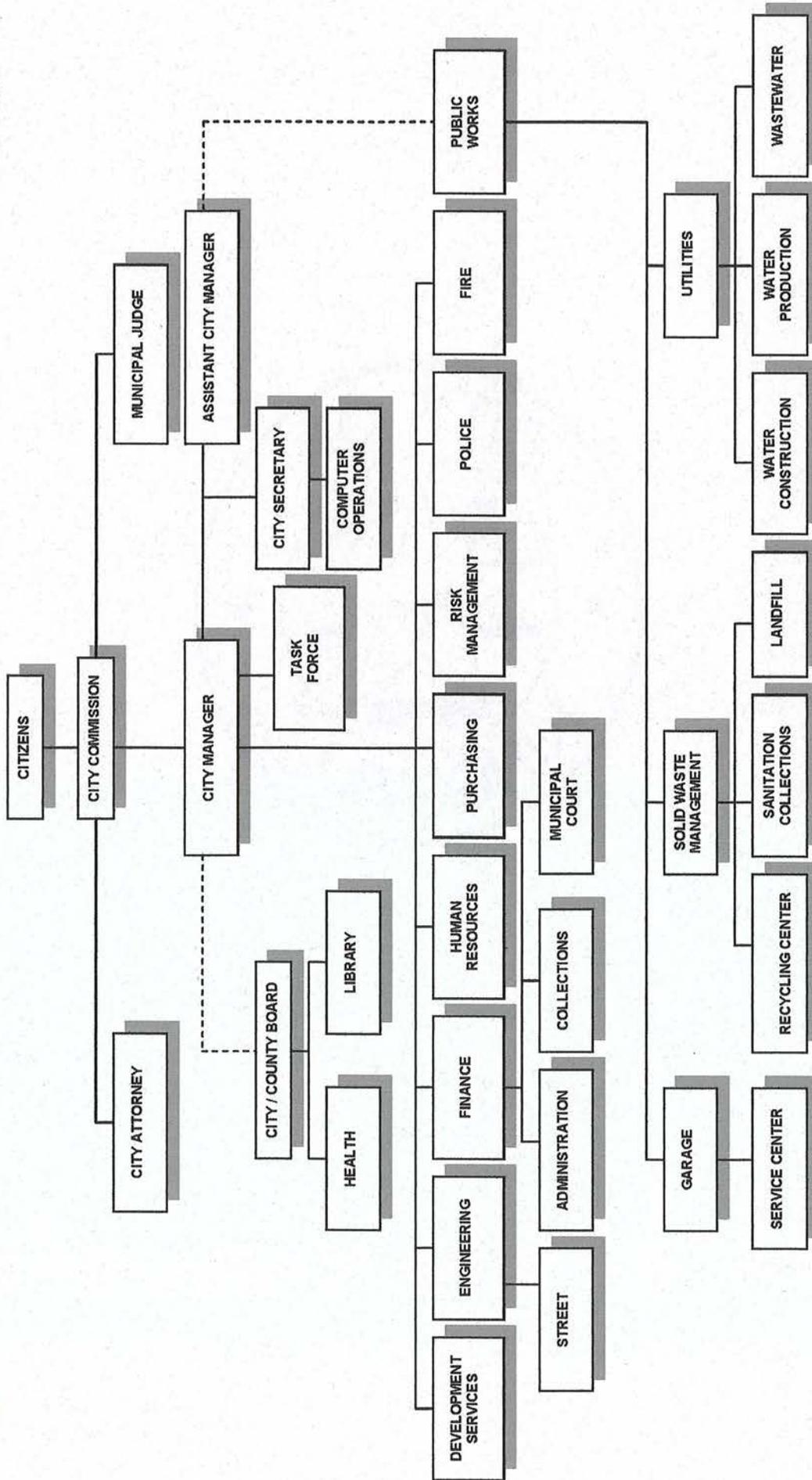
President

Executive Director



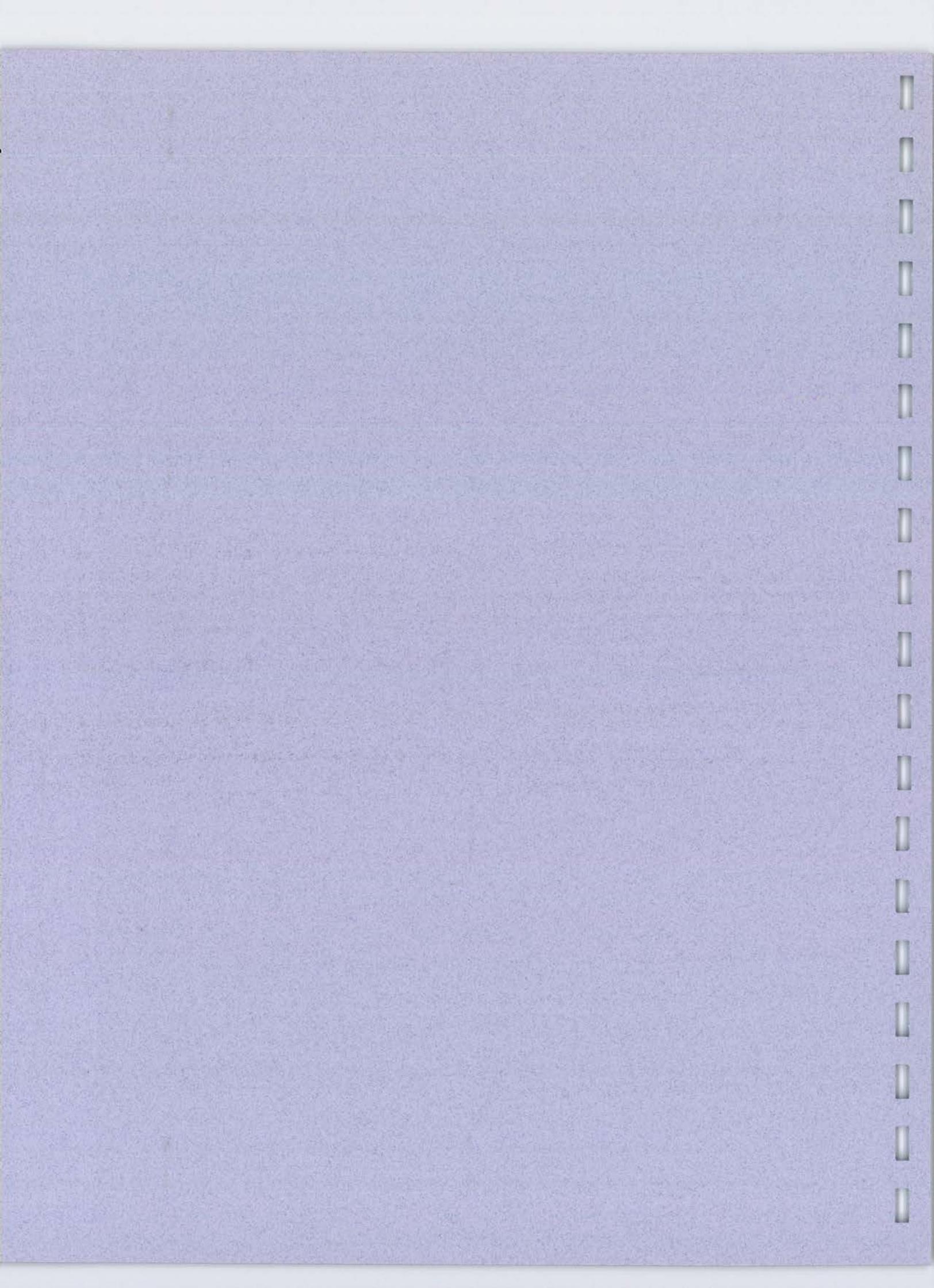


# City of Kingsville Organizational Chart









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

JOHN L. WOMACK, CPA

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P. O. BOX 1147  
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**Independent Auditor's Report on Financial Statements**

Board of Trustees  
City of Kingsville  
P.O. Box 1458  
Kingsville, Texas 78364

Members of the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Kingsville as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Kingsville's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Kingsville as of September 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 28, 2010, on our consideration of City of Kingsville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

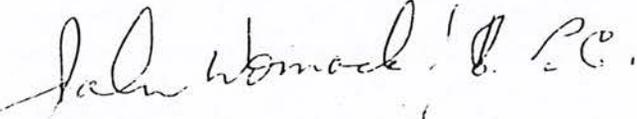
The Management's Discussion and Analysis and the budgetary comparison information identified as Required Supplementary Information in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



PRIVATE COMPANIES PRACTICE SECTION, AICPA DIVISION FOR CPA FIRMS

Our audit was performed for the purpose of forming opinions on the financial statements which collectively comprise the City of Kingsville's basic financial statements. The accompanying combining and individual fund financial statements and supporting schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and the statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Respectfully submitted,

A handwritten signature in cursive script that reads "John Womack, P.C.".

John Womack & Company, P.C.  
May 28, 2010

## 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, 2009. 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 \$ 25.3 million.
- The fund balance of the General Fund decreased from \$9.2 million to \$8.6 million. This represents a 5.9% decrease from the prior year's fund balance, and furthermore, represents 63.0% of the \$13.7 million in expenditures. The General Fund's undesignated and unreserved fund balance was \$4.6 million, or 33.9% of expenditures.
- Total assets, excluding component units, were \$58.2 million; total liabilities, excluding component units, were \$32.9 million.
- The ratio of total assets to total liabilities for governmental activities was 2.3 times; for business-type activities the ratio was 1.47 times.
- The quick ratio (current assets to current liabilities) was 2.74 times for governmental activities and 5.71 times for business-type activities.
- Total net assets were \$25.3 million, which was an increase from \$22.4 million for the prior year, or 13%. Governmental activities' net assets increased by 11.4%, while business-type activities net assets increased by 15.3%.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

The basic financial statements are comprised of three components:

- The *government-wide financial statements* provide both long-term and short-term information about the City's overall financial status. These statements are presented for both *governmental activities* and *business-type activities*. They are designed to provide readers with a broad overview of the City's finances, similar to a private-sector business. A legally separate *component unit* (Kingsville Convention and Visitors Bureau) are also shown in these statements.
  - The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets

are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*).

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

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

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

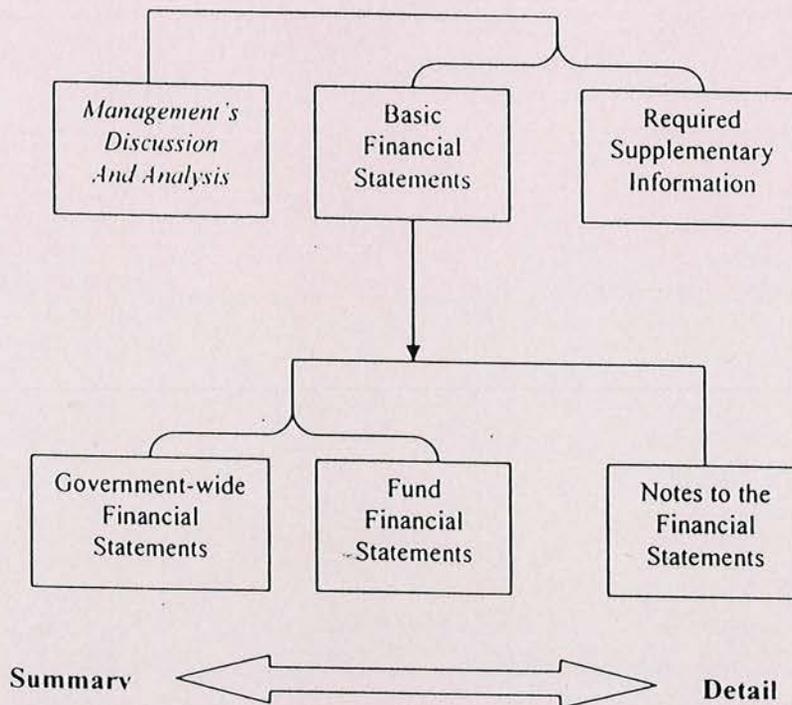


Figure A-1 shows how the required parts of this annual financial report are arranged and relate to one another. In addition to these required elements, a section with combining statements that provides details about the non-major governmental funds and internal service funds is included.

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

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

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

Major and non-major funds are presented separately in the governmental fund's balance sheet and in the governmental fund's statement of revenues, expenditures, and changes in fund balances. The general fund and the debt service fund are presented separately along with the aggregated *other governmental funds*. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* following the presentation of the major funds. There are four non-major governmental funds.

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

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

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

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

*Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for risk management activities, including insurance for general liabilities, workers' compensation, and health benefits. Because this coverage predominately 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 Assets

Net assets serve over time as a useful indicator of the City's financial position. At September 30, 2009, the net assets totaled \$25.3 million, \$2.9 million more than the prior year. The composition of these net assets is \$15.3 million for governmental activities and \$10 million for business-type activities, which is comprised primarily of the Combined Utility System.

A large portion of the City's net assets, 32.6%, are invested in capital assets (e.g., land, infrastructure, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities, and the City has over 10.0% of its net assets set aside for the retirement of debt. 49% of the City's governmental activities' net assets are unrestricted in their use for City activities.

**Table A-1: Net Assets for Governmental and Business-type Activities  
at September 30, 2009 and 2008 (in thousands of dollars)**

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current & other assets	\$13,799	\$13,197	\$14,137	\$11,362	\$27,936	\$24,559
Capital assets	13,305	12,886	16,990	15,944	30,295	28,830
<b>Total assets</b>	<b>27,104</b>	<b>26,083</b>	<b>31,127</b>	<b>27,306</b>	<b>58,231</b>	<b>53,389</b>
Current liabilities	5,013	7,873	2,454	17,067	7,467	24,940
Long-term liabilities	6,778	4,464	18,665	1,576	25,443	6,040
<b>Total liabilities</b>	<b>11,791</b>	<b>12,337</b>	<b>21,119</b>	<b>18,643</b>	<b>32,910</b>	<b>30,980</b>
<b>Net assets</b>	<b>\$15,313</b>	<b>\$13,746</b>	<b>\$10,008</b>	<b>\$8,663</b>	<b>\$25,321</b>	<b>\$22,409</b>
Net assets						
Investment in capital assets						
net of related debt	7,230	7,981	1,029	4,377	8,258	12,358
Restricted	2,947	2,727	1,704	3,056	4,651	5,783
Unrestricted	5,137	3,038	7,275	1,230	12,412	4,268
<b>Total net assets</b>	<b>\$15,313</b>	<b>\$13,746</b>	<b>\$10,008</b>	<b>\$8,663</b>	<b>\$25,321</b>	<b>\$22,409</b>

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, without any reduction of fund balances or net assets.

The Combined Utility System's net assets were \$9.8 million, which is 38.9% of total net assets and is \$1.2 million more than the prior year. The Combined Utility System contributed all of the total unrestricted business-type net assets.

## Changes in Net Assets

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

**Table A-2: Changes in Net Assets at September 30, 2009 and 2008  
(in thousands of dollars)**

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenue:						
Program revenue:						
Charges for services	3,742	3,695	11,697	10,320	15,439	14,015
Operating grants and contributions	294	261	173	1	467	262
Capital grants and contributions	176	30		0	176	30
General revenues:						
Property taxes	5,352	4,936		0	5,352	4,936
Sales taxes	3,873	3,892		0	3,873	3,892
Other taxes	1,040	1,046		0	1,040	1,046
Investment earnings	239	507	29	249	268	756
Other	(24)	5	0	(5)	(24)	0
Total revenues	<u>14,692</u>	<u>14,372</u>	<u>11,899</u>	<u>10,565</u>	<u>26,591</u>	<u>24,937</u>
Expenses:						
General government	2,482	2,439		0	2,482	2,439
Public safety	8,175	8,167		0	8,175	8,167
Public works	2,770	2,414		0	2,770	2,414
Health & other public services	762	731		0	762	731
Tourism	441	422		0	441	422
Interest on long-term debt	263	293		0	263	293
Water and wastewater		0	5,889	5,173	5,889	5,173
Solid waste		0	2,692	2,516	2,692	2,516
Total expenses	<u>14,893</u>	<u>14,466</u>	<u>8,581</u>	<u>7,689</u>	<u>23,474</u>	<u>22,155</u>
Increase in net assets before transfers	(201)	(94)	3,318	2,876	3,117	2,782
Transfers	1,973	1,700	(1,973)	(1,700)	0	0
Increase (decrease) in net assets	1,772	1,606	1,345	1,176	3,117	2,782
Net assets, beginning	13,746	12,140	8,663	7,487	22,409	19,627
Prior period adjustment	(204)	0	0	0	(204)	0
Net assets, ending	<u>\$15,313</u>	<u>\$13,746</u>	<u>\$10,008</u>	<u>\$8,663</u>	<u>\$25,322</u>	<u>\$22,409</u>

### Governmental Activities

As shown in Table A-2, revenues were split between governmental activities and business-type activities 55.3% and 44.7%, respectively, with expenses for each at 63.4% and 36.6%. Net assets increased 11.4% from the prior period for governmental activities (net of a negative \$204 thousand prior period adjustment), increased 15.5% for business-type activities, and increased 13.0% overall.

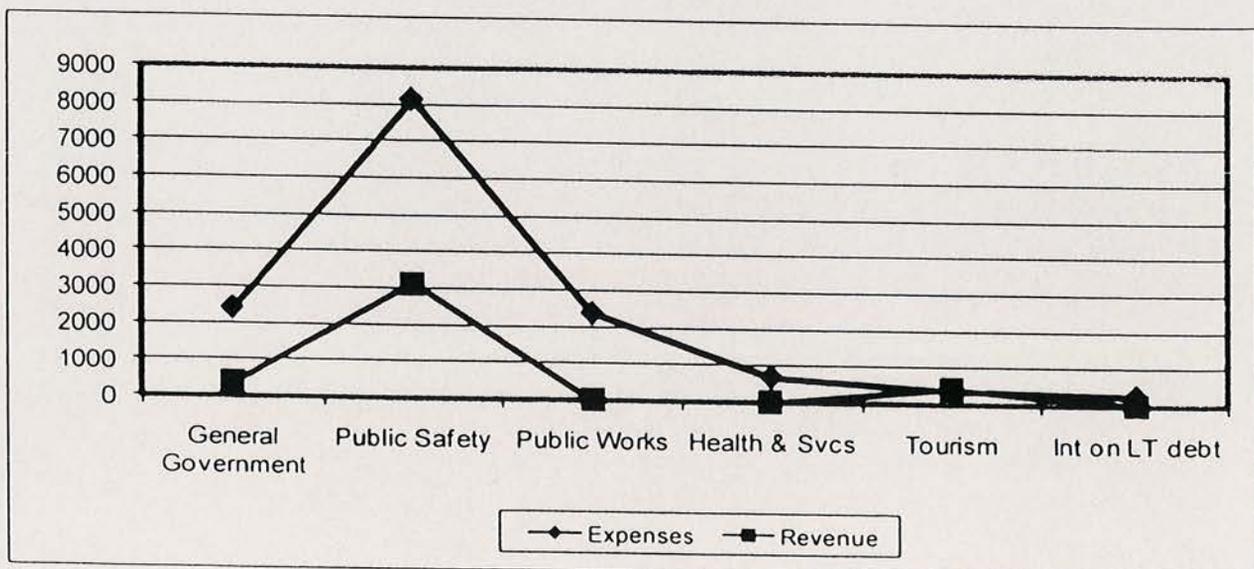
- The cost of all *governmental* activities for the fiscal year 2009 was \$14.9 million.
- However, the amount that taxpayers paid for these services through City taxes and business fees was \$10.3 million.

Some of the cost was paid by:

- Those who directly benefited from the programs (\$3.7 million), and
- Other governments and organizations that subsidized certain programs with grants and contributions (\$470 thousand).
- Charges for services comprised 25.5% of governmental activities revenues and 98.3% of business-type activities' revenues.
- Taxes contributed 69.9% of governmental activities revenues. Investment earnings, with interest rates, generated 1.6% and .25% of governmental activities revenues and business-type activities, respectively.
- Public Safety (including Police, Fire, Emergency Management, Municipal Court, and Inspections) expenses accounted for 54.9% of governmental activities expenses and 18.6% of total expenses were for public works.
- Public Safety required the largest net amount of public funds after deducting program revenue, grants, and contributions. The total subsidy was \$4.8 million.
- General government comprises 16.7% of all governmental activities' expenses.

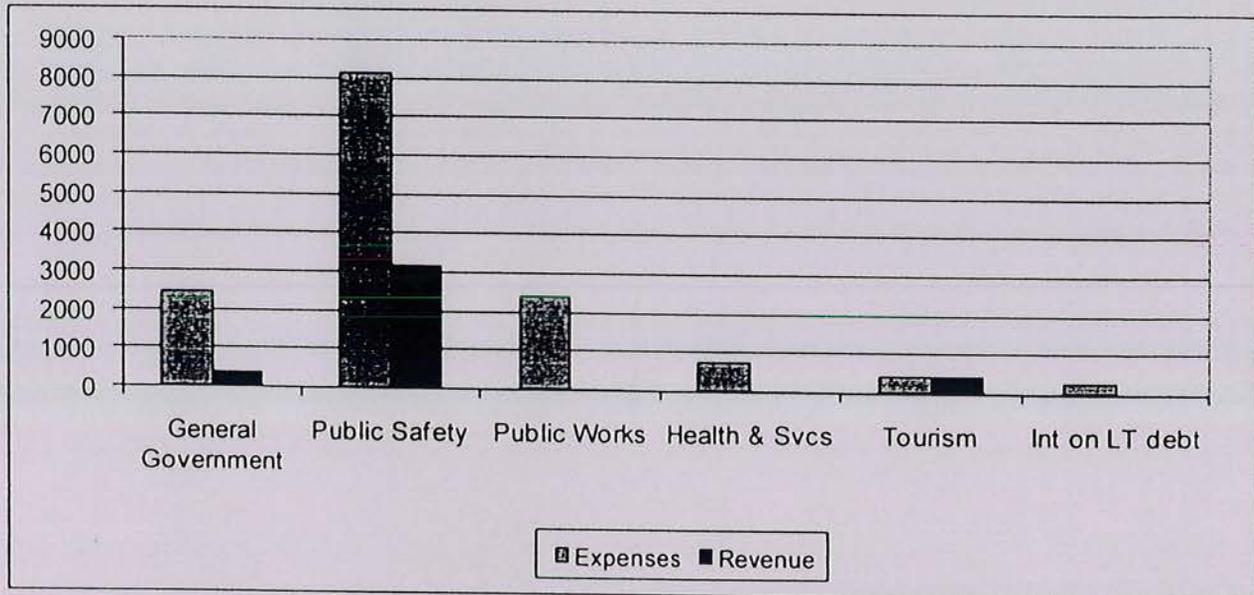
Graph 1 presents the cost of each of the City's major governmental functions, as well as the associated program revenues. As expected in governmental activities, the subsidy required from taxpayers provides the majority support to these core services.

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



Graph 2 indicates, in column chart form, the sources of revenue for governmental activities and the expenses of primary governmental activities.

**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 activities are recorded in the General Fund but are shown in the government-wide statement as a business-type activity.

The Combined Utilities System accounted for 68.6% of the expenses generated for business-type activities, with solid waste accounting for an additional 31.4%. It had operating revenues of \$8.37 million, operating income of \$2.9 million, and income before transfers of \$2.5 million, with income after transfers of \$1.2 million for the fiscal year. Compared to the 2008 fiscal year, the System's operating revenues were up by \$1 million, the operating income was up by \$287 thousand, and net income after transfers was \$232 thousand higher. The major causes of these results were:

- Increased operating revenues are largely the result of an unusually dry spring and summer during 2009, which caused water revenues to increase by \$540 thousand, or 12.5% over the preceding year.
- The operating expenses increased by over \$793 thousand, primarily due to increased supplies costs and service expenses.
- Wastewater fund revenue was up by \$362 thousand, also due to higher water sales, to which wastewater revenue is tied.

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

### Governmental Funds

- Total assets of the General Fund decreased from \$12.3 million to \$11.2 million between 2008 and 2009.
- Total liabilities of the General Fund dropped by \$528 thousand to approximately \$2.6 million, a 16.9% decrease. This brings the ratio of total assets to total liabilities to 4.32 times in 2009 from 3.93 times in 2008.
- General Fund revenues are \$655 thousand above the final budget.
- General Fund expenditures are \$662 thousand below the final budget.
- The General Fund's unreserved and undesignated fund balance decreased \$244 thousand in 2009 to \$4.6 million from \$4.9 million in fiscal year 2008.
- Total liabilities of the Police Forfeiture Fund remained steady at approximately \$2.5 million. This brings the quick ratio (current assets to current liabilities) to 1.85 times in 2009 from 1.6 times in 2008. This is because they still had \$777 thousand in unsettled seizures pending at September 30, 2009.
- The Police Forfeiture Fund unreserved and undesignated fund balance remained steady at about \$2.2 million in both fiscal year 2008 and 2009.
- The fund balance of the Debt Service Fund increased \$42 thousand from \$355 thousand in 2008 to \$397 thousand in 2009. This was an 11.9% increase from 2008 to 2009. This fund balance is structured to minimize the balance being carried to no more than required for the cash flow necessary to service the City's debt.

### Budgetary Results of the General Fund

General Fund taxes and business fees revenues were over \$8.7 million, which was \$137 thousand above the final budget. Charges for services, including zoning fees, solid waste fees, health service fees, and other fees were higher than the final budget by \$387 thousand. Sanitation Landfill Fees revenues were \$279 thousand more than the final budget for that particular revenue category. The Fire Department Charges for Services contributed a \$36 thousand positive variance through the ambulance bill services provided. All of these favorable revenue variances can be directly attributed to a conservative budgetary approach to estimating revenue and a relatively healthy City of Kingsville economy. Overall, General Fund revenues were \$655 thousand more than the final budget.

General Fund expenditures were \$662 thousand below the final budget. The police and fire departments collectively came in at \$189 thousand below the final budget, or 2.87% lower. The Police Department actual expenditures came in \$38 thousand for supplies and \$26 thousand for services under their respective final budget amounts. This is to be expected considering there were budget amendments during 2009 for an increase of \$39 thousand for services and \$14 thousand for maintenance expenditures as the department refocused its budgetary priorities. The Fire Department actual expenditures came in \$111 thousand under their respective final budget amounts. The Fire Department final budget was budgeted conservatively at \$2.7 million and resulted in a 4.2% favorable variance for that particular category of expenditure for the department.

General Fund Other Expenses were \$53 thousand for Uncollectible Accounts which occurred because the City normally budgets the emergency medical services as net estimated revenue.

A notice from the Texas Comptrollers Office was received on March 25, 2010 for a sales and use tax overpayment of \$204 thousand that they had made to the City of Kingsville. The State Comptrollers Office had just completed an audit of a taxpayer and it was determined that the taxpayer had overpaid the \$204 thousand that was subsequently remitted to the City of Kingsville. The period covered by the audit was January 1997 through December 2002. This resulted in the prior period adjustment of \$204 thousand being recognized in fiscal year 2008-09.

During Fiscal Year 2008-09, the City of Kingsville Commission amended the delinquent property and penalty and interest property taxes estimated revenue budgets down by \$48 thousand and \$56 thousand respectively. This recalibration of the 2009 budget was a function of the constant monitoring of actual revenue realized compared to budget amounts throughout the year. Investment Income was also amended down \$56 thousand in like manner. Sales Tax estimated revenue were amended up \$48 thousand and Sanitation Landfill fees estimated revenue were amended up \$52 thousand while maintaining a conservative budget approach.

During Fiscal Year 2008-09 the City of Kingsville Commission amended the Code Enforcement Demolition budget to increase it by \$28 thousand to support the City Commission initiatives to tear down condemned structures within the City in partnership with the Navy. The Fire Department Capital Outlay budget was amended to increase it by \$135 thousand to provide resources to build a new bay at the Fire Station to house a new Fire Truck and other recently acquired equipment. The Sanitation Department Capital Outlay budget was amended to increase it by \$215 thousand to finance a new Garbage Truck from General Fund resources in an effort to minimize the amount of debt increase the City was incurring. The Street Department Fixed Asset Maintenance (street and bridge repairs) was amended to increase it by \$200 thousand to provide additional resources to accomplish City Commission initiatives to maintain the infrastructure of the City. The Other Financing Sources budget was amended to recognize the \$550 thousand transfer in the Capital Projects Fund within the General Fund from the General Fund. The General Fund Other Financing Uses budget was amend to recognize the \$550 thousand aforementioned offset plus \$407 thousand for the CO 2001 Bond Defeasance.

Due to the timing of the notice from the Texas Comptrollers Office on March 25, 2010 for a sales and use tax refund of \$204 thousand, a budget amendment was not possible before the end of the 2008-09 fiscal year.

Additional information on the City's Original Budget to Final Budget and Final Budget to Actual can be found on Exhibit B-1, pages 70-76.

### Non-major Governmental Funds

Four special revenue funds comprise this portion of the financial statements. Total assets for the combined funds were \$260 thousand, total liabilities were \$250 thousand, and total fund balances were \$9 thousand, with \$9 thousand in undesignated and unreserved fund balances.

The most significant of these special funds is the Federal Grant Capital Projects Fund. 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 Council actions.

### CAPITAL ASSET AND DEBT ADMINISTRATION

**Table A-3: Capital Assets (net of depreciation) at September 30, 2009 and 2008  
(In thousands of dollars)**

	Governmental Activities			Business-type Activities		
	2009	2008	% Change 08-09	2009	2008	% Change 08-09
Land	\$470	\$470	0.00%	\$352	\$352	0.00%
Building and improvements	1,574	1,630	-3.41%	12,890	13,814	-6.69%
Equipment	838	568	47.61%	587	756	-22.33%
Vehicles	2,200	1,839	19.61%	1,315	634	107.46%
Road network	7,933	8,201	-3.27%	0	0	N/A
Construction in progress	289	179	N/A	1,673	387	332.26%
<b>Total</b>	<b>\$13,304</b>	<b>\$12,886</b>	<b>3.24%</b>	<b>\$16,817</b>	<b>\$15,944</b>	<b>5.48%</b>

As shown in Table A-3, at September 30, 2009, the City had invested \$30 million (net of depreciation) in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads and bridges, and its utility system. Additional information on the City's Capital Assets can be found on Note E, page 53-54 of the Notes to the Financial Statements.

### Long-term Debt

Table A-4 indicates that total long-term debt increased by \$2.8 million from 2008 to 2009 or 11.3%. Of that, landfill closure costs increased \$300 thousand or 9.1%, while compensated absences increased 2.9%. Three new debt factors were Certificates of Obligation increased \$2.25 million with an issuance during 2009. Other Post-Employment Benefits and Net Pension Obligation both increased \$201 thousand in compliance with GASB 45 recognition. Total debt outstanding at fiscal year-end was \$23.1 million, up from \$20.7 million for the prior year.

In addition, the overall increase was reduced by \$1.8 million in reductions in certificates of obligation bonds and revenue bonds (Combined Utility System) through scheduled principal payments, excluding \$2.2 million in additional payments and refunding bonds. Additional information on the City's Long-Term Obligations can be found on Note H, Item # 1-3, and page 55-58 of the Notes to the Financial Statements.

The 2008-2009 tax rate was \$0.54154 for the General Fund and \$0.26033 for the Debt Service Fund, totaling \$0.80187 per \$100 of assessed value. Therefore, the City's tax margin of \$1.69813 per \$100 of assessed value could increase taxes \$11.5 million each year based on the assessed value of \$680,618,115. 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 48 of the Notes to the Financial Statements.

**Table A-4: Long-Term Liabilities at September 30, 2009 and 2008  
(in thousands of dollars)**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Combined tax & revenue certificates of obligation						
Certificates of obligation	6,293	6,524	15,422	12,936	21,715	19,460
Capital Leases	159	182	0	0	159	182
Other post-employment benefits	432	287	115	59	547	346
Net Pension Obligation	155		46		201	
Revenue bonds payable	0	0	540	695	540	695
<b>Total debt</b>	<b>7,039</b>	<b>6,993</b>	<b>16,123</b>	<b>13,690</b>	<b>23,163</b>	<b>20,683</b>
Compensated absences	898	880	88	78	986	958
Landfill closure cost	0	0	3,600	3,300	3,600	3,300
<b>Total long-term debt</b>	<b>\$7,937</b>	<b>\$7,873</b>	<b>\$19,811</b>	<b>\$17,068</b>	<b>\$27,748</b>	<b>\$24,941</b>

### **Bond Ratings**

The City received a general obligation bond rating of AAA by Standard & Poor's Rating Services, based on a municipal bond insurance policy issued by Assured Guaranty Corporation, with an underlying rate of A.

The Utility System revenue bonds were issued through the Texas Water Development Board and insured by Ambac. The bond issue only had an insured rating and in late 2009 Ambac's rating fell to non-investment grade. Therefore, the revenue bonds are non-rated

due to the fact these bonds were issued through the Texas Water Development Board instead of the open market.

### FISCAL YEAR 2009-2010 ADOPTED OPERATING BUDGET

The adopted budget for fiscal year 2009-2010 sets general fund revenues from all sources (including inter-fund transfers) at \$14.2 million, which is \$526 thousand or 3.8% more than the prior year's final budget. Property taxes were estimated to increase \$147 thousand or 4.1% when compared to the prior year budget. With steady 3 to 5 percent increases in assessed values each year for the previous five tax years (and a 4.3% increase for the 2009 tax year) along with no increase in the general fund's property tax rate, a conservative revenue forecasting approach was applied by management for the FY 2009-2010.

City sales tax, which comprises 26.3% of general fund revenues, is forecast for FY 2009-2010 at \$3.7 million or approximately the same as the prior year's final budget. The franchise fee categories are budgeted \$51 thousand lower than the amounts budgeted in the 2008-2009 year.

The FY 2009-10 Solid Waste revenue budget increased \$78 thousand for Landfill Fees and \$339 thousand for Garbage Fees. The City went through an extensive evaluation of Solid Waste Fees and adopted a phase in of increased rates over a two year period. FY 2008-2009 was the second year of the phase in period. FY 2009-2010 Solid Waste Department revenues are for a full year at the new rates. The City Commission designated in the adoption of the new rates that all of the additional revenues generated by the increased rates are to be reserved for the replacement of capital outlay and/or the payment of debt incurred for the Solid Waste Department.

General Fund expenditures, including transfers for the FY 2009-2010 budget were set at \$14.2 million, \$294 thousand more than the prior year's final budget, or 2.12% higher. Increases in budgeted expenditures for the Police and Fire department, along with expenditures for the Street Department account for more than half of all increases in total expenditures budgeted in FY 2009-2010 from the prior year's final budget. The FY 2009-2010 budgets for the Police and Fire Departments both include a 3% salary and benefits pay increase due to contract negotiations with their respective unions. As a result, the Police Department salaries and benefits budget increased \$372 thousand and the Fire Department salaries and benefits budget increased \$114 thousand. The purchase of newer and more technologically advanced Solid Waste trucks and equipment in FY 2008-2009 provided for budget reductions in the Sanitation Collection and Landfill Department budgets. Salaries and benefits budgets were reduced by \$27 thousand to incorporate economies of efficiency and effectiveness savings projected in the realignment of garbage pickup routes. The purchase of newer and more technologically advanced Solid Waste trucks and equipment in FY 2008-2009 also provided for decreasing the FY 2009-2010 vehicle and machinery maintenance budgets by \$50 thousand for Sanitation Collections and \$43 thousand for the Landfill Department.

A new Emergency Management Department was created by the City for FY 2009-2010. The City had previously operated under an inter-local agreement with Kleberg County to provide these Emergency Management administrative services. The FY 2009-2010 Emergency Management Department expenditure budget is approximately \$50 thousand. These increased budgeted costs for this new department were financed by budget reductions of \$41 thousand in the Garage Department salaries and benefits, by restructuring the department personnel duties, and an \$18 thousand savings in the City Special Department where the Kleberg County contracted services had been previously budgeted.

A new Planning Department Director of Development Services was created by the City for FY 2009-2010. Approximately half (\$30 thousand) of this department's salary and benefits budget is to be funded by grant monies. A new Main Street Tourism Development Services Department was also created by the City for FY 2009-2010. The majority (\$36 thousand) of this department's expenditures budget is to be funded by Hotel Occupancy Tax monies.

The City of Kingsville has entered into a Chapter 380 Economic Development Agreement with a developer to repair street and bridge infrastructure and stimulate residential housing development in the City of Kingsville. The FY 2009-2010 expenditures for this initiative is budgeted at \$200 thousand.

### CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the City Council, 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  
(361) 595-8035 (fax)

or visit our web site at : [www.cityofkingsville.com](http://www.cityofkingsville.com)

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**CITY OF KINGSVILLE**  
**STATEMENT OF NET ASSETS**  
**SEPTEMBER 30, 2009**

EXHIBIT A-1

	Primary Government		Total	Component Unit
	Governmental Activities	Business-type Activities		
<b>ASSETS</b>				
Cash and cash equivalents	\$ 5,158,947	\$ 50	\$ 5,158,997	\$ 242,247
Equity in pooled cash and cash equivalents	--	3,912,470	3,912,470	--
Investments	2,775,528	1,750,000	4,525,528	--
Receivables ( net of allowances for uncollectibles):				
Taxes	1,267,611	--	1,267,611	--
Accounts	110,519	1,612,699	1,723,218	--
Accrued Interest	17,452	--	17,452	--
Internal Balances	(1,061,549)	1,061,549	--	--
Due from other governments	233,892	3,241	237,133	73,866
Inventory, at cost	178,255	94,607	272,862	--
Restricted assets:				
Cash and cash equivalents	4,993,596	4,953,271	9,946,867	--
Equity in pooled cash and cash equivalents	78,798	544,664	623,462	--
Accounts	--	86,095	86,095	--
Long-term assets:				
Bond issuance costs	46,415	118,080	164,495	--
Land and construction in progress	758,922	2,197,765	2,956,687	--
Capital assets, net of related depreciation	12,545,713	14,792,684	27,338,397	--
<b>Total Assets</b>	<b>27,104,099</b>	<b>31,127,175</b>	<b>58,231,274</b>	<b>316,113</b>
<b>LIABILITIES</b>				
Accounts payable	1,740,172	410,408	2,150,580	3,810
Accrued wages payable	257,686	46,937	304,623	--
Payable from restricted assets:				
Accrued interest payable	51,399	165,679	217,078	--
Revenue bonds	--	170,000	170,000	--
Customer deposits	826,797	683,306	1,510,103	--
Due to:				
Other governments	960,001	1,866	961,867	--
Others	13,147	--	13,147	--
Unearned revenues	5,002	--	5,002	--
Liabilities due within one year:				
Accumulated unpaid compensated absences	177,171	38,500	215,671	--
Leases payable	23,737	--	23,737	--
Contractual obligations payable	957,203	937,797	1,895,000	--
Liabilities due beyond one year:				
Accumulated unpaid compensated absences	719,949	49,721	769,670	--
Leases payable	135,299	--	135,299	--
Accrued other post-employment benefits	432,363	114,982	547,345	--
Net Pension Obligation	154,848	46,509	201,357	--
Contractual obligations payable	5,335,990	14,484,011	19,820,001	--
Revenue bonds payable	--	370,000	370,000	--
Landfill closure costs	--	3,599,723	3,599,723	--
<b>Total Liabilities</b>	<b>11,790,764</b>	<b>21,119,439</b>	<b>32,910,203</b>	<b>3,810</b>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	7,229,724	1,028,641	8,258,365	--
Restricted For:				
Debt Service	2,238,890	290,442	2,529,332	--
Capital Projects	708,025	1,413,687	2,121,712	--
Unrestricted	5,136,696	7,274,966	12,411,662	312,303
<b>Total Net Assets</b>	<b>\$ 15,313,335</b>	<b>\$ 10,007,736</b>	<b>\$ 25,321,071</b>	<b>\$ 312,303</b>

The accompanying notes are an integral part of this statement.

**CITY OF KINGSVILLE**

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2009

Functions/Programs	Expenses	Charges for Services	Program Revenues	
			Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
<i>General government and administration</i>	\$ 2,481,859	\$ 309,430	\$ 128,043	\$ 5,998
<i>Public safety</i>	8,175,281	2,981,961	137,748	170,365
<i>Public works</i>	2,770,070	661	28,573	--
<i>City/County</i>	761,837	9,117	--	--
<i>Tourism</i>	440,694	440,694	--	--
<i>Interest on long-term debt</i>	262,818	--	--	--
<b>Total Government Activities</b>	<b>14,892,559</b>	<b>3,741,863</b>	<b>294,364</b>	<b>176,363</b>
<b>Business-type Activities:</b>				
Water Improvement	3,687,376	4,808,714	172,469	--
Solid Waste	2,692,116	3,510,389	--	--
Wastewater	2,201,955	3,378,346	--	--
<b>Total Business-type Activities</b>	<b>8,581,447</b>	<b>11,697,449</b>	<b>172,469</b>	<b>--</b>
<b>Total Primary Government</b>	<b>\$ 23,474,006</b>	<b>\$ 15,439,312</b>	<b>\$ 466,833</b>	<b>\$ 176,363</b>
<b>COMPONENT UNIT:</b>				
Kingsville Convention & Visitors Bureau	\$ 296,122	\$ 378,057	\$ --	\$ --

General Revenues:

*Property Taxes*  
*Sales Taxes*  
*Franchise Taxes*  
*Bingo Taxes*  
*Alcoholic Beverage Taxes*  
*Unrestricted Investment Earnings*  
*Gain on Sale of Capital Assets*  
*Miscellaneous Income*  
*Transfers*  
**Total General Revenues**  
**Change in Net Assets**  
 Net Assets - Beginning  
 Prior Period Adjustment  
 Net Assets - Ending

The accompanying notes are an integral part of this statement.

## Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-type Activities	Total	Component Unit
\$ (2,038,388)		\$ (2,038,388)	
(4,885,207)		(4,841,344)	
(2,740,836)		(2,740,836)	
(752,720)		(752,720)	
--		--	
(262,818)		(262,818)	
(10,679,969)		(10,636,106)	
--	\$ 1,293,807	1,293,807	
--	818,273	818,273	
--	1,176,391	1,176,391	
--	3,288,471	3,288,471	
(10,679,969)	3,288,471	(7,391,498)	
			\$ 81,935
5,351,584	--	5,351,584	--
3,872,834	--	3,872,834	--
989,368	--	989,368	--
3,559	--	3,559	--
46,760	--	46,760	--
239,018	29,285	268,303	--
(25,816)	--	(25,816)	--
1,890	--	1,890	--
1,972,734	(1,972,734)	--	--
12,451,931	(1,943,449)	10,508,482	--
1,771,962	1,345,022	3,116,984	81,935
13,745,864	8,662,714	22,408,578	230,368
(204,491)	--	(204,491)	--
\$ 15,313,335	\$ 10,007,736	\$ 25,321,071	\$ 312,303

**CITY OF KINGSVILLE**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2009**

ASSETS	General Fund	Police Forfeiture Fund
Assets:		
Cash and cash equivalents	\$ 1,602	\$ 4,125,808
Equity in pooled cash and cash equivalents	68,194	1
Investments	4,525,528	--
Receivables ( net of allowances for uncollectibles):		
Taxes	1,184,985	--
Accounts	546,431	1,219
Assessments	152,647	--
Accrued Interest	370,828	--
Due from:		
Other funds:	2,032,153	--
Other governments:	19,154	--
Inventory, at cost	178,255	--
Restricted assets:		
Cash and cash equivalents	2,058,837	616,166
Equity in pooled cash and cash equivalents	35,087	36,718
Accounts	86,095	--
Total Assets	\$ 11,259,796	\$ 4,779,912
 LIABILITIES AND EQUITY		
Liabilities:		
Accounts payable	\$ 695,761	\$ 138,553
Accrued wages payable	243,738	13,948
Payable from restricted assets:		
Customer deposits	--	616,163
Due to:		
Other funds	481,410	1,255,189
Other governments	281,918	560,196
Others	13,147	--
Deferred revenues	889,028	--
Total Liabilities	2,605,002	2,584,049
Equity:		
Fund balances:		
Reserved for inventory	186,270	--
Reserved for debt service	--	--
Reserved for capital outlay	189,713	--
Reserved for municipal court building security	69,422	--
Reserved for municipal court technology	--	8,301
Unreserved:		
Designated for landfill	3,036,329	--
Designated for sanitation capital outlay	483,473	--
Designated for capital outlay	34,741	--
Unreserved, undesignated	4,654,846	2,187,562
Total equity	8,654,794	2,195,863
Total Liabilities and Equity	\$ 11,259,796	\$ 4,779,912

The accompanying notes are an integral part of this statement.

EXHIBIT A-3

<u>Debt Service Fund</u>	<u>Capital Improvements Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ --	\$ --	\$ --	\$ 4,127,410
129,119	--	10,062	207,376
--	--	--	4,525,528
46,897	--	35,729	1,267,611
3,151	--	--	550,801
--	--	--	152,647
--	--	--	370,828
--	--	--	2,032,153
--	--	214,738	233,892
--	--	--	178,255
630,625	4,121,811	--	7,427,439
--	19,679	--	91,484
--	--	--	86,095
<u>\$ 809,792</u>	<u>\$ 4,141,490</u>	<u>\$ 260,529</u>	<u>\$ 21,251,519</u>
\$ --	\$ 737,548	\$ 52,723	\$ 1,624,585
--	--	--	257,686
--	--	--	616,163
365,044	348,588	75,345	2,525,576
--	--	117,887	960,001
--	--	--	13,147
46,898	--	5,002	940,928
<u>411,942</u>	<u>1,086,136</u>	<u>250,957</u>	<u>6,938,086</u>
--	--	--	186,270
397,850	--	--	397,850
--	3,055,354	--	3,245,067
--	--	--	69,422
--	--	--	8,301
--	--	--	3,036,329
--	--	--	483,473
--	--	--	34,741
--	--	9,572	6,851,980
<u>397,850</u>	<u>3,055,354</u>	<u>9,572</u>	<u>14,313,433</u>
<u>\$ 809,792</u>	<u>\$ 4,141,490</u>	<u>\$ 260,529</u>	<u>\$ 21,251,519</u>

**CITY OF KINGSVILLE**

EXHIBIT A-4

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2009

Total fund balances - governmental funds balance sheet	\$ 14,313,433
Amounts reported for governmental activities in the statement of net assets ("SNA") are different because:	
Capital assets used in governmental activities are not reported in the funds.	13,304,635
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	429,901
The assets and liabilities of internal service funds are included in governmental activities in the SNA.	336,848
Payables for bond principal which are not due in the current period are not reported in the funds.	(6,293,192)
Payables for capital leases which are not due in the current period are not reported in the funds.	(159,036)
Payables for bond interest which are not due in the current period are not reported in the funds.	(51,399)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(897,120)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.	(587,211)
Other long-term assets are not available to pay for current period expenditures and are deferred in the funds.	46,414
Solid waste assets and liabilities are included in the general fund but are included in business activities in SNA.	(5,129,937)
Rounding difference	(1)
Net assets of governmental activities - statement of net assets	\$ 15,313,335

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, 2009

	General Fund	Police Forfeiture Fund
<b>Revenue:</b>		
Taxes	\$ 8,524,238	\$ --
Licenses and permits	217,657	--
Charges for services	4,016,460	--
Fines and forfeitures	491,169	2,030,273
Interest and miscellaneous	198,082	62,464
Gain or loss on sale of property	1	--
Donations	1,890	--
Federal and state grants	71,483	--
Total revenues	<u>13,520,980</u>	<u>2,092,737</u>
<b>Expenditures:</b>		
<b>Current:</b>		
General government and administration	2,468,912	3,332
Public Safety	6,466,474	1,443,223
Public works	3,996,040	--
City/County	744,888	--
Tourism	--	--
Other expenses	53,376	--
<b>Debt service:</b>		
Principal retired	--	--
Interest	--	--
Paying agent fees	--	--
Total expenditures	<u>13,729,690</u>	<u>1,446,555</u>
Excess (deficiency) of revenues (under) expenditures	(208,710)	646,182
<b>Other financing sources (uses):</b>		
Transfers in	1,804,653	--
Transfers out	(957,037)	--
Bond Issuance Costs	--	--
Bond Issuance Premium	--	--
Issuance of debt	--	--
Total other financing sources (uses)	<u>847,616</u>	<u>--</u>
Net change in fund balances	638,906	646,182
Fund balances/equity, October 1	8,220,379	1,549,681
Prior period adjustment	(204,491)	--
Fund balances/equity, September 30	<u>\$ 8,654,794</u>	<u>\$ 2,195,863</u>

The accompanying notes are an integral part of this statement.

	Debt Service Fund	Capital Improvements Fund	Other Governmental Funds	Total Governmental Funds
\$	1,693,814	\$ --	\$ 439,999	\$ 10,658,051
	--	--	--	217,657
	--	--	695	4,017,155
	19,869	28,695	--	2,521,442
	--	--	4,980	314,090
	--	--	--	1
	--	--	--	1,890
	--	--	392,287	463,770
	1,713,683	28,695	837,961	18,194,056
	--	19,554	183,744	2,675,542
	--	53,052	213,749	8,176,498
	--	2,381,178	--	6,377,218
	--	114,445	--	859,333
	--	--	440,694	440,694
	--	--	--	53,376
	1,760,000	--	--	1,760,000
	274,810	--	--	274,810
	1,882,050	--	--	1,882,050
	3,916,860	2,568,229	838,187	22,499,521
	(2,203,177)	(2,539,534)	(226)	(4,305,465)
	407,037	--	--	2,211,690
	--	--	--	(957,037)
	(51,426)	(123,847)	--	(175,273)
	--	128,181	--	128,181
	1,890,000	4,270,000	--	6,160,000
	2,245,611	4,274,334	--	7,367,561
	42,434	1,734,800	(226)	3,062,096
	355,416	1,320,554	9,798	11,455,828
	--	--	--	(204,491)
\$	397,850	\$ 3,055,354	\$ 9,572	\$ 14,313,433

**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, 2009

Net change in fund balances - total governmental funds	\$ 3,062,096
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	1,289,304
The depreciation of capital assets used in governmental activities is not reported in the funds.	(845,248)
Trade-in or disposal of capital assets decrease net assets in the SOA but not in the funds.	(25,808)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	46,053
Expenses not requiring the use of current financial resources are not reported as expenditures in the funds.	(300,343)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	2,797,000
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	22,736
Bond issuance costs and similar items are amortized in the SOA but not in the funds.	(13,199)
(Increase) decrease in accrued interest from beginning of period to end of period.	4,334
The net revenue (expense) of internal service funds is reported with governmental activities.	165,718
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(16,776)
Solid waste activities are included in the general fund, but are included in business activities in the SOA.	(1,895,013)
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	(2,565,984)
Bond premiums are reported in the funds but not in the SOA.	(128,181)
Bond issuance costs are not expenditures of the SOA	175,273
Rounding difference	(1)
Change in net assets of governmental activities - statement of activities	\$ 1,771,962

The accompanying notes are an integral part of this statement.

CITY OF KINGSVILLE  
 STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS  
 SEPTEMBER 30, 2009

EXHIBIT A-7

	Enterprise Fund	Nonmajor Internal Service Fund
	Utility Fund	Insurance Fund
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ --	\$ 1,031,588
Equity in pooled cash and cash equivalents	4,044,175	--
Receivables ( net of allowances for uncollectibles )		
Accounts	1,199,280	--
Due from:		
Other funds	1,568,788	302,472
Other governments:	3,241	--
Inventory, at cost	94,607	--
Restricted assets - noncurrent		
Cash and cash equivalents	2,047,785	--
Equity in pooled cash and cash equivalents	663,323	--
Total current assets	<u>9,621,199</u>	<u>1,334,060</u>
Noncurrent assets		
Bond issuance costs	118,080	--
Capital assets:		
Land	132,354	--
Utility plant	34,155,688	--
Equipment	1,228,254	--
Vehicles	1,651,720	--
Construction in progress	1,100,765	--
Total capital assets	38,268,781	--
Less accumulated depreciation	(24,365,874)	--
Net capital assets	13,902,907	--
Total noncurrent assets	14,020,987	--
Total Assets	<u>\$ 23,642,186</u>	<u>\$ 1,334,060</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 402,408	\$ 120,628
Accrued wages payable	46,937	--
Due to:		
Other funds	713,625	664,212
Other governments	1,866	--
Accumulated unpaid compensated absences	38,500	--
Current liabilities payable from restricted assets:		
Accrued interest payable	80,286	--
Contractual obligations payable	305,000	--
Revenue bonds	170,000	--
Customer deposits	683,306	210,634
Total current liabilities	<u>2,441,928</u>	<u>995,474</u>
Long-term liabilities, net of current portion		
Accumulated unpaid compensated absences	49,721	--
Accrued other post-employment benefits	93,049	--
Net pension obligation	29,084	--
Contractual obligations payable	10,797,000	--
Revenue bonds payable	370,000	--
Total long-term liabilities, net of current portion	<u>11,338,854</u>	<u>--</u>
Total Liabilities	<u>13,780,782</u>	<u>995,474</u>
Net Assets:		
Invested in capital assets, net of related debt	2,260,909	--
Restricted for:		
Debt service	290,442	--
Self insurance	--	338,586
Capital outlay	1,413,687	--
Unrestricted	5,896,366	--
Total net assets	<u>9,861,404</u>	<u>338,586</u>
Total Liabilities and Net Assets	<u>\$ 23,642,186</u>	<u>\$ 1,334,060</u>

The accompanying notes are an integral part of this statement.

**CITY OF KINGSVILLE**

RECONCILIATION OF THE PROPRIETARY FUND STATEMENT OF NET ASSETS  
TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2009

EXHIBIT A-7R

Utility Fund Net Assets - Proprietary Funds Statement of Net Assets \$ 9,861,404

Amounts reported for business-type activities in the statement of net assets  
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 assets. 103,126

The assets and liabilities of certain internal service funds are included in business  
type activities in the SNA. 43,206

Net Assets of Business-type Activities - Statement of Net Assets \$ 10,007,736

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

**CITY OF KINGSVILLE**

STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN FUND NET ASSETS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Enterprise Fund	Nonmajor Internal Service Fund
	Utility Fund	Insurance Fund
<b>OPERATING REVENUES:</b>		
<i>Water</i>	\$ 4,865,814	\$ --
<i>Other income</i>	6,998	--
<i>Wastewater</i>	3,320,636	--
<i>Insurance premiums</i>	--	2,103,105
<i>Federal Revenue</i>	172,469	--
<b>Total Operating Revenues</b>	<u>8,365,917</u>	<u>2,103,105</u>
<b>OPERATING EXPENSES:</b>		
<i>Personal services</i>	1,964,759	--
<i>Supplies</i>	298,203	--
<i>Services</i>	1,112,820	1,943,604
<i>Maintenance</i>	423,824	--
<i>Water supply contract</i>	435,532	--
<i>Uncollectable accounts</i>	18,804	--
<i>Depreciation and amortization</i>	1,134,704	--
<b>Total Operating Expenses</b>	<u>5,388,646</u>	<u>1,943,604</u>
<b>Operating Income (Loss)</b>	<u>2,977,271</u>	<u>159,501</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>		
<i>Interest</i>	80,779	6,217
<i>Gain or loss on sale of property</i>	(16,483)	--
<i>Interest and fiscal agent charge</i>	(500,685)	--
<b>Total Non-operating Revenues (Expenses)</b>	<u>(436,389)</u>	<u>6,217</u>
<b>Net Income (Loss) before Transfers</b>	<u>2,540,882</u>	<u>165,718</u>
<b>TRANSFERS IN (OUT):</b>		
<i>From Utility Fund</i>	1,338,915	--
<i>To General Fund</i>	(2,593,568)	--
<b>Total Transfers In (Out)</b>	<u>(1,254,653)</u>	<u>--</u>
<b>Net income (loss)</b>	<u>1,286,229</u>	<u>165,718</u>
<b>Net assets, October 1</b>	<u>8,575,175</u>	<u>172,868</u>
<b>Net assets, September 30</b>	<u>\$ 9,861,404</u>	<u>\$ 338,586</u>

The accompanying notes are an integral part of this statement.

**CITY OF KINGSVILLE**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2009

EXHIBIT A-8R

Change in net assets-utility fund \$ 1,286,229

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. 58,793

Change in net assets of Business-type activities - statement of activities \$ 1,345,022

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

## CITY OF KINGSVILLE

## STATEMENT OF CASH FLOWS

## PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Utility Fund	Insurance Fund
<b>Cash Flows from Operating Activities:</b>		
Cash Received from Customers	\$ 7,748,799	\$ --
Cash Received from Grants	170,088	--
Cash Receipts (Payments) for Interfund Services Provided and Used	--	2,313,298
Cash Payments to Employees for Services	(1,885,644)	--
Cash Payments to Other Suppliers for Goods and Services	(2,521,313)	(2,003,758)
Net Cash Provided (Used) by Operating Activities	<u>3,511,930</u>	<u>309,540</u>
<b>Cash Flows from Non-capital Financing Activities:</b>		
Proceeds (Payments) from (for) Borrowings	(90,385)	187,844
Transfers From (To) Other Funds	(1,254,653)	--
Net Cash Provided (Used) by Non-capital Financing Activities	<u>(1,345,038)</u>	<u>187,844</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Principal and Interest Paid	(978,252)	--
Acquisition or Construction of Capital Assets	(817,480)	--
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>(1,795,732)</u>	<u>--</u>
<b>Cash Flows from Investing Activities:</b>		
Interest and Dividends on Investments	80,779	6,217
Net Cash Provided (Used) for Investing Activities	<u>80,779</u>	<u>6,217</u>
Net Increase (Decrease) in Cash and Cash Equivalents	451,939	503,601
Cash and Cash Equivalents at Beginning of Year	6,303,344	527,987
Cash and Cash Equivalents at End of Year	<u>\$ 6,755,283</u>	<u>\$ 1,031,588</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>		
Operating Income (Loss)	\$ 2,977,271	\$ 159,501
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation and Amortization	1,134,704	--
Provision for Uncollectible Accounts	18,804	--
Change in Assets and Liabilities:		
Decrease (Increase) in Receivables	(455,524)	173,121
Decrease (Increase) in Due from Other Governments	(2,591)	--
Decrease (Increase) in Inventories	82,027	--
Increase (Decrease) in Accounts Payable	(332,961)	(60,154)
Increase (Decrease) in Accrued Wages Payable	5,319	--
Increase (Decrease) in Accrued Other Employment and Post Employment Benefits	63,377	--
Increase (Decrease) in Accumulated Compensated Absences	10,419	--
Increase (Decrease) in Due to Other Governments	210	--
Increase (Decrease) in Customer Deposits	10,875	37,072
Total Adjustments	534,659	150,039
Net Cash Provided (Used) by Operating Activities	<u>\$ 3,511,930</u>	<u>\$ 309,540</u>

The accompanying notes are an integral part of this statement.

**CITY OF KINGSVILLE**  
 STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 SEPTEMBER 30, 2009

	Agency Funds
<b>ASSETS</b>	
Assets:	
<i>Cash and cash equivalents</i>	\$ 11,755
<i>Equity in pooled cash and cash equivalents</i>	2,959
<b>Total Assets</b>	<b>\$ 14,714</b>
<b>LIABILITIES AND EQUITY</b>	
Liabilities:	
<i>Accounts payable</i>	\$ 2,959
<i>Payable from restricted assets:</i>	
<i>Customer deposits</i>	11,755
<b>Total Liabilities</b>	<b>14,714</b>
Equity:	
Fund balances:	--
<b>Total equity</b>	<b>--</b>
<b>Total Liabilities and Equity</b>	<b>\$ 14,714</b>

The accompanying notes are an integral part of this statement.

## CITY OF KINGSVILLE

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2009

#### A. Summary of Significant Accounting Policies

The financial statements of the City have been prepared in accordance with generally accepted accounting principals 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, 2009.

#### 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, the discretely presented component unit is 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, 2009.

##### b. Discretely Presented Component Unit

The Kingsville Convention and Visitor's Bureau (K.C.V.B.) is a non-profit corporation created by the City under state law to facilitate the development of tourism for the City. The City Council appoints all members of the board, approves the appointment of all managerial employees and approves the budget. The City maintains its tourism contract with the K.C.V.B. on a yearly basis which is the K.C.V.B.'s only source of income. Therefore, the City has financial accountability. The financial data of the K.C.V.B. is presented in the component unit columns in the combined financial statements.

Complete financial statements for the component unit may be obtained at the entity's administrative offices.

Kingsville Convention & Visitor's Bureau  
P.O. Box 1562  
Kingsville, Texas 78363

## CITY OF KINGSVILLE

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2009

#### 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.

#### 2. Basis of Presentation, Basis of Accounting

##### a. Basis of Presentation

**Government-wide Statements:** The statement of net assets 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.

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.

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

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

##### 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 giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

**CITY OF KINGSVILLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

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.

3. Implementation of New Standards

The GASB has issued Statement No. 51, "Accounting and Financial Reporting of Intangible Assets." This Statement establishes accounting and financial reporting requirements for intangible assets including easements, water rights, timber rights, patents, trademarks, and computer software. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009. The City did not have intangible assets as of September 30, 2009.

The GASB has issued Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments." This Statement establishes standards for accounting and financial reporting for land and other real estate held as investments by endowments. It applies to all state and local governments and is effective for accounting periods beginning after June 15, 2008. As of September 30, 2009, the City holds no real estate as an investment.

The GASB has issued Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments." This Statement is intended to improve how state and local governments report information about derivative instruments - financial arrangements used by governments to manage specific risks or make investments - in their financial statements. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2009. As of September 30, 2009, the City does not have any derivatives as an investment.

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 market 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**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

b. Property 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 2008 tax rate was \$.80187 of which \$.54154 was distributed to the General Fund and \$.26033 was applied to the Debt Service Fund. Using the twenty-five percent rule, the City's legal margin is \$156,470,470.

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.

c. Inventory

Inventory is valued at cost (last-in, first-out). All inventory purchases are recorded as inventory acquisitions (current assets) at the time of purchase and expensed when issued. Inventories of governmental funds are offset by a fund balance reserve which indicates that they do not constitute "available expendable resources" even though they are a component of net current assets.

d. Capital Assets

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

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

## CITY OF KINGSVILLE

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2009

e. 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.

f. 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.

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

g. 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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

h. Pension Plans

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

i. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

j. Accumulated Unpaid Compensated Absences

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

**CITY OF KINGSVILLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

k. 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 benefitting 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 assets.

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:

Violation	Action Taken
None reported	Not applicable

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

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

Fund Name	Deficit Amount	Remarks
None reported	Not applicable	Not applicable

C. Deposits and Investments

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

Cash and Investments

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

**CITY OF KINGSVILLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

1. Cash & Cash Equivalents

At September 30, 2009, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$20,026,600 and the bank balance was \$24,615,349. The City's cash deposits at September 30, 2008 and during the year ended September 30, 2009, were entirely covered by FDIC insurance or properly secured by collateral held by the City's agent in the City's name. The discretely presented component unit had a total of \$261,905 held in cash and cash equivalents of which \$250,000 was secured by FDIC insurance and \$11,905 was unsecured.

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 investments value does not vary with market interest rate changes. Nonnegotiable 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 market 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 market 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.

Investment	Reported Amount	Fair Value
MBIA (Rated @ AAA/V1+)	\$ 18,827,781	\$ 18,827,781
Certificates of Deposit in Excess of 91 days	4,525,528	4,525,528
	\$ 23,353,309	\$ 23,353,309

**CITY OF KINGSVILLE**

*NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009*

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	Special Revenue/ Other Governmental	Debt Service	Enterprise	Primary Government Total
Receivables:					
Accounts	\$ 3,459,914	\$ 1,219	\$ 3,151	\$ 2,152,478	\$ 5,616,762
Taxes - Property	638,339		78,162		716,501
Taxes - Franchise & Sales	801,922	35,729			837,651
Special Assessments	523,475				523,475
Gross Receivables	5,423,650	36,948	81,313	2,152,478	7,694,389
Less: Allowance for uncollectable	(4,132,516)		(31,265)	(539,779)	(4,703,560)
Net total receivable	\$ 1,291,134	\$ 36,948	\$ 50,048	\$ 1,612,699	\$ 2,990,829

The component unit has no accounts receivable at year end.

**CITY OF KINGSVILLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

E. Capital Assets

Capital asset activity for the year ended September 30, 2009, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 469,540	\$ --	\$ --	\$ 469,540
Construction in progress	178,534	110,848	--	289,382
Total capital assets not being depreciated	648,074	110,848	--	758,922
<i>Capital assets being depreciated:</i>				
Road Network	18,568,151	--	--	18,568,151
Buildings and improvements	3,675,875	--	(10,000)	3,665,875
Equipment	2,361,228	483,235	(134,901)	2,709,562
Vehicles	4,259,859	695,222	(234,651)	4,720,429
Total capital assets being depreciated	28,865,113	1,178,457	(379,553)	29,664,017
Less accumulated depreciation for:				
Road Network	(10,366,813)	(268,082)		(10,634,895)
Buildings and improvements	(2,046,249)	(55,576)	10,000	(2,091,825)
Equipment	(1,793,308)	(212,822)	134,901	(1,871,230)
Vehicles	(2,420,422)	(308,768)	208,836	(2,520,354)
Total accumulated depreciation	(16,626,792)	(845,248)	353,737	(17,118,303)
Total capital assets being depreciated, net	12,238,321	333,208	(25,815)	12,545,714
Governmental activities capital assets, net	\$ 12,886,395	\$ 444,056	\$ (25,815)	\$ 13,304,635
	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-type activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 352,354	\$ --	\$ --	\$ 352,354
Construction in progress	386,944	1,340,497	(55,151)	1,672,291
Total capital assets not being depreciated	739,298	1,340,497	(55,151)	2,024,645
<i>Capital assets being depreciated:</i>				
Buildings and improvements	35,078,572	55,151	(206,963)	34,926,759
Equipment	2,657,887	111,783	(407,575)	2,362,095
Vehicles	3,135,043	850,058	--	3,985,101
Total capital assets being depreciated	40,871,502	1,016,992	(614,538)	41,273,956
Less accumulated depreciation for:				
Buildings and improvements	(21,264,233)	(962,687)	190,653	(22,036,267)
Equipment	(1,901,565)	(213,126)	340,052	(1,774,639)
Vehicles	(2,501,399)	(168,968)	--	(2,670,367)
Total accumulated depreciation	(25,667,198)	(1,344,781)	530,706	(26,481,273)
Total capital assets being depreciated, net	15,204,304	(327,789)	(83,832)	14,792,683
Business-type activities capital assets, net	\$ 15,943,603	\$ 1,012,708	\$ (138,983)	\$ 16,817,328

**CITY OF KINGSVILLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

Depreciation was charged to functions as follows:

General Government	\$	42,289
Public Safety		363,673
Public Works		427,312
City/County		11,975
	\$	<u>845,248</u>

F. Interfund Balances and Activity

1. Due To and From Other Funds

Balances due to and due from other funds at September 30, 2009, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Other Governmental Funds	\$ 1,655,527	Short-term loans
General Fund	Debt Service Fund	300,142	Short-term loans
Utility Fund	General Fund	239,675	Short-term loans
Utility Fund	Utility Fund	1,264,212	Short-term loans
Internal Service Fund	General Fund	217,934	Short-term loans
Internal Service Fund	Utility Fund	60,944	Short-term loans
Internal Service Fund	Other Governmental Funds	23,594	Short-term loans
General Fund	General Fund	31,472	Short-term loans
General Fund	Utility Fund	45,009	Short-term loans
Utility Fund	Debt Service Fund	64,903	Short-term loans
	Total	\$ <u>3,903,412</u>	

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

2. Transfers To and From Other Funds

Transfers to and from other funds at September 30, 2009, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General Fund	Debt service fund	\$ 407,037	Provide resources for repayment of certificates of participation
General Fund	General Fund	550,000	Supplement other funds sources
Utility Fund	Utility Fund	1,338,915	Supplement other funds sources
Utility Fund	General Fund	1,254,653	Supplement other funds sources
	Total	\$ <u>3,550,605</u>	

**CITY OF KINGSVILLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

**G. Deferred Revenue**

Deferred revenues are primarily used for the deferring of property taxes that are not "measurable" in Note B. An analysis of deferred taxes at September 30, 2009 is as follows:

	All Governmental Fund Types
Deferred Taxes	\$ 429,901
Deferred Assessments/Interest	506,024
Other	5,002
<b>Total Deferred Revenue</b>	<b>\$ 940,927</b>

**H. Long-Term Obligations**

**1. Long-Term Obligation Activity**

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended September 30, 2009, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>Governmental activities:</b>					
Certificates of obligation (2)	\$ 6,524,208	\$ 2,565,984	\$ 2,797,000	\$ 6,293,192	\$ 957,203
Capital leases	181,772	--	22,736	159,036	23,737
Total long-term debt	6,705,980	2,565,984	2,819,736	6,452,228	980,940
Accumulated compensated absences*	880,343	671,453	654,676	897,120	177,171
Other post-employment benefits	286,869	145,494	--	432,363	--
Net Pension Obligation	--	154,848	--	154,848	--
Governmental activity Total long-term debt	<u>\$ 7,873,192</u>	<u>\$ 3,537,779</u>	<u>\$ 3,474,412</u>	<u>\$ 7,936,559</u>	<u>\$ 1,158,111</u>
<b>Business-type activities:</b>					
Revenue bonds-payable	\$ 695,000	--	\$ 155,000	\$ 540,000	\$ 170,000
Certificates of obligation (1)	12,935,792	3,594,016	1,108,000	15,421,808	937,797
Total long-term debt	13,630,792	3,594,016	1,263,000	15,961,808	1,107,797
Landfill closure cost	3,300,022	299,701	--	3,599,723	--
Other post-employment benefits	58,756	56,226	--	114,982	--
Accumulated compensated absences*	77,802	72,209	61,790	88,221	38,500
Net Pension Obligation	--	46,509	--	46,509	--
Business-type activities Long-term liabilities	<u>\$ 17,067,372</u>	<u>\$ 4,068,661</u>	<u>\$ 1,324,790</u>	<u>\$ 19,811,243</u>	<u>\$ 1,146,297</u>

(1) The utility funds share of the new issues of CO in conjunction with the general fund.

(2) The decrease of \$2,797,000 was due to paying \$1,845,000 for the 2009 Refunding Bond and a one time cash payment of \$400,000 on the 2001 Bond Series.

\* Other long-term liabilities

**CITY OF KINGSVILLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

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

Liability	Activity Type
Compensated absences	Governmental activities
Compensated absences	Business-type activities

Revenue bonds payable:	2009	2008
\$2,000,000 Utility System Revenue Bonds Series 1995; due in annual installments of \$155,000 to \$190,000 through April 15, 2012; interest at 3.95% to 5.8%.	\$ 540,000	\$ 695,000
<b>Total Revenue Bonds Payable</b>	<b>\$ 540,000</b>	<b>\$ 695,000</b>
Certificates of obligation payable:	2009	2008
\$11,780,000 Certificates of Obligation Series 2005 for General Improvements; due in annual installments of \$220,000 to \$990,000 through August 2025; interest at 3.00% to 4.125%. (100% Utility Fund).	\$ 10,945,000	\$ 11,165,000
\$3,305,000 Certificates of Obligation, Series 2001 for General Improvements; due in annual installments of \$365,000 to \$400,000 through August 1, 2011; interest at 4.3% to 5.7%. (100% Utility Fund).	380,000	1,145,000
\$3,000,000 Certificates of Obligation Series 1998 for General Improvements; due in annual installments of \$155,000 to \$225,000 through February 1, 2018; interest at 4% to 5%. Refunded in 2009.	--	2,000,000
\$2,485,000 Certificates of Obligation Series 2002A for General Improvements; due in annual installments of \$90,000 to \$215,000 through February 1, 2023; interest at 3.0% to 4.7%.	1,895,000	2,040,000
\$3,960,000 Certificates of Obligation Series 2002 for General Improvements; due in annual installments of \$655,000 to \$695,000 through February 1, 2011; interest at 3.125% to 3.5%. (Split General Fund 84.80% and Utility Fund 15.20%).	1,370,000	2,025,000
\$1,200,000 Public Property Financial Contractual Obligation Series 2007 for General Improvements; Due in annual installments of \$120,000 to \$150,000 through August 1, 2017; interest at 4.11%. (General Fund 71.667%, Utility Fund 35.83337%).	965,000	1,085,000

**CITY OF KINGSVILLE**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

\$4,270,000 Certificates of Obligation Series 2009 for Capital Outlay; due in annual installments of \$55,000 to \$700,000 through February 1, 2021; interest at 3.00% to 3.85%. (General Fund 15.831%, Utility Fund 84.169%).

4,270,000

\$1,890,000 General Obligation Refunding Series 2009; due in annual installments of \$60,000 to \$260,000 through February 1, 2018; interest at 2.25% to 3.75%. (100% General Fund).

1,890,000

Total Certificates of Obligation Payable

\$ 21,715,000

\$ 19,460,000

2. Debt Service Requirements

Debt service requirements on long-term debt at September 30, 2009, are as follows:

**Governmental Activities**

Year Ending September 30,	Principal	Interest	Total
2010	\$ 957,202	\$ 228,567	\$ 1,185,769
2011	1,164,742	174,279	1,339,021
2012	525,108	147,115	672,223
2013	545,152	130,093	675,245
2014	566,526	111,672	678,198
2015-2019	2,122,041	270,543	2,392,584
2020-2022	412,421	38,528	450,949
<b>Totals</b>	<b>\$ 6,293,192</b>	<b>\$ 1,100,797</b>	<b>\$ 7,393,989</b>

**Business-type Activities**

Year Ending September 30,	Certificates of Obligation		Revenue Bonds		Total
	Principal	Interest	Principal	Interest	
2010	\$ 937,798	\$ 687,412	\$ 170,000	\$ 31,235	1,826,445
2011	595,256	577,451	180,000	21,460	1,374,167
2012	989,862	559,445	190,000	11,020	1,750,327
2013	1,189,848	527,769	--	--	1,717,617
2014	1,228,474	488,519	--	--	1,716,993
2015-2019	5,017,982	1,753,432	--	--	6,771,414
2020-2024	4,472,588	813,588	--	--	5,286,176
2025-2028	990,000	44,550	--	--	1,034,550
<b>Totals</b>	<b>\$ 15,421,808</b>	<b>\$ 5,452,166</b>	<b>\$ 540,000</b>	<b>\$ 63,715</b>	<b>21,477,689</b>

**CITY OF KINGSVILLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

3. Advance Refunding of Debt

In 2009, the City issued \$1,890,000 in bonds to refund the 1998 Bond Series and for bond issuance expense. As a result, the City defeased \$1,845,000 of the 1998 Series Bond Debt of \$1,845,000, leaving \$0.00 outstanding at year end. The City saved \$79,716 in costs with a present value savings of \$83,764.

GASB Statement No. 7, "Advance Refundings Resulting in Defeasance of Debt," provides that refunded debt and assets placed in escrow for the payment of related debt service be excluded from the financial statements. As of September 30, 2009, outstanding balances of bond issues that have been refunded and defeased in-substance by placing existing assets and the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments are as follows:

Bond Issue	Original Amount	Defeased Balance as of 9/30/09
Series 2011	\$ 3,000,000	\$ 1,845,000
Total	\$ 3,000,000	\$ 1,845,000

4. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of September 30, 2009, as follows:

Year Ending September 30:	
2010	\$ 30,734
2011	30,734
2012	30,734
2013	30,734
2014	30,734
2015	30,735
Total Minimum Rentals	184,405
Less: Amount representing interest	25,368
Present value of net minimum lease payments	\$ 159,036

The effective interest rate on capital leases is 4.400%.

I. Pension Plan

1. Texas Municipal Retirement System

Plan Description

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

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

**CITY OF KINGSVILLE**

*NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009*

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

	Plan Year 2007	Plan Year 2008	Plan Year 2009
Employee deposit rate	7.0%	7.0%	7.0%
Matching ratio (city to employee)	1.5 to 1	1.5 to 1	1.5 to 1
Years required for vesting	5	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20	60/5, 0/20
Updated service credit repeating, transfers (Y/N)	100% Y	100% Y	100% Y
Annuity increase (to retirees) CPI repeating (Y/N)	70% Y	70% Y	70% Y

**Contributions:**

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

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

Annual Required Contribution (ARC)	\$ 1,139,595
Interest on Net Pension Obligation	--
Adjustment to the ARC	--
Annual Pension Cost (APC)	1,139,595
Contributions made	938,237
Increase (decrease) in net pension obligation	201,358
Net Pension Obligation/(Asset), Beginning of year	--
Net Pension Obligation/(Asset), End of year	\$ 201,358

**Three Year Trend Information**

Fiscal Year Ending	Annual Pension Cost (APC)	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation/ (Asset)
2007	\$ 728,435	\$ 728,435	100%	--
2008	823,659	823,659	100%	--
2009	\$ 1,139,595	\$ 938,237	82.33%	201,358

**CITY OF KINGSVILLE**

*NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009*

The required contribution rates for fiscal year 2009 were determined as part of the December 31, 2006 and 2007 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2008, also follows:

1.	Valuation Date	12/31/06	12/31/07	12/31/08
2.	Actuarial cost method	Unit Credit	Projected Unit Credit	Projected Unit Credit
3.	Amortization method	Level percent of payroll	Level percent of payroll	Level percent of payroll
4.	Amortization period	25 years - open period	30 years - closed period	29 years - closed period
5.	Asset valuation method	Amortized cost	Amortized cost	Amortized cost
6.	Assumptions			
	Investment return	7.0%	7.0%	7.5%
	Projected salary increases	Varies by age and service	Varies by age and service	Varies by age and service
	Inflation	3.0%	3.0%	3.0%
	Cost-of-living adjustments	N/A	2.1%	2.1%

The funded status as of December 31, 2008, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/08	\$ 22,031,664	\$ 31,292,050	70.4%	\$ 9,260,386	\$ 8,480,015	109.2%

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

**2. Texas Statewide Emergency Services Personnel Retirement Fund**

**Plan Description**

The Fire Fighters' Pension Commissioner is the administrator of the Texas Statewide Emergency Services Personnel Retirement Fund, 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 monetary remuneration. The Texas Statewide Emergency Services Personnel Retirement Fund is considered a component unit of the State of Texas financial reporting entity and is included in the State's financial reports as a pension trust fund. At August 31, 2008 there were 186 member fire or emergency services departments participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a participating department.

At August 31, 2008, TESRS membership consisted of:

	State	City
Retirees and beneficiaries currently receiving benefits	1,939	7
Terminated members entitled to benefits but not yet receiving them	1,975	--
Active Participants (Vested and Nonvested)	4,340	15
	8,254	22

## CITY OF KINGSVILLE

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2009

The above membership count does not include retirees and beneficiaries that have been in the H.B. 258 Texas Local Fire Fighters Retirement Act (TLFFRA) Fund before merging into S.B. 411. Seventeen members were covered by the City of Kingsville.

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

Upon reaching age 55, a vested member may retire and receive a monthly pension equal to his vested percentage multiplied by six times the governing body's average monthly contribution over the member's years of qualified service. For years of service in excess of 15 years, this monthly benefit is increased at the rate of 6.2% compounded annually.

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

Contribution provisions were established by S.B. 411, 65th Legislative, Regular Session (1977) and were amended by board rule in 2006. No contributions are required by individual members of participating departments. The governing bodies of participating department members are required to contribute at least the minimum prescribed amount for each active member and may contribute more. Additional contributions may be made by a governing body to pay for granting credit for service before the department began participating in TESRS (prior service).

The State may also be required to make a limited amount of annual contributions to make TESRS actuarially sound.

#### Annual Required Contributions Made

The contribution requirement per active emergency personnel member per month is not actuarially determined. Rather, the contribution provisions were set by board rule. For the fiscal year ending August 31, 2008, total contributions (dues and prior service) of \$2,439,339 were paid into TESRS by the political subdivisions served by the member volunteer emergency services personnel. In addition, the state appropriated \$8,800,000 for the fiscal year ending August 31, 2008. Total contributions made were equal to the contributions required by the state statute and were equal to the contributions required based on the revised August 31, 2006 actuarial valuation.

The purpose of the biennial actuarial valuation is to test the adequacy of the contribution arrangement to determine if it is adequate to pay the benefits that are promised. The actuarial valuation as of August 31, 2008 revealed the adequacy of the expected contributions from the political subdivisions (dues and prior service contributions) together with the actual state appropriations for the fiscal year ending August 31, 2009 (\$415,405 to help pay for the System's administrative expenses) and with the assumed continuation of legislative appropriations of (1) the maximum state contribution amount in future years as is necessary for the System to have a 30-year amortization period, and (2) approximately \$425,000 each year to help pay for the System's administrative expenses. Expected contributions for the fiscal year ending August 31, 2009 are equal the contributions required.

In addition to the contributions for dues and prior service made to the Texas Statewide Emergency Services Personnel Retirement Fund, some cities are required to make additional deposits. These additional deposits are for retirees and beneficiaries that have been in the H.B. 258 Texas Local Fire Fighters Retirement Act (TLFFRA) Fund before merging into S.B. 411. For the City of Kingsville, this additional deposit was \$12,937.

# CITY OF KINGSVILLE

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2009

### Annual Required Contributions

The employer annual pension cost of \$12,937 for fiscal year ended August 31, 2009 was equal to the required and actual contributions. Three-year information is as follows:

	2007	2008	2009
Annual Required Contribution	\$ 6,738	\$ 6,842	\$ 12,937
Percentage of Required Cost Contributed	100%	100%	100%

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

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

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

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

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

## J. Post Retirement Benefits

### 1. Post-Employment Health Care Benefits

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

Note: Actuarial valuations are done every two years.

### Plan Description and Funding Policy

Employees who retire from the City of Kingsville are eligible to continue to participate in the City's health insurance program at the employee group rate which is determined annually by the City of Kingsville and approved by the City Commission. Retirees have 31 days to elect to continue with the City's self-funded health insurance plan (City of Kingsville Benefit Plan Trust) in which they were participating at the time of retirement unless otherwise stated in the plan document or collective bargaining agreement. As of September 31, 2009, a total of 12 eligible retirees were participating in the City's group health program. The City provides one half of the funding for retiree premiums. Retiree's dependents are excluded from the calculation and are eligible to continue health coverage at the designated COBRA rates during their eligibility period.

### Annual OPEB Cost and Net OPEB Obligation

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

**CITY OF KINGSVILLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

OPEB Cost for Fiscal Years Ending 2008 and 2009	FYE 2008	FYE 2009
Normal Cost	\$ 181,514	\$ 181,514
Minimum Amortization of UAL	150,818	150,818
Interest Adjustment to Year-end	13,293	13,293
Annual Required Contribution	345,625	345,625
ARC adjustment	--	(11,095)
Interest Adjustment to Net OPEB Obligation	--	11,614
OPEB Cost	345,625	346,144
Contributions Made	(55,279)	(89,146)
Increase in Net OPEB Obligation	290,346	256,998
Net OPEB Obligation - beginning of year	--	290,346
Net OPEB Obligation - end of year	\$ 290,346	\$ 547,344

**Funded Status and Funding Progress**

The funded Status of the plan as of September 30, 2009, was as follows:

Actuarial Valuation Date	10/01/2007
Actuarial Value of Assets	--
Actuarial Accrued Liability	\$ 3,946,830
Unfunded Actuarial Liability	3,946,830
Funded Ratio	0.0%
Annualized Covered Payroll	\$ 7,219,268
Ratio of Unfunded Actuarial Liability to Annual Covered Payroll	54.7%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the status of the plan and the annual required contributions of the City are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Since this is the first year of implementation no prior year information is available.

**Actuarial Methods and Assumptions**

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

1.	Valuation Date	October 1, 2007
2.	Discount Rate	4.0%
3.	Payroll	3.0% per annum
4.	Medical Claim Costs	Age-neutral claim costs were derived from the actual claim experience, trended to the valuation date and adjusted for the risk characteristics of the group (illustration at quinquennial ages follows).

**CITY OF KINGSVILLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

5. Stop-Loss Premiums

Monthly premiums as of 10/1/2007 are as follows:

Specific:	\$	29
Aggregate	\$	5

6. Expenses

Expenses per enrollee per month for retiree only coverage as of October 1, 2007 are as follows:

Third Party Administrator:	\$13.25
COBRA Administration:	\$1.50
Utilization Review:	\$2.50
PPO Fees:	\$3.25
Broker Fees:	\$2.50
EAP:	\$7.10
Vision Benefit:	\$0.25

Expenses are assumed to increase with inflation at 3% per annum

7. Contributions

Actual contribution rates as of October 1, 2007, as shown below. Contributions are assumed to increase at the same rate as medical claims, with the exception of the first year (e.g., actual contribution increase was used).

8. Medical Trend

See below

9. Pre-Retirement Mortality

Sex-distinct RP-2000 Combined Healthy Mortality Table (1-year set-back for males and no adjustment for females). RP-2000 Combined Healthy Mortality Table (no adjustment for males and 1-year set-forward for females).

Post-Retirement Mortality

10. Employee Turnover and Retirement

Employment turnover rates are based on the Texas Municipal Retirement System's ("TMRS") pension plan valuations, adjusted to be consistent with recent City experience. (illustration at quinquennial ages follows)

11. Participation by future retirees

57% of future eligible retirees are assumed to participate at retirement.

12. Dependent status

Dependents are not eligible for retiree coverage.

A separate GAAP-Basis post employment benefit plan audit is not available for this plan.

**CITY OF KINGSVILLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

**K. Commitments and Contingencies**

1. Contingencies

The City participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility 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.

As of September 24, 2009, the City entered into an agreement to pay the South Texas Benevolent Society \$200,000 upon completion of a new subdivision and related repairs to City streets. The above amount is only payable upon 100% completion of all related projects. These projects are expected to be completed in late 2010.

2. Litigation

No reportable litigation was pending against the City at September 30, 2009.

**L. Budgetary Data**

Budgets for the General Fund, budgeted special revenue, debt service, and budgeted capital projects funds are adopted in accordance with generally accepted accounting principles (GAAP). The City adopted budgets for the fiscal year ended September 30, 2009 for the following funds:

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

Budget amendments approved during the year included the following:

\$5,218,442 total amendments to the General Fund. This was comprised primarily of a \$4,409,502 increase in Bond Expenditures for capital projects for various departments, a \$28,160 increase in Code Enforcement for the Kingsville Wipeout program, a \$18,743 increase in Communications to pay for aircards for wireless service, a \$407,037 increase in transfers out to debt service to prepay debt, a \$20,000 increase in Municipal Building to pay for repairs, a \$200,000 increase in Street to pay for repairs, and a \$135,000 increase in Fire Department to pay for the completion of the building for the ladder truck.

**M. Compensated Absences**

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

	Vacation	Sick Leave
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 Marshall	166	800

## CITY OF KINGSVILLE

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2009

(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, 2009, the liability for accrued vacation leave and accrued sick leave is approximately \$985,341. The amount applicable to the General Fund and Enterprise Fund of \$897,120 and \$88,221, respectively, and have been recorded in its respective fund.

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

South Texas Water Authority Contract starting October 1, 2006 through September 30, 2010.

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 was totally 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 \$.20 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 initial Handling Charge, commencing on the effective date of this Contract and remaining in effect during the initial Contract Year, was \$0.2923 per thousand gallons of water delivered and was changed to \$0.3069 as of September 2007.
- b. Each Contract Year the Authority may adjust the Handling Charge to cover reasonable increases in the Authority's expenses and to accumulate and maintain a reasonable amount of reserve funds, provided that the increase in any one Contract Year may not exceed 5% of the above stated initial Handling Charge and that the total reserve funds of the Authority reasonably projected at its maximum during any Fiscal Year shall not exceed \$1.171 million. If the actual or projected reserve exceeds \$1.171 million, the Handling Charge shall be reduced accordingly for the next Contract year.

## CITY OF KINGSVILLE

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2009

- c. The adjustment in the Handling Charge may exceed an increase of 5% in any Contract Year if the Authority obtains prior written approval of Customers representing in the aggregate not less than 75% of the water purchased from the Authority during its preceding Fiscal Year.
- d. Notice of a change in Handling Charge shall be delivered to the City on or before the 10th day of August of each Contract Year. The notice shall state the amount of the new Charge and the reason and calculations for the adjustment. The new Handling Charge shall be effective commencing at the beginning of the next Contract Year.
- e. The City may object to the Handling Charge for any Contract Year after the initial Year by delivering to the Authority a notice stating the nature of the City's objection to the Charge. The objection shall be resolved by following the dispute resolution procedures established in the contract. If the dispute is not resolved by the beginning of the subject contract Year, the City shall pay at the new rate until the dispute is resolved. The Handling Charge determined through the dispute resolution procedure shall be effective as the beginning of that Contract Year unless otherwise agreed by the parties.
- f. Any change in the Handling Charge, by agreement, dispute resolution, or otherwise shall apply to all Customers of the Authority, in accordance with the contract.
- g. At the end of the term of this Contract, the City may request a retroactive adjustment in the price of water delivered in the last year of the Contract if the Authority's reserve fund exceeds \$1.171 million on the last day of that last Contract Year. The request shall be resolved by use of the dispute resolution procedures stated in the contract.

#### 2. Cost of Water

The Cost of Water shall be as defined as meaning the actual price per one thousand gallons paid by the Authority to the City of Corpus Christi for water received by the Authority under the Corpus Christi Water Supply Agreement during a Service Month. It is expected that the Cost of Water will fluctuate from month to month, resulting in a corresponding fluctuation in the Water Rate.

#### GUARANTEED PURCHASE

(A) The City shall purchase a minimum volume of water not to be less than \$350,000 annually unless additional purchases are necessary to supplement the City of Kingsville water requirements. The City purchased \$435,585 and \$350,000 in 2009 and 2008, respectfully.

#### O. Risk Management

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

**CITY OF KINGSVILLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

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 current year.

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 \$120,628 at September 30, 2009 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 2009 and 2008 were:

	Beginning-of Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2008	\$ 244,130	\$ 1,407,020	\$ 1,470,368	180,782
2009	180,782	1,606,543	1,666,967	120,628

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 been a material effect on the City's financial position or operation.

P. Closure and Postclosure Care Cost

State and federal laws and regulations require that the City place a final cover on its landfill when closed and perform maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, expense provisions and related liabilities are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure costs is based on the amount of the landfill used during the year. The amount of the liability is based on what it would cost to have all such closure and postclosure care performed in the current year, and is assigned to periods based on cumulative landfill use. The estimated liability for landfill closure and postclosure care costs recorded in the General Long-Term Debt Account Group at September 30, 2009 is \$3,599,722 based on 83.3% usage (filled) of the landfill through September 30, 2009. It is estimated that an additional \$719,800 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 (2011). The estimated total current cost for the landfill closure and postclosure care of \$299,701 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, 2009. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

Q. Segment Information for Enterprise Funds

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

R. Non-Budgeted Funds

The Federal and State Grant Funds and Capital Projects Fund adopted project - length budgets. The Police Forfeiture Fund and Other Special Revenues Fund budgets were not adopted nor were there any special commission action taken with regard to these funds.

**CITY OF KINGSVILLE**

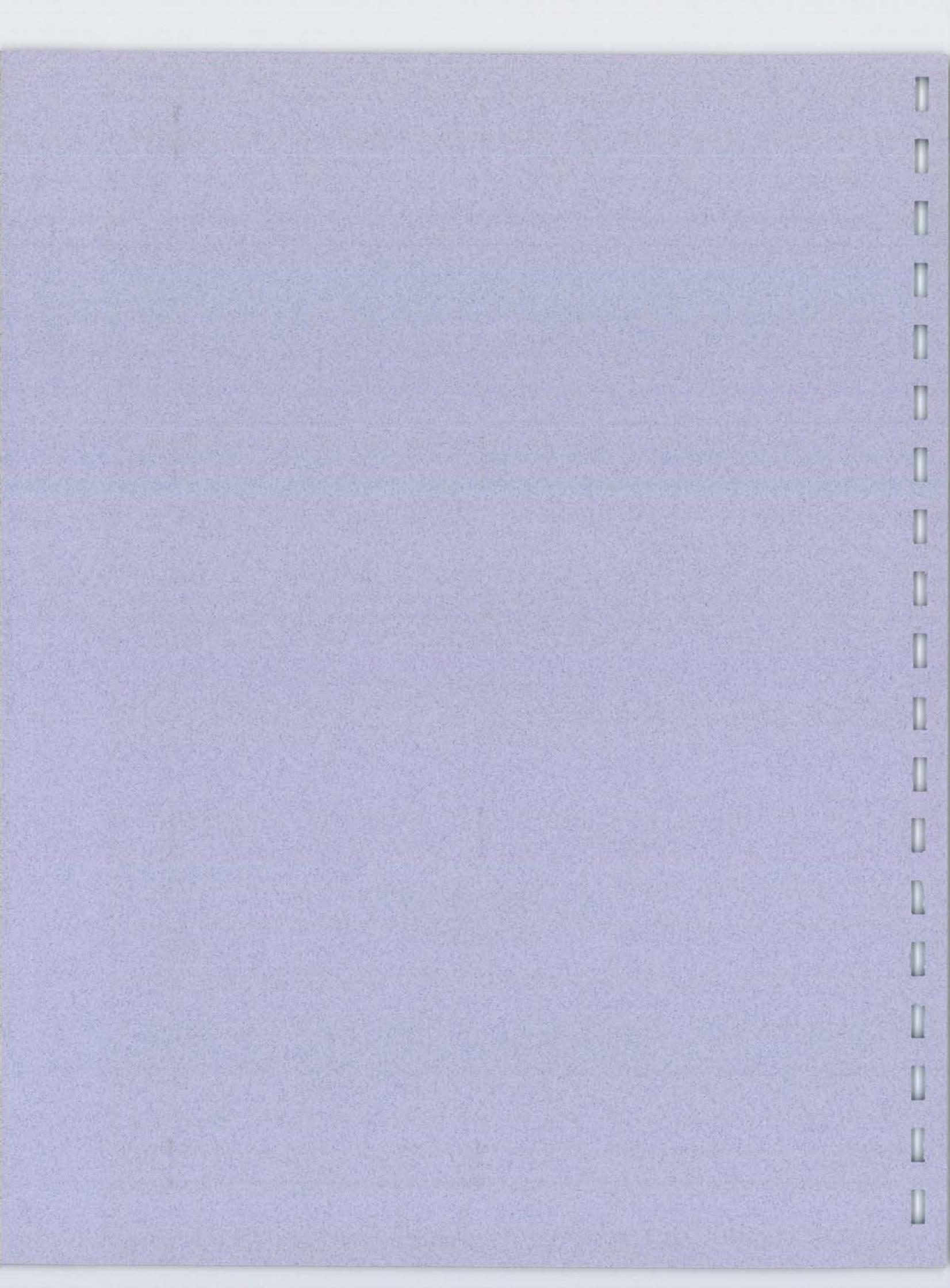
*NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009*

S. Prior Period Adjustment

The City was informed by the State of Texas that they had to refund \$204,491.07 in sales and use tax. The overpayment to the City was the result of a business that filed a refund claim for taxes they paid in error. This claim has been verified as a valid refund based on exemptions allowed under local sales tax statutes and amounts reported by the taxpayer. Since this amount has been refunded to the taxpayer, it must now be repaid to the State. The years covered by the refund are from 1997 to 2002, resulting in a prior period adjustment of a charge to Fund Balance in the above stated amount.









**CITY OF KINGSVILLE**  
 GENERAL FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

EXHIBIT B-1  
 Page 1 of 7

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Taxes:</b>				
<i>General Property Taxes:</i>				
<i>Current Taxes</i>	\$ 3,406,844	\$ 3,406,844	\$ 3,393,872	\$ (12,972)
<i>Delinquent taxes</i>	133,583	85,643	80,841	(4,802)
<i>Penalty &amp; Interest</i>	91,583	34,803	33,938	(865)
<i>Late Rendition Fee</i>	4,595	4,595	3,066	(1,529)
<i>In Lieu of Tax Payments</i>	100,000	100,000	100,000	--
<i>Total General Property Taxes</i>	<u>3,736,605</u>	<u>3,631,885</u>	<u>3,611,717</u>	<u>(20,168)</u>
<i>City Sales Tax</i>	<u>3,724,703</u>	<u>3,772,863</u>	<u>3,872,834</u>	<u>99,971</u>
<i>Mixed Drink Tax</i>	<u>43,525</u>	<u>43,525</u>	<u>46,760</u>	<u>3,235</u>
<i>Bingo Tax</i>	<u>3,426</u>	<u>3,426</u>	<u>3,559</u>	<u>133</u>
<i>Business Taxes:</i>				
<i>Electric Franchise Tax</i>	634,322	634,322	673,027	38,705
<i>Telephone Franchise Tax</i>	150,494	150,494	148,879	(3,615)
<i>Gas Franchise Tax</i>	87,447	87,447	83,396	(4,051)
<i>Cable T.V. Franchise Tax</i>	86,593	86,593	86,066	(527)
<i>Total Business Taxes</i>	<u>958,856</u>	<u>958,856</u>	<u>989,368</u>	<u>30,512</u>
<i>Total Taxes</i>	<u>8,467,115</u>	<u>8,410,555</u>	<u>8,524,238</u>	<u>113,683</u>
<b>Permits and Licenses:</b>				
<i>Plumbing Permits</i>	11,523	11,523	17,379	5,856
<i>Electric Permits</i>	29,839	29,839	33,097	3,258
<i>Building Permits</i>	57,479	57,479	59,164	1,685
<i>Moving Permits</i>	2,244	2,244	3,595	1,351
<i>Other Permits</i>	46,841	46,841	53,054	6,213
<i>Amusement Licenses</i>	735	735	45	(690)
<i>Beer &amp; Mixed Drink Licenses</i>	3,249	3,249	2,348	(901)
<i>Electrical Licenses</i>	3,964	3,964	4,710	746
<i>Contractor Licenses</i>	25,313	25,313	29,135	3,822
<i>Solicitor Licenses</i>	--	--	(25)	(25)
<i>Food Handler Licenses</i>	11,799	11,799	13,660	1,861
<i>Other Licenses</i>	818	818	1,495	677
<i>Total Permits and Licenses</i>	<u>193,804</u>	<u>193,804</u>	<u>217,657</u>	<u>23,853</u>
<b>Charges for Services:</b>				
<i>General Service Fees:</i>				
<i>Zoning Fees</i>	2,286	2,286	6,330	4,044
<i>Platting Fees</i>	2,000	2,000	4,946	2,946
<i>Police Accident Reports</i>	3,292	3,292	3,843	551
<i>Arrest Fees</i>	1,000	1,000	785	(215)
<i>Fire Reports</i>	85	85	108	23
<i>Fire Services</i>	25,645	25,645	--	(25,645)
<i>Ambulance Service</i>	421,852	421,852	457,760	35,908
<i>Other Service Fees</i>	21,000	21,000	23,181	2,181
<i>Total General Service Fees</i>	<u>477,160</u>	<u>477,160</u>	<u>496,953</u>	<u>19,793</u>
<i>City/County Services:</i>				
<i>Weed Control</i>	<u>4,147</u>	<u>4,147</u>	<u>9,117</u>	<u>4,970</u>

**CITY OF KINGSVILLE**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

**EXHIBIT B-1**  
**Page 2 of 7**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Sanitation Services:</b>				
<i>Garbage Fees</i>	2,876,876	2,824,333	2,980,644	156,311
<i>Landfill Fees</i>	193,700	245,838	524,743	278,905
<i>Demolition Recovery Revenue</i>	4,000	4,000	-	(4,000)
<i>Miscellaneous</i>	3,783	73,783	5,003	(68,780)
<b>Total Sanitation Services</b>	<b>3,078,359</b>	<b>3,147,954</b>	<b>3,510,390</b>	<b>362,436</b>
<b>Total Charges for Services</b>	<b>3,559,666</b>	<b>3,629,261</b>	<b>4,016,460</b>	<b>387,199</b>
<b>Fines and Forfeits:</b>				
<i>Court Fines</i>	481,583	482,583	460,852	(21,731)
<i>Minor Fines</i>	695	695	243	(452)
<i>Collection of State Taxes</i>	13,112	13,112	16,597	3,485
<i>Other Court Fines</i>	14,158	14,158	13,477	(681)
<b>Total Fines and Forfeits</b>	<b>509,548</b>	<b>510,548</b>	<b>491,169</b>	<b>(19,379)</b>
<b>Interest and Miscellaneous:</b>				
<i>Interest from Investments</i>	99,731	43,510	82,856	39,346
<i>Auction Revenue</i>	7,000	7,000	39,781	32,781
<i>Sale of City Publications</i>	688	688	456	(232)
<i>Sale of Recycle Item</i>	22,842	11,421	8,238	(3,183)
<i>Miscellaneous</i>	7,500	57,500	66,751	9,251
<b>Total Interest and Miscellaneous</b>	<b>137,761</b>	<b>120,119</b>	<b>198,082</b>	<b>77,963</b>
<b>Gain or Loss on Sale of Property</b>	<b>--</b>	<b>--</b>	<b>1</b>	<b>1</b>
<b>Donations</b>	<b>--</b>	<b>1,650</b>	<b>1,890</b>	<b>240</b>
<b>Federal and state grants</b>	<b>--</b>	<b>--</b>	<b>71,483</b>	<b>71,483</b>
<b>Total Revenues</b>	<b>12,867,894</b>	<b>12,865,937</b>	<b>13,520,980</b>	<b>655,043</b>
<b>Expenditures:</b>				
<b>City Administration Department</b>				
<b>City Commission:</b>				
<i>Personal Services</i>	59,892	55,906	55,988	(82)
<i>Supplies</i>	2,000	1,674	1,673	1
<i>Services</i>	38,000	42,312	41,422	890
<b>Total City Commission</b>	<b>99,892</b>	<b>99,892</b>	<b>99,083</b>	<b>809</b>
<b>City Manager:</b>				
<i>Personal Services</i>	193,969	190,137	184,227	5,910
<i>Supplies</i>	5,450	4,850	3,439	1,411
<i>Services</i>	14,170	18,602	18,550	52
<b>Total City Manager</b>	<b>213,589</b>	<b>213,589</b>	<b>206,216</b>	<b>7,373</b>

**CITY OF KINGSVILLE**

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2009

EXHIBIT B-1

Page 3 of 7

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Municipal Building:</b>				
Supplies	1,400	4,400	2,831	1,569
Services	104,529	106,529	99,313	7,216
Maintenance	125	125	-	125
Building	12,193	37,193	36,746	447
<b>Total Municipal Building</b>	<b>118,247</b>	<b>148,247</b>	<b>138,890</b>	<b>9,357</b>
<b>Risk Management:</b>				
Personal Services	78,478	70,278	48,860	21,418
Supplies	7,000	15,000	13,521	1,479
Services	12,870	13,070	11,914	1,156
Maintenance	300	300	205	95
<b>Total Risk Management</b>	<b>98,648</b>	<b>98,648</b>	<b>74,500</b>	<b>24,148</b>
<b>City Special:</b>				
Personal Services	26,891	28,908	28,907	1
Supplies	32	51	866	(815)
Services	621,062	619,026	498,490	120,536
<b>Total City Special</b>	<b>647,985</b>	<b>647,985</b>	<b>528,263</b>	<b>119,722</b>
<b>Total City Administration Department</b>	<b>1,178,361</b>	<b>1,208,361</b>	<b>1,046,952</b>	<b>161,409</b>
<b>Management Services Department</b>				
<b>Personnel:</b>				
Personal Services	111,716	111,716	110,911	805
Supplies	1,900	5,874	4,129	1,745
Services	38,881	34,907	30,891	4,016
<b>Total Personnel</b>	<b>152,497</b>	<b>152,497</b>	<b>145,931</b>	<b>6,566</b>
<b>Municipal Court:</b>				
Personal Services	151,273	151,373	129,328	22,045
Supplies	1,318	1,770	1,611	159
Services	1,392	1,899	1,270	629
<b>Total Municipal Court</b>	<b>153,983</b>	<b>155,042</b>	<b>132,209</b>	<b>22,833</b>
<b>Finance:</b>				
Personal Services	263,507	263,338	259,327	4,011
Supplies	4,780	5,570	5,403	167
Services	55,589	54,908	54,362	546
<b>Total Finance</b>	<b>323,876</b>	<b>323,816</b>	<b>319,092</b>	<b>4,724</b>

**CITY OF KINGSVILLE**  
 GENERAL FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

EXHIBIT B-1  
 Page 4 of 7

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Purchasing:</b>				
<i>Personal Services</i>	102,551	102,551	101,851	700
<i>Supplies</i>	4,650	4,650	2,910	1,740
<i>Services</i>	6,975	6,975	4,474	2,501
<i>Maintenance</i>	200	200	--	200
<b>Total Purchasing</b>	<b>114,376</b>	<b>114,376</b>	<b>109,235</b>	<b>5,141</b>
<b>Computer Operations:</b>				
<i>Personal Services</i>	52,498	52,499	52,350	149
<i>Supplies</i>	3,178	2,250	912	1,338
<i>Services</i>	41,259	42,187	41,313	874
<i>Maintenance</i>	1,826	1,826	1,010	816
<b>Total Computer Operations</b>	<b>98,761</b>	<b>98,762</b>	<b>95,585</b>	<b>3,177</b>
<b>Total Management Services Department</b>	<b>843,493</b>	<b>844,493</b>	<b>802,052</b>	<b>42,441</b>
<b>Legal Department</b>				
<i>Personal Services</i>	150,344	150,730	150,529	201
<i>Supplies</i>	1,597	4,282	4,077	205
<i>Services</i>	38,815	35,744	20,269	15,475
<b>Total Legal Department</b>	<b>190,756</b>	<b>190,756</b>	<b>174,875</b>	<b>15,881</b>
<b>Urban Development Department</b>				
<b>Planning:</b>				
<i>Personal Services</i>	43,131	41,181	46,683	(5,502)
<i>Supplies</i>	1,803	1,197	1,131	66
<i>Services</i>	3,915	6,521	6,342	179
<b>Total Planning</b>	<b>48,849</b>	<b>48,899</b>	<b>54,156</b>	<b>(5,257)</b>
<b>Permits and Licenses:</b>				
<i>Personal Services</i>	145,127	145,128	143,081	2,047
<i>Supplies</i>	4,903	4,097	3,696	401
<i>Services</i>	4,886	5,810	5,505	305
<i>Maintenance</i>	838	838	586	252
<b>Total Permits and Licenses</b>	<b>155,754</b>	<b>155,873</b>	<b>152,868</b>	<b>3,005</b>
<b>Litter Abatement:</b>				
<i>Personal Services</i>	69,782	69,784	62,196	7,588
<i>Supplies</i>	7,587	5,370	4,237	1,133
<i>Services</i>	18,175	20,221	10,694	9,527
<i>Maintenance</i>	500	500	94	406
<i>Building</i>	40,000	68,160	49,966	18,194
<b>Total Litter Abatement</b>	<b>136,044</b>	<b>164,035</b>	<b>127,187</b>	<b>36,848</b>

**CITY OF KINGSVILLE**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

**EXHIBIT B-1**  
**Page 5 of 7**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Engineering:</b>				
<i>Personal Services</i>	70,247	65,247	51,185	14,062
<i>Supplies</i>	2,638	2,744	1,319	1,425
<i>Services</i>	5,760	10,004	4,856	5,148
<i>Maintenance</i>	750	1,400	1,123	277
<b>Total Engineering</b>	<b>79,395</b>	<b>79,395</b>	<b>58,483</b>	<b>20,912</b>
<b>Total Urban Development Department</b>	<b>420,042</b>	<b>448,202</b>	<b>392,694</b>	<b>55,508</b>
<b>Police Department</b>				
<i>Personal Services</i>	3,311,344	3,306,135	3,305,529	606
<i>Supplies</i>	165,519	140,968	102,945	38,023
<i>Services</i>	355,413	395,147	368,352	26,795
<i>Maintenance</i>	40,180	54,881	51,807	3,074
<i>Building</i>	10,600	4,600	4,089	511
<i>Debt Service</i>	23,000	23,068	13,878	9,190
<b>Total Police Department</b>	<b>3,906,056</b>	<b>3,924,799</b>	<b>3,846,600</b>	<b>78,199</b>
<b>Fire Department</b>				
<i>Personal Services</i>	2,139,373	2,131,678	2,060,188	71,490
<i>Supplies</i>	154,114	152,664	142,303	10,361
<i>Services</i>	157,304	161,099	148,032	13,067
<i>Maintenance</i>	23,420	31,270	30,902	368
<i>Building</i>	30,000	27,500	26,947	553
<i>Debt Service</i>	30,735	30,735	30,734	1
<i>Capital Outlay</i>	1,729	136,729	121,366	15,363
<b>Total Fire Department</b>	<b>2,536,675</b>	<b>2,671,675</b>	<b>2,560,472</b>	<b>111,203</b>
<b>Volunteer Fire Department</b>				
<i>Personal Services</i>	9,000	9,000	8,914	86
<i>Services</i>	51,559	51,559	50,488	1,071
<b>Total Volunteer Fire Department</b>	<b>60,559</b>	<b>60,559</b>	<b>59,402</b>	<b>1,157</b>
<b>Public Works Department</b>				
Public Works Administration:				
<i>Personal Services</i>	54,991	54,998	54,487	511
<i>Supplies</i>	4,381	6,169	4,093	2,076
<i>Services</i>	29,561	29,116	28,235	881
<i>Maintenance</i>	2,724	2,374	2,314	60
<i>Building</i>	10,429	9,429	9,301	128
<b>Total Public Works Administration</b>	<b>102,086</b>	<b>102,086</b>	<b>98,430</b>	<b>3,656</b>

CITY OF KINGSVILLE

GENERAL FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

EXHIBIT B-1  
 Page 6 of 7

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Garage:</b>				
<i>Personal Services</i>	325,647	328,468	303,583	24,885
<i>Supplies</i>	23,022	19,187	17,103	2,084
<i>Services</i>	5,338	6,352	4,488	1,864
<i>Maintenance</i>	2,201	2,201	2,152	49
<b>Total Garage</b>	<b>356,208</b>	<b>356,208</b>	<b>327,326</b>	<b>28,882</b>
<b>Sanitation:</b>				
<i>Personal Services</i>	791,785	810,925	770,244	40,681
<i>Supplies</i>	156,475	137,001	126,272	10,729
<i>Services</i>	8,320	8,670	7,781	889
<i>Maintenance</i>	103,500	159,222	158,581	641
<i>Capital Outlay</i>	-	215,000	187,047	27,953
<b>Total Sanitation</b>	<b>1,060,080</b>	<b>1,330,818</b>	<b>1,249,925</b>	<b>80,893</b>
<b>Street:</b>				
<i>Personal Services</i>	761,596	757,350	708,391	48,959
<i>Supplies</i>	88,347	72,252	71,338	914
<i>Services</i>	257,859	259,109	252,070	7,039
<i>Maintenance</i>	68,651	78,651	78,035	616
<i>Building</i>	219,226	418,317	417,287	1,030
<b>Total Street</b>	<b>1,395,679</b>	<b>1,585,679</b>	<b>1,527,121</b>	<b>58,558</b>
<b>Train Depot:</b>				
<i>Supplies</i>	75	75	37	38
<i>Services</i>	20,322	19,322	18,239	1,083
<i>Building</i>	1,155	2,155	1,210	945
<b>Total Train Depot</b>	<b>21,552</b>	<b>21,552</b>	<b>19,486</b>	<b>2,066</b>
<b>Landfill:</b>				
<i>Personal Services</i>	304,157	300,537	281,893	18,644
<i>Supplies</i>	98,343	83,899	77,162	6,737
<i>Services</i>	229,008	315,820	294,722	21,098
<i>Maintenance</i>	91,728	55,878	48,695	7,183
<i>Building</i>	2,761	13,261	12,797	464
<b>Total Landfill</b>	<b>725,997</b>	<b>769,395</b>	<b>715,269</b>	<b>54,126</b>
<b>Recycling Center:</b>				
<i>Personal Services</i>	95,326	95,659	93,586	2,073
<i>Supplies</i>	1,778	1,873	1,083	810
<i>Services</i>	12,924	14,758	12,402	2,356
<i>Maintenance</i>	2,000	4,651	3,364	1,287
<i>Building</i>	500	500	407	93
<b>Total Recycling Center</b>	<b>112,528</b>	<b>117,441</b>	<b>110,822</b>	<b>6,619</b>
<b>Total Public Works Department</b>	<b>3,774,130</b>	<b>4,283,179</b>	<b>4,048,379</b>	<b>234,800</b>

**CITY OF KINGSVILLE**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

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

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Health Department</b>				
<i>Personal Services</i>	235,470	235,470	231,374	4,096
<i>Supplies</i>	33,998	31,120	28,234	2,886
<i>Services</i>	20,699	22,612	18,373	4,239
<i>Maintenance</i>	10,000	10,965	9,661	1,304
<i>Building</i>	15,000	15,000	12,052	2,948
<b>Total Health Department</b>	<b>315,167</b>	<b>315,167</b>	<b>299,694</b>	<b>15,473</b>
<b>Parks and Recreation Department</b>				
<i>Services</i>	200,000	200,000	200,000	--
<b>Total Parks and Recreation Department</b>	<b>200,000</b>	<b>200,000</b>	<b>200,000</b>	<b>--</b>
<b>Library Department</b>				
<i>Personal Services</i>	160,592	156,884	158,621	(1,737)
<i>Supplies</i>	30,734	28,732	28,261	471
<i>Services</i>	27,625	30,794	29,823	971
<i>Maintenance</i>	10,350	10,667	10,376	291
<i>Building</i>	15,890	18,114	18,113	1
<b>Total Library Department</b>	<b>245,191</b>	<b>245,191</b>	<b>245,194</b>	<b>(3)</b>
<b>Other Expenses</b>				
<i>Uncollectable Accounts</i>	--	--	53,376	(53,376)
<b>Total Other Expenses</b>	<b>--</b>	<b>--</b>	<b>53,376</b>	<b>(53,376)</b>
<b>Total Expenditures</b>	<b>13,670,430</b>	<b>14,392,382</b>	<b>13,729,690</b>	<b>662,692</b>
Excess (deficiency) of revenues (under) expenditures	(802,536)	(1,526,445)	(208,710)	1,317,735
<b>Other financing sources (uses):</b>				
<i>Operating transfers in</i>	1,250,000	1,800,000	1,804,653	4,653
<i>Operating transfers out</i>	--	(957,037)	(957,037)	--
<b>Total other financing sources (uses)</b>	<b>1,250,000</b>	<b>842,963</b>	<b>847,616</b>	<b>4,653</b>
<b>Excess of revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>447,464</b>	<b>(683,482)</b>	<b>638,906</b>	<b>1,322,388</b>
<b>Fund balances/equity, October 1</b>	<b>8,220,379</b>	<b>8,220,379</b>	<b>8,220,379</b>	<b>--</b>
<b>Prior Period Adjustment</b>	<b>--</b>	<b>--</b>	<b>(204,491)</b>	<b>(204,491)</b>
<b>Fund balances/equity, September 30</b>	<b>\$ 8,667,843</b>	<b>\$ 7,536,897</b>	<b>\$ 8,654,794</b>	<b>\$ 1,117,897</b>

**CITY OF KINGSVILLE**

REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS  
 TEXAS MUNICIPAL RETIREMENT SYSTEM  
 YEAR ENDED SEPTEMBER 30, 2009

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/06	\$ 21,200,009	\$ 26,116,397	\$ 4,916,388	81.2%	\$ 7,324,224	67.1%
12/31/07	21,156,012	29,866,943	8,710,931	70.8%	7,643,277	114.0%
12/31/08	22,031,664	31,292,050	9,260,386	70.4%	8,480,015	109.2%

Other Post-employment Benefit Plan:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
08/31/08	--	3,946,830	3,946,830	--	7,219,268	54.7%
08/31/09	--	3,946,830	3,946,830	--	7,219,268	54.7%

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

**CITY OF KINGSVILLE**

*NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2009*

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).

**SPECIAL  
REVENUE  
FUNDS**





**CITY OF KINGSVILLE**  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 SEPTEMBER 30, 2009

	Tourism Fund	Federal Grants
<b>ASSETS</b>		
Assets:		
<i>Equity in pooled cash and cash equivalents</i>	\$ 39,408	\$ (39,547)
Receivables ( net of allowances for uncollectibles):		
<i>Taxes</i>	35,729	--
Due from:		
<i>Other governments:</i>	--	213,958
<b>Total Assets</b>	<b>\$ 75,137</b>	<b>\$ 174,411</b>
<b>LIABILITIES AND EQUITY</b>		
Liabilities:		
<i>Accounts payable</i>	\$ 39,408	\$ 13,315
<i>Payable from restricted assets:</i>		
Due to:		
<i>Other funds</i>	--	75,345
<i>Other governments</i>	35,729	82,158
<i>Deferred revenues</i>	--	933
<b>Total Liabilities</b>	<b>75,137</b>	<b>171,751</b>
Equity:		
Fund balances:		
<i>Unreserved, undesignated</i>	--	2,660
<b>Total equity</b>	<b>--</b>	<b>2,660</b>
<b>Total Liabilities and Equity</b>	<b>\$ 75,137</b>	<b>\$ 174,411</b>

	State Grants	Other Special Revenues	Total Nonmajor Special Revenue Funds (See Exhibit A-3)
	\$ 5,372	\$ 4,829	\$ 10,062
	--	--	35,729
	780	--	214,738
	<u>\$ 6,152</u>	<u>\$ 4,829</u>	<u>\$ 260,529</u>
	\$ --	\$ --	\$ 52,723
	--	--	75,345
	--	--	117,887
	4,069	--	5,002
	4,069	--	<u>250,957</u>
	2,083	4,829	9,572
	2,083	4,829	9,572
	<u>\$ 6,152</u>	<u>\$ 4,829</u>	<u>\$ 260,529</u>

**CITY OF KINGSVILLE**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Tourism Fund	Federal Grants
Revenue:		
Taxes	\$ 439,999	\$ --
Charges for services	695	--
Interest and miscellaneous	--	--
Federal and state grants	--	341,167
Total revenues	<u>440,694</u>	<u>341,167</u>
Expenditures:		
Current:		
General government and administration	--	147,606
Public Safety	--	194,263
Tourism	<u>440,694</u>	--
Total expenditures	<u>440,694</u>	<u>341,869</u>
Net change in fund balances	--	(702)
Fund balances/equity, October 1	--	3,362
Fund balances/equity, September 30	<u>\$ --</u>	<u>\$ 2,660</u>

	State Grants	Other Special Revenues	Total Nonmajor Special Revenue Funds (See Exhibit A-5)
\$	--	\$ --	\$ 439,999
	--	--	695
	--	4,980	4,980
	51,120	--	392,287
	<u>51,120</u>	<u>4,980</u>	<u>837,961</u>
	34,561	1,577	183,744
	17,157	2,329	213,749
	--	--	440,694
	<u>51,718</u>	<u>3,906</u>	<u>838,187</u>
	(598)	1,074	(226)
	2,681	3,755	9,798
\$	<u>2,083</u>	<u>4,829</u>	<u>9,572</u>

CITY OF KINGSVILLE

TOURISM FUND

SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2009

EXHIBIT C-3

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
<i>Hotel/Motel Property Tax</i>	\$ --	\$ 441,464	\$ 439,999	\$ (1,465)
<i>Miscellaneous</i>	--	223	695	472
Total Revenues	--	441,687	440,694	(993)
Expenditures:				
<i>Contracted Services</i>	--	441,687	440,694	993
Total Tourism Department	--	441,687	440,694	993
Total Expenditures	--	441,687	440,694	993
Excess (deficiency) of revenues (under) expenditures	--	--	--	--
Fund balances/equity, October 1	--	--	--	--
Fund balances/equity, September 30	\$ --	\$ --	\$ --	\$ --

CITY OF KINGSVILLE

EXHIBIT C-4

FEDERAL GRANTS FUND  
 SPECIAL REVENUE FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Project Authorization	Prior Year	Current Year	Total To Date
<b>Revenues</b>				
Federal and state grants	\$ 664,074	\$ 151,342	\$ 341,167	\$ 492,509
<b>Total Revenues</b>	<b>664,074</b>	<b>151,342</b>	<b>341,167</b>	<b>492,509</b>
<b>Expenditures:</b>				
<i>General Government and Administration</i>	401,219	127,982	90,345	218,327
<i>Public Safety</i>	262,855	22,658		22,658
<b>Total Expenditures</b>	<b>664,074</b>	<b>150,640</b>	<b>341,869</b>	<b>492,509</b>
Excess (deficiency) of revenues (under) expenditures	\$ --	\$ 702	(702)	\$ --
Fund balances/equity, October 1			3,362	
Fund balances/equity, September 30			\$ 2,660	

**CITY OF KINGSVILLE**  
**STATE GRANT FUNDS**  
**SPECIAL REVENUE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

EXHIBIT C-5

	Project Authorization	Prior Years	Current Year	Total To Date
Revenues:				
<i>Federal and state grants</i>	\$ 72,453	\$ 17,265	\$ 51,120	\$ 68,385
Total Revenues	72,453	17,265	51,120	68,385
Expenditures:				
<i>Public Safety</i>	40,571	11,999	34,561	46,560
<i>Public Works</i>	31,882	4,658	17,157	21,815
Total Expenditures	72,453	16,657	51,718	68,375
Excess (deficiency) of revenues (under) expenditures	\$ --	\$ 608	(598)	\$ 10
Fund balances/equity, October 1			2,681	
Fund balances/equity, September 30			\$ 2,083	

DEBT SERVICE FUND



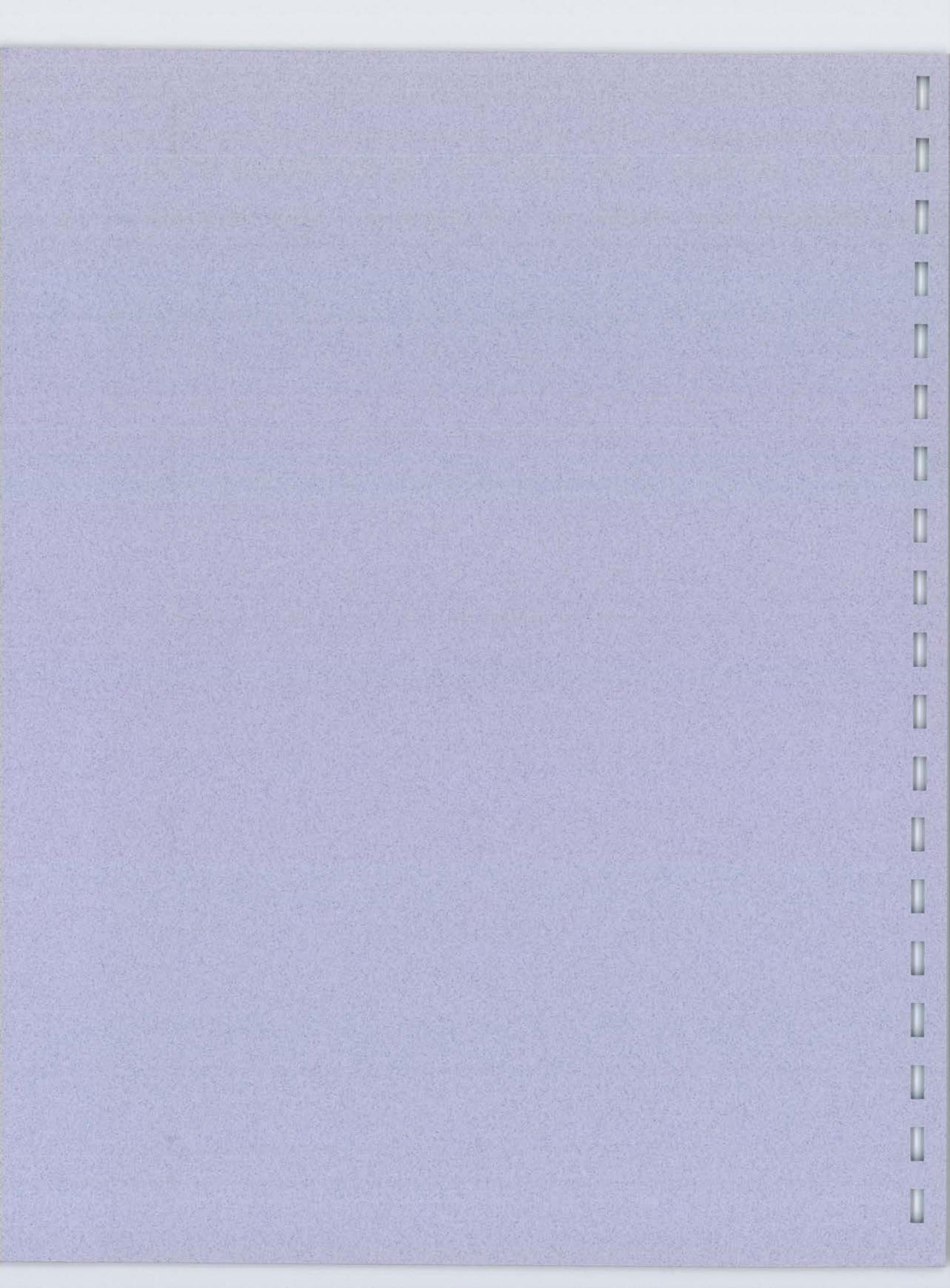
**CITY OF KINGSVILLE**  
**DEBT SERVICE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

EXHIBIT C-6

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
<i>General Property Taxes:</i>				
<i>Ad Valorem Taxes</i>	\$ 1,688,377	\$ 1,688,377	\$ 1,693,814	\$ 5,437
<i>Interest from Investments</i>	--	--	19,869	19,869
<b>Total Revenues</b>	<u>1,688,377</u>	<u>1,688,377</u>	<u>1,713,683</u>	<u>25,306</u>
<b>Expenditures:</b>				
<i>Principal retired</i>	1,360,000	1,760,000	1,760,000	--
<i>Interest</i>	320,877	327,614	274,810	52,804
<i>Paying agent fees</i>	7,500	1,882,050	1,882,050	--
<b>Total Expenditures</b>	<u>1,688,377</u>	<u>3,969,664</u>	<u>3,916,860</u>	<u>52,804</u>
Excess (deficiency) of revenues (under) expenditures	--	(2,281,287)	(2,203,177)	78,110
<b>Other financing sources (uses):</b>				
<i>Operating transfers in</i>	--	407,037	407,037	--
<i>Bond issuance costs</i>	--	(51,426)	(51,426)	--
<i>Bond proceeds</i>	--	1,890,000	1,890,000	--
Total other financing sources (uses)	<u>--</u>	<u>2,245,611</u>	<u>2,245,611</u>	<u>--</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	--	(35,676)	42,434	78,110
Fund balances/equity, October 1	355,416	355,416	355,416	--
Fund balances/equity, September 30	<u>\$ 355,416</u>	<u>\$ 319,740</u>	<u>\$ 397,850</u>	<u>\$ 78,110</u>



**CAPITAL PROJECTS FUND**



**CITY OF KINGSVILLE**

CAPITAL IMPROVEMENTS FUND  
 CAPITAL PROJECTS FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

EXHIBIT C-7

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
<i>Interest from Investments</i>	--	--	28,695	28,695
<b>Total Revenues</b>	--	--	28,695	28,695
<b>Expenditures:</b>				
<i>General Government</i>	18,709	18,709	19,554	(845)
<i>Public Safety</i>	154,179	154,179	53,052	101,127
<i>Public Works</i>	5,430,776	5,418,101	2,381,178	3,036,923
<i>City/County</i>	113,670	113,370	114,445	(1,075)
<b>Total Expenditures</b>	5,717,334	5,704,359	2,568,229	3,136,130
Excess (deficiency) of revenues (under) expenditures	(5,717,334)	(5,704,359)	(2,539,534)	3,164,825
<b>Other financing sources (uses):</b>				
<i>Bond proceeds</i>	--	4,270,000	4,270,000	--
<i>Bond issuance premiums</i>	--	128,181	128,181	--
<i>Bond issuance costs</i>	--	(123,847)	(123,847)	--
<b>Total other financing sources (uses)</b>	--	4,274,334	4,274,334	--
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(5,717,334)	(1,430,025)	1,734,800	3,164,825
Fund balances/equity, October 1	1,320,554	1,320,554	1,320,554	--
Fund balances/equity, September 30	<u>\$ (4,396,780)</u>	<u>\$ (109,471)</u>	<u>\$ 3,055,354</u>	<u>\$ 3,164,825</u>



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## CITY OF KINGSVILLE

## COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

## AGENCY FUNDS

SEPTEMBER 30, 2009

	1999 TX Capital Fund	Court Cash Bond Account	Total Agency Funds (See Exhibit A-10)
<b>ASSETS</b>			
Assets:			
Cash and cash equivalents	\$ --	\$ 11,755	\$ 11,755
Equity in pooled cash and cash equivalents	2,959	--	2,959
<b>Total Assets</b>	<u>\$ 2,959</u>	<u>\$ 11,755</u>	<u>\$ 14,714</u>
<b>LIABILITIES AND EQUITY</b>			
Liabilities:			
Accounts payable	\$ 2,959	\$ --	\$ 2,959
Payable from restricted assets:			
Customer deposits	--	11,755	11,755
<b>Total Liabilities</b>	<u>2,959</u>	<u>11,755</u>	<u>14,714</u>
Equity:			
Fund balances:			
Total equity	--	--	--
<b>Total Liabilities and Equity</b>	<u>\$ 2,959</u>	<u>\$ 11,755</u>	<u>\$ 14,714</u>

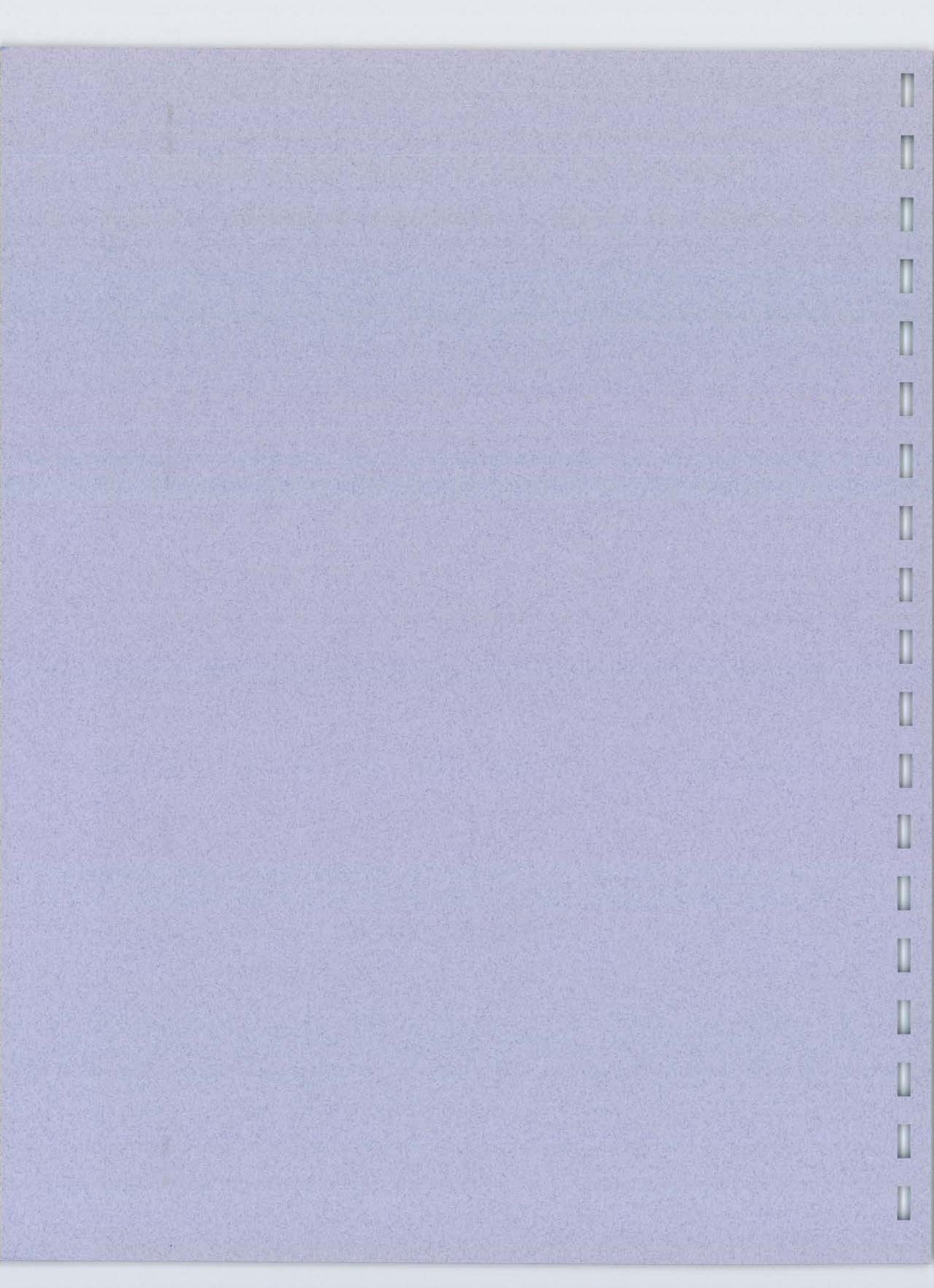
**CITY OF KINGSVILLE**

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 ALL AGENCY FUNDS  
 YEAR ENDED SEPTEMBER 30, 2009

EXHIBIT C-9

	Balance October 1, 2009	Additions	Deductions	Balance September 30, 2009
<b>Corporation Court Cash Bond Account Fund</b>				
<b>ASSETS</b>				
<i>Cash &amp; Investments</i>	\$ 23,902	\$ 89,826	\$ 101,973	\$ 11,755
<b>Total Assets</b>	<u>\$ 23,902</u>	<u>\$ 89,826</u>	<u>\$ 101,973</u>	<u>\$ 11,755</u>
<b>LIABILITIES</b>				
<i>Cash Bonds Held</i>	\$ 23,902	\$ 89,826	\$ 101,973	\$ 11,755
<b>Total Liabilities</b>	<u>\$ 23,902</u>	<u>\$ 89,826</u>	<u>\$ 101,973</u>	<u>\$ 11,755</u>
<b>1999 Texas Capital Fund</b>				
<b>ASSETS</b>				
<i>Equity in Pooled Cash and Cash Equivalents</i>	\$ --	\$ 48,234	\$ 45,275	\$ 2,959
<b>Total Assets</b>	<u>\$ --</u>	<u>\$ 48,234</u>	<u>\$ 45,275</u>	<u>\$ 2,959</u>
<b>LIABILITIES</b>				
<i>Accounts Payable</i>	\$ --	\$ 48,234	\$ 45,275	\$ 2,959
<b>Total Liabilities</b>	<u>\$ --</u>	<u>\$ 48,234</u>	<u>\$ 45,275</u>	<u>\$ 2,959</u>
<b>TOTAL AGENCY FUNDS:</b>				
<b>ASSETS</b>				
<i>Cash &amp; Investments</i>	\$ 23,902	\$ 89,826	\$ 101,973	\$ 11,755
<i>Equity in Pooled Cash and Cash Equivalents</i>	--	48,234	45,275	2,959
<b>Total Assets</b>	<u>\$ 23,902</u>	<u>\$ 138,060</u>	<u>\$ 147,248</u>	<u>\$ 14,714</u>
<b>LIABILITIES</b>				
<i>Cash Bonds Held</i>	\$ 23,902	\$ 89,826	\$ 101,973	\$ 11,755
<i>Accounts Payable</i>	--	48,234	45,275	2,959
<b>Total Liabilities</b>	<u>\$ 23,902</u>	<u>\$ 138,060</u>	<u>\$ 147,248</u>	<u>\$ 14,714</u>





**CITY OF KINGSVILLE**

CONVENTION & VISITORS BUREAU  
 DISCRETELY PRESENTED COMPONENT UNIT  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

EXHIBIT C-10

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
<i>Contracted Services</i>	295,100	295,100	377,899	82,799
<i>Interest from Investments</i>	--	--	158	158
Total Revenues	295,100	295,100	378,057	82,957
Expenditures:				
<i>Personal Services</i>	135,383	135,383	129,992	5,391
<i>Supplies</i>	8,370	8,370	11,803	(3,433)
<i>Services</i>	145,247	145,247	146,845	(1,598)
<i>Maintenance</i>	1,000	1,000	718	282
<i>Capital Outlay</i>	5,100	5,100	6,764	(1,664)
Total Expenditures	295,100	295,100	296,122	(1,022)
Excess (deficiency) of revenues (under) expenditures	--	--	81,935	81,935
Fund balances/equity, October 1	230,368	230,368	230,368	--
Fund balances/equity, September 30	\$ 230,368	\$ 230,368	\$ 312,303	\$ 81,935







**Statistical Section**

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

**Contents**

**Page**

**Financial Trends**

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

91-95

**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.

96-104

**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.

105-111

**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.

112-113

**Operating Information**

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

114-118

**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The city implemented Statement 34 in 2003; schedules presenting government-wide information include information beginning that year.



**CITY OF KINGSVILLE**  
**NET ASSETS BY COMPONENT,**  
**LAST FIVE FISCAL YEARS**

SCHEDULE 1

	Fiscal Year				
	2009	2008	2007	2006	2005
<b>Governmental activities</b>					
Invested in capital assets, net of related debt	\$ 7,229,724	\$ 7,980,938	\$ 7,410,484	\$ 7,190,499	\$ 5,751,650
Restricted	2,946,915	2,727,155	2,649,969	2,314,775	2,325,562
Unrestricted	5,136,696	3,037,771	2,079,519	1,085,412	1,150,966
<b>Total governmental activities net assets</b>	<b>\$ 15,313,335</b>	<b>\$ 13,745,864</b>	<b>\$ 12,139,972</b>	<b>\$ 10,590,686</b>	<b>\$ 9,228,178</b>
<b>Business-type activities</b>					
Invested in capital assets, net of related debt	\$ 1,028,641	\$ 4,376,931	\$ 4,311,656	\$ 4,315,474	\$ 4,033,396
Restricted	1,704,129	3,056,231	2,496,143	2,174,298	2,528,455
Unrestricted	7,274,966	1,229,553	679,366	113,403	(1,908,572)
<b>Total business-type activities net assets</b>	<b>\$ 10,007,736</b>	<b>\$ 8,662,715</b>	<b>\$ 7,487,165</b>	<b>\$ 6,603,175</b>	<b>\$ 4,653,279</b>
<b>Primary government</b>					
Invested in capital assets, net of related debt	\$ 8,258,365	\$ 12,357,869	\$ 11,722,140	\$ 11,505,973	\$ 9,785,046
Restricted	4,651,044	5,783,386	5,146,112	4,489,073	4,854,017
Unrestricted	12,411,662	4,267,324	2,758,885	1,198,815	(757,606)
<b>Total primary government net assets</b>	<b>\$ 25,321,071</b>	<b>\$ 22,408,579</b>	<b>\$ 19,627,137</b>	<b>\$ 17,193,861</b>	<b>\$ 13,881,457</b>

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

**CITY OF KINGSVILLE**

*CHANGES IN NET ASSETS, LAST FIVE FISCAL YEARS*

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

**CITY OF KINGSVILLE**  
 CHANGES IN NET ASSETS, LAST FIVE FISCAL YEARS

SCHEDULE 2

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

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

**CITY OF KINGSVILLE**

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

	Fiscal Year				
	2000	2001	2002	2003	2004
General Fund					
Reserved	\$ 446,155	\$ 426,950	\$ 422,840	\$ 3,380,142	\$ 2,226,519
Unreserved	<u>1,882,143</u>	<u>1,819,367</u>	<u>2,006,541</u>	<u>2,324,845</u>	<u>2,972,504</u>
Total general fund	<u>\$ 2,328,298</u>	<u>\$ 2,246,317</u>	<u>\$ 2,429,381</u>	<u>\$ 5,704,987</u>	<u>\$ 5,199,023</u>
All Other Governmental Funds					
Restricted	\$ -	\$ -	\$ -	\$ 48,188	\$ 7,844
Unrestricted, reported in:					
Special revenue funds	659,582	973,149	609,999	651,579	33,559
Capital projects funds	-	2,611,845	772,264	487,518	626,779
Debt service funds	<u>17,830</u>	<u>408,614</u>	<u>326,450</u>	<u>364,499</u>	<u>69,062</u>
Total all other governmental funds	<u>\$ 677,412</u>	<u>\$ 3,993,608</u>	<u>\$ 1,708,713</u>	<u>\$ 1,551,784</u>	<u>\$ 737,244</u>

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

SCHEDULE 3

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

**CITY OF KINGSVILLE**

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

	Fiscal Year				
	2000	2001	2002	2003	2004
<b>Revenues</b>					
Property Taxes	\$ 3,389,587	\$ 3,898,689	\$ 3,788,364	\$ 3,816,412	\$ 3,569,222
Taxes-other	4,002,264	4,079,631	4,301,650	4,175,064	4,463,397
Licenses, fees, and permits	142,928	236,243	179,355	592,442	803,815
Fines and penalties	1,172,546	1,187,955	707,762	1,167,684	803,192
Charges for services	2,618,004	2,580,039	2,852,929	2,840,098	3,080,519
Special assessment	4,174	-	172,419	40,500	3,029
Intergovernmental	1,391,844	657,660	419,203	968,461	709,566
Investment earnings/other	271,197	301,265	138,621	118,869	127,253
Donations	-	-	-	-	176,146
<b>Total revenues</b>	<b>12,992,544</b>	<b>12,941,482</b>	<b>12,560,303</b>	<b>13,719,530</b>	<b>13,736,139</b>
<b>Expenditures</b>					
General government	2,213,106	2,096,895	2,228,427	2,410,041	2,947,294
Public safety	6,244,767	5,932,293	6,077,785	7,409,439	6,265,404
Public works	3,472,070	2,838,705	3,096,539	4,738,879	4,113,344
City/county	584,151	675,667	721,590	687,404	674,392
Tourism	278,572	228,626	255,405	265,401	264,132
Government	-	74,831	-	-	-
Other	-	1,312	2,616	71,161	248,936
Capital Outlay	731,825	723,641	1,822,528	-	-
Debt Service					
Interest	274,260	270,160	366,808	316,527	462,722
Principal	1,145,000	1,015,000	1,045,000	925,000	1,045,000
<b>Total expenditures</b>	<b>14,943,751</b>	<b>13,857,130</b>	<b>15,616,698</b>	<b>16,823,852</b>	<b>16,021,224</b>
Excess of revenues over (under) expenditures	<u>(1,951,207)</u>	<u>(915,648)</u>	<u>(3,056,395)</u>	<u>(3,104,322)</u>	<u>(2,285,085)</u>
<b>Other Financing Sources (uses)</b>					
Lease Proceeds		148,100	-	-	-
Bonds issued	1,400,000	3,305,000	-	5,223,000	-
Bond Issuance Costs	-	-	-	-	-
Bond Issuance Premium	-	-	-	-	-
Refunding bonds issued	-	-	-	-	-
Transfers in	914,066	699,689	1,000,000	1,107,971	1,131,652
Transfers out	<u>(24,708)</u>	<u>-</u>	<u>-</u>	<u>(107,971)</u>	<u>(134,786)</u>
<b>Total other financing sources (uses)</b>	<b>2,289,358</b>	<b>4,152,789</b>	<b>1,000,000</b>	<b>6,223,000</b>	<b>996,866</b>
<b>Net change in fund balances</b>	<b>\$ 338,151</b>	<b>\$ 3,237,141</b>	<b>\$ (2,056,395)</b>	<b>\$ 3,118,678</b>	<b>\$ (1,288,219)</b>
Debt services as a percentage of noncapital expenditures	10.00%	9.78%	11.02%	7.38%	10.35%

SCHEDULE 4

		Fiscal Year							
		2005	2006	2007	2008	2009			
\$	3,804,469	\$	4,141,313	\$	4,266,405	\$	4,940,897	\$	5,303,987
	4,743,894		5,137,441		5,126,365		5,359,785		5,354,064
	226,716		172,814		189,269		210,267		217,657
	1,163,398		1,844,000		2,230,194		2,519,475		2,521,442
	3,128,451		3,211,482		3,225,782		3,585,591		4,017,155
	240		-		3,966		-		-
	455,182		174,136		211,535		240,829		463,770
	202,335		282,200		511,883		628,723		314,091
	3,299		2,890		1,842		-		1,890
	<u>13,727,984</u>		<u>14,966,276</u>		<u>15,767,241</u>		<u>17,485,567</u>		<u>18,194,056</u>
	2,357,112		2,398,046		2,673,852		2,461,771		2,675,542
	6,644,503		6,703,918		7,411,077		8,848,662		8,176,498
	3,472,610		3,561,348		3,291,447		3,772,521		6,377,218
	672,019		655,411		686,184		710,931		859,333
	288,215		290,697		312,153		421,633		440,694
	-		-		-		-		-
	60,258		2,532		-		-		53,376
	-		-		-		-		-
	411,195		378,281		362,456		374,201		1,760,000
	<u>885,000</u>		<u>910,000</u>		<u>975,000</u>		<u>1,270,000</u>		<u>2,156,860</u>
	<u>14,790,912</u>		<u>14,900,233</u>		<u>15,712,169</u>		<u>17,859,719</u>		<u>22,499,521</u>
	<u>(1,062,928)</u>		<u>66,043</u>		<u>55,072</u>		<u>(374,152)</u>		<u>(4,305,465)</u>
	-		-		-		181,772		-
	-		450,000		1,200,000		-		4,270,000
	-		-		-		-		(175,273)
	-		-		-		-		128,181
	-		-		-		-		1,890,000
	1,340,861		1,338,041		1,250,000		1,250,000		2,211,690
	<u>(56,280)</u>		<u>(88,041)</u>		<u>-</u>		<u>-</u>		<u>(957,037)</u>
	<u>1,284,581</u>		<u>1,700,000</u>		<u>2,450,000</u>		<u>1,431,772</u>		<u>7,367,561</u>
\$	<u>221,653</u>	\$	<u>1,766,043</u>	\$	<u>2,505,072</u>	\$	<u>1,057,620</u>	\$	<u>3,062,096</u>
	9.21%		8.96%		8.81%		9.93%		18.48%

**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
2000	\$ 429,954,809	\$ 17,664,382	\$ 56,308,828	\$ 62,011,068	\$ 441,916,951	\$ 0.68145	\$ 503,928,019
2001	456,554,839	16,286,706	55,975,519	65,104,236	463,712,828	0.70145	528,817,064
2002	471,715,351	18,343,119	59,568,136	65,976,633	483,649,973	0.70145	549,626,606
2003	473,289,371	19,935,752	60,834,420	62,248,898	491,810,645	0.69527	554,059,543
2004	483,998,442	21,427,249	58,866,750	61,340,271	502,952,170	0.68511	564,292,441
2005	494,578,206	21,411,787	70,088,910	67,093,679	518,985,224	0.70196	586,078,903
2006	518,890,658	24,066,085	70,375,100	65,948,903	547,382,940	0.71000	613,331,843
2007	575,350,800	31,069,213	78,941,550	59,056,703	626,304,860	0.68544	675,476,989
2008	600,156,971	28,662,138	76,930,280	53,267,496	652,481,893	0.76781	638,767,459
2009	629,910,921	31,453,548	76,203,240	56,949,594	680,618,115	0.80180	671,285,466

Source: Kleberg County Appraisal District

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

**CITY OF KINGSVILLE**

**DIRECT AND OVERLAPPING PROPERTY TAX RATES  
LAST TEN FISCAL YEARS**

(RATE PER \$100 OF ASSESSED VALUE)

SCHEDULE 6

Fiscal Year	City Direct Rates			Overlapping Rates		
	Basic Rate	General Obligation Debt Service	Total Direct Rate	School District	County	STWA
2000	\$ 0.37419	\$ 0.32588	\$ 0.70007	\$ 1.50	\$ 0.68	\$ 0.14
2001	0.35939	0.32206	0.68145	1.50	0.72	0.13
2002	0.35193	0.34952	0.70145	1.50	0.69	0.12
2003	0.43650	0.26495	0.70145	1.62	0.69	0.12
2004	0.44399	0.25128	0.69527	1.63	0.63	0.06
2005	0.42980	0.25128	0.68108	1.59	0.61	0.06
2006	0.44924	0.25272	0.70196	1.60	0.61	0.06
2007	0.45633	0.25367	0.71000	1.45	0.61	0.06
2008	0.50040	0.26741	0.76781	1.41	0.65	0.06
2009	0.54154	0.26033	0.80187	1.34	0.68	0.06

Source: Kleberg County Appraisal District

**CITY OF KINGSVILLE**

PRINCIPAL PROPERTY TAX PAYERS,  
CURRENT YEAR AND NINE YEARS AGO

SCHEDULE 7

Taxpayer	2009			2000		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
AEP Texas Central Company	\$ 17,571,180	1	2.58%	6,977,830	2	1.58%
Kingsville Two	7,409,690	2	1.09%			0.00%
Collegiate Kingsville Partners L.P.	6,841,560	3	1.01%			0.00%
HBC Holding LTD.	6,761,360	4	0.99%			0.00%
Eddie Yaklin Ford Lincoln Mercury Ltd.	6,302,690	5	0.93%			0.00%
Wal-Mart Stores East LP	6,291,430	6	0.92%	11,841,829	1	2.69%
Wal-Mart Stores Inc.	5,114,850	7	0.75%			
Lowe's Home Center, Inc.	5,055,180	8	0.74%			
HEB Grocery Inc	4,568,520	9	0.67%	5,023,382	4	1.14%
Lowe's Home Center, Inc.	4,502,880	10	0.66%			
Southwestern Bell Telephone Co.				5,480,420	3	1.24%
Kleberg First National Bank				3,632,116	5	0.82%
Alpha Lake Ltd				3,220,708	6	0.73%
University Square Apartments				2,424,640	7	0.55%
K. A. Childs				2,393,595	8	0.54%
J & E Oil Co., Inc.				2,170,377	9	0.49%
Kingsville Bordeaux, Ltd.				2,077,720	10	0.47%
Total	\$ <u>70,419,340</u>		<u>10.35%</u>	\$ <u>45,242,617</u>		<u>10.26%</u>

Source: Kleberg County Appraisal District

**CITY OF KINGSVILLE**

PROPERTY TAX LEVIES AND COLLECTIONS,  
LAST TEN FISCAL YEARS

SCHEDULE 8

Fiscal Year Ended September 30,	Taxes Levied for the Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years(1)	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2000	\$ 3,003,723	\$ 2,825,009	94.1%	\$ 161,917	\$ 2,986,926	99.44%
2001	3,249,432	3,060,005	94.2%	171,606	3,231,611	99.45%
2002	3,391,973	3,193,026	94.1%	179,609	3,372,635	99.43%
2003	3,429,931	3,237,999	94.4%	169,973	3,407,972	99.36%
2004	3,447,050	3,250,187	94.3%	168,206	3,418,393	99.17%
2005	3,653,715	3,455,881	94.6%	149,715	3,605,596	98.68%
2006	3,901,561	3,726,279	95.5%	116,239	3,842,518	98.49%
2007	4,136,029	3,911,104	94.6%	143,618	4,054,722	98.03%
2008	4,734,428	4,530,260	95.7%	77,010	4,607,270	97.31%
2009	5,207,851	4,990,889	95.8%	-	4,990,889	95.83%

Source: Kleberg County Appraisal District

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

(1) Information required by GASB #44 differs from information reported. Collections in subsequent years represent total delinquent amounts received during the fiscal year, regardless of the fiscal year of the tax levy. Data for delinquent tax collections by levy year is not available for the Kleberg County Tax Assessor's Office.

**CITY OF KINGSVILLE**  
**TAXABLE SALES BY CATEGORY**  
**LAST TEN CALENDAR YEARS**

	Calendar Year				
	2000	2001	2002	2003	2004
Building materials, hardware, etc	\$ 21,591	\$ 19,595	\$ 5,492	\$ 9,891	\$ 19,611
General merchandise	7,557	4,716	4,797	46,093	45,251
Food stores	815	491	579	11,039	11,074
Automotive dealers and gasoline	52,208	29,549	23,025	15,866	16,005
Apparel and accessory stores	4,709	11,795	14,472	3,738	3,698
Home furniture, furnishing, and equipment	18,919	20,410	16,668	3,944	3,982
Eating and drinking places	155,316	154,254	134,932	24,131	27,694
All other outlets	26,857	25,169	25,801	12,783	12,931
<b>Total</b>	<b>\$ 287,972</b>	<b>\$ 265,979</b>	<b>\$ 225,766</b>	<b>\$ 127,485</b>	<b>\$ 140,246</b>
City direct sales tax rate	1.5%	1.5%	1.5%	1.5%	1.5%

Source: Texas Comptroller of Public Accounts

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

SCHEDULE 9

		Calendar Year							
		2005	2006	2007	2008	2009			
\$	18,040	\$	19,277	\$	20,422	\$	22,706	\$	22,252
	45,847		48,039		48,275		50,463		45,021
	11,832		12,793		13,915		15,905		16,575
	16,104		18,134		18,190		18,959		19,393
	4,388		4,597		4,204		3,770		4,550
	3,993		3,223		3,294		-		3,323
	28,526		30,359		32,427		35,987		35,634
	14,291		15,806		17,851		18,137		17,733
\$	<u>143,021</u>	\$	<u>152,228</u>	\$	<u>158,578</u>	\$	<u>165,927</u>	\$	<u>164,481</u>
	1.5%		1.5%		1.5%		1.5%		1.5%

SCHEDULE 10

**CITY OF KINGSVILLE**

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

<u>Fiscal Years</u>	<u>City Property Tax Relief</u>	<u>City Sales Tax</u>	<u>Kleberg County Property Tax Relief</u>	<u>State Sales Tax</u>
2000	1.00%	0.50%	0.50%	6.25%
2001	1.00%	0.50%	0.50%	6.25%
2002	1.00%	0.50%	0.50%	6.25%
2003	1.00%	0.50%	0.50%	6.25%
2004	1.00%	0.50%	0.50%	6.25%
2005	1.00%	0.50%	0.50%	6.25%
2006	1.00%	0.50%	0.50%	6.25%
2007	1.00%	0.50%	0.50%	6.25%
2008	1.00%	0.50%	0.50%	6.25%
2009	1.00%	0.50%	0.50%	6.25%

**Source:** Texas Comptroller of Public Accounts

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



**CITY OF KINGSVILLE**

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

Fiscal Year	Governmental Activities			Business-type Activities	
	General Obligation Bonds	Tax Note	Capital Leases	Water Revenue Bonds	Certificates of Obligation
2000	4,100,000	1,400,000	-	1,700,000	450,000
2001	7,100,000	1,140,000	132,657	1,595,000	-
2002	6,325,000	870,000	105,118	1,485,000	-
2003	10,903,000	590,000	76,177	1,370,000	1,222,000
2004	7,683,000	300,000	45,852	1,250,000	3,687,000
2005	7,408,000	-	13,970	1,125,000	15,042,000
2006	7,273,000	-	-	990,000	13,897,000
2007	7,403,000	-	-	845,000	13,612,000
2008	6,524,208	-	181,772	695,000	12,935,792
2009	6,293,192	-	159,036	540,000	15,421,808

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

SCHEDULE 11

<u>Total Primary Government</u>	<u>Percentage of Personal Income</u>	<u>Per Capital</u>
7,650,000	1.71%	299.12
9,967,657	2.06%	388.89
8,785,118	1.66%	337.41
14,161,177	2.59%	537.81
12,965,852	2.34%	490.91
23,588,970	4.12%	890.86
22,160,000	3.83%	835.22
21,860,000	3.53%	817.10
20,336,772	3.05%	759.34
22,414,036	2.79%	835.97

**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			
2000	4,100,000		0.0093%	160.32
2001	7,100,000		0.0153%	270.70
2002	6,325,000		0.0130%	242.92
2003	10,903,000		0.0220%	414.07
2004	7,683,000		0.0153%	290.89
2005	7,408,000		0.0143%	279.98
2006	7,273,000		0.0133%	274.12
2007	7,403,000		0.0122%	276.72
2008	6,524,208		0.0109%	243.60
2009	6,293,192		0.0969%	234.72

Notes: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

**CITY OF KINGSVILLE**

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
AS OF SEPTEMBER 30, 2009

SCHEDULE 13

Governmental Unit	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Debt repaid with property taxes			
Kingsville ISD	\$ 41,159,993	100%	\$ 41,159,993
Kleberg County	6,000,000	50%	3,000,000
South Texas Water Authority	-	0%	<u>0</u>
Subtotal, overlapping debt			44,159,993
City direct debt			<u>6,293,192</u>
Total direct and overlapping debt			<u>\$ 50,453,185</u>

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

**Notes:** Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Kingsville. 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				
	2000	2001	2002	2003	2004
Debt limit	\$ 110,194,297	\$ 115,807,187	\$ 120,912,493	\$ 123,782,082	\$ 125,781,620
Total net debt applicable to limit	<u>5,482,170</u>	<u>4,527,295</u>	<u>6,868,550</u>	<u>11,118,807</u>	<u>10,378,938</u>
Legal debt margin	\$ <u>104,712,127</u>	\$ <u>111,279,892</u>	\$ <u>114,043,943</u>	\$ <u>112,663,275</u>	\$ <u>115,402,682</u>
Total net debt applicable to the limit as a percentage of debt limit	4.98%	3.91%	5.68%	8.98%	8.25%

**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							
		2005	2006	2007	2008	2009			
\$	129,498,770	\$	136,836,546	\$	150,649,270	\$	163,120,473	\$	162,365,819
	<u>9,454,598</u>		<u>9,315,986</u>		<u>7,091,586</u>		<u>6,168,793</u>		<u>5,895,349</u>
\$	<u><u>120,044,172</u></u>	\$	<u><u>127,520,560</u></u>	\$	<u><u>143,557,684</u></u>	\$	<u><u>156,951,680</u></u>	\$	<u><u>156,470,470</u></u>
	7.30%		6.81%		4.71%		3.78%		3.63%

Legal Debt Margin Calculation for Fiscal Year 2009

Assessed Value		\$	<u>649,463,277</u>
Debt limit (25% of assessed value)			<u>162,365,819</u>
Debt applicable to limit:			
General obligation bonds	6,293,192		
Less: Amount set aside for repayment of general obligation debt	<u>(397,842)</u>		
Total net debt applicable to limit			<u>5,895,350</u>
Legal debt margin		\$	<u><u>156,470,469</u></u>

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

SCHEDULE 15

Fiscal Year	Waste Water Revenue Bonds and Certificates of Obligation Bonds (a)					
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2000	\$ 4,746,591	\$ 3,640,289	\$ 1,106,302	\$ 100,000	\$ 104,104	5.42%
2001	5,001,443	3,926,418	1,075,025	110,000	87,297	5.45%
2002	4,634,657	3,791,113	843,544	110,000	85,908	4.31%
2003	5,035,993	3,477,154	1,558,839	115,000	119,047	6.66%
2004	5,195,633	3,842,774	1,352,859	120,000	121,562	5.60%
2005	6,086,253	3,634,213	2,452,040	240,000	324,670	4.34%
2006	6,605,466	3,482,212	3,123,254	505,000	583,460	2.87%
2007	6,375,409	3,329,444	3,045,965	525,000	556,922	2.82%
2008	7,285,503	3,820,260	3,465,243	435,000	480,813	3.78%
2009	8,193,448	4,253,942	3,939,506	455,000	521,378	4.03%

Fiscal Year	Sanitation C. O. Bonds Series 2001 (b) and 2009 (b)					
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2000	-	-	-	-	-	-
2001	-	-	-	-	-	-
2002	-	-	-	-	-	-
2003	-	-	-	-	-	-
2004	\$ -	\$ 1,592,760	\$ (1,592,760)	\$ 310,000	\$ 97,792	-3.91%
2005	2,892,724	1,642,222	1,250,502	325,000	85,065	3.05%
2006	2,799,958	1,784,879	1,015,079	325,000	87,048	2.46%
2007	2,851,654	1,487,099	1,364,555	335,000	75,023	3.33%
2008	3,036,568	1,936,988	1,099,580	391,209	80,436	2.33%
2009	3,510,389	1,840,539	1,669,850	808,000 (c)	62,241	1.92%

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

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

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

(c) The Principle payment included a one time prepayment of \$400,000 on the 2001 Bond Series.

**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
2000	25,575	\$ 446,207	\$ 17,447	26.0	12.3	4819	5.9%
2001	25,631	483,965	18,882	29.2	N/A	4760	6.5%
2002	26,037	529,072	20,320	28.4	N/A	4644	6.2%
2003	26,331	546,289	20,747	28.3	N/A	4620	6.2%
2004	26,412	554,705	21,002	28.3	N/A	4541	6.0%
2005	26,479	572,794	21,632	28.3	N/A	4339	5.0%
2006	26,532	578,636	21,809	28.4	N/A	4246	4.2%
2007	26,753	619,025	24,761	27.9	N/A	4156	4.4%
2008	26,782	619,952	26,740	27.8	N/A	4026	4.5%
2009	26,812	625,497	28,095	29.2	N/A	3999	6.4%

Sources: City of Kingsville  
 Kingsville Independent School District  
 Chamber of Commerce

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	2009			2000		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Naval Air Station (Military)	1,834	1	13.77%	1,475	1	11.39%
Texas A&M - Kingsville	1,500	2	11.27%	1,068	2	8.25%
Kingsville I.S.D	651	3	4.89%	762	4	5.89%
King Ranch	376	4	2.82%	500	6	3.86%
Wal-Mart	307	5	2.30%	360	9	2.78%
Spohn Kleberg Memorial Hospital	300	6	2.25%	410	7	3.17%
Border Patrol	300	7	2.25%			
Hoest Celanese	290	8	2.18%	866	3	6.69%
Kleberg County	275	9	2.07%			
City of Kingsville	260	10	1.95%			
HEB Grocery				240	10	1.85%
Mundy Corporation				400	8	3.09%
Calling Solutions				708	5	5.47%
<b>Total</b>	<b>6,093</b>		<b>45.75%</b>	<b>6,789</b>		<b>52.43%</b>

Source: Chamber of Commerce

**CITY OF KINGSVILLE**

SCHEDULE 18

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

	Full-time-Equivalent Employees as of September 30.									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
City Commission	5	5	5	5	5	5	5	5	5	5
General Government	34	37	37	36	37	37	37	33	33	27
Fire	33	33	33	33	33	33	30	33	33	33
Health	12	12	12	12	12	12	12	11	12	12
Library	10	10	10	10	10	10	10	8	8	8
Police	64	64	63	67	67	67	67	63	60	63
Public Works	98	110	96	97	99	98	99	97	96	97
Task Force	<u>12</u>	<u>16</u>	<u>15</u>	<u>12</u>	<u>13</u>	<u>13</u>	<u>12</u>	<u>11</u>	<u>12</u>	<u>10</u>
Total	<u>268</u>	<u>287</u>	<u>271</u>	<u>272</u>	<u>276</u>	<u>275</u>	<u>272</u>	<u>261</u>	<u>259</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

Function/Program	Fiscal Year				
	2000	2001	2002	2003	2004
General government					
Building permits issued	N/A	N/A	N/A	2063	2186
Building inspections conducted	N/A	N/A	N/A	N/A	N/A
Police					
Physical arrest	2218	2384	2653	2433	1838
Parking violations	101	84	76	37	29
Traffic violations	5890	7088	4967	3947	2829
Fire					
Emergency responses	2002	2006	2028	2113	1980
Fire extinguishers	572	572	405	359	338
Inspections	737	0	0	189	374
Refuse Collections					
Refuse collected (tons per day; 365)	82.46	55.95	59.03	68.28	79.74
Recyclables collected (tons per day; 365)	0.90	1.08	1.13	1.02	0.39
Other public works					
Street resurfacing (miles)	N/A	N/A	N/A	N/A	3.52
Potholes repaired	N/A	N/A	N/A	N/A	2100
Parks and recreation					
Athletic field permits issued					
Community center admissions					
Library					
Volumes in collection	87002	87372	60205	58300	59973
Total volumes borrowed	50625	48919	47690	48306	51784
Health					
Environmental Health					16861
Consumer Health					2329
Weed Control					2964
Animal Control					6516
Water					
New connections	29	36	48	38	80
Water main breaks	386	536	439	377	334
Average daily consumption (thousands of gallons)	4138	4198	4047	3412	3184
Peak daily consumption (thousands of gallons)	5395	5411	5753	4615	4420
Wastewater					
Average daily sewer treatment (thousands of gallons)	2000	2000	2000	2000	2000

Sources: various city departments

SCHEDULE 19

	Fiscal Year				
	2005	2006	2007	2008	2009
2821	2523	2355	2301	2349	
N/A	1337	1477	1934	1575	
1902	1791	2208	1829	1955	
16	70	158	111	78	
2449	4334	5561	3796	3066	
1883	1973	2108	2159	2831	
363	424	438	521	546	
376	234	300	409	412	
97.13	76.03	75.52	81.94	82.00	
1.05		1.12	0.70	1.00	
4.43	3.20	6.00	3.60	3.49	
2200	2000	1900	2900	4900	
61648	63086	65306	66015	64749	
51791	53209	56446	50526	48643	
16298	17670	17153	5028	1770	
1984	1854	2222	2440	2519	
2533	3224	2575	2527	2401	
7406	7925	7484	10956	8535	
45	45	99	50	31	
415	537	780	445	608	
3184	3579	3059	3447	3836	
4987	4955	4462	4778	5300	
2000	2000	2000	1700	2100	

**CITY OF KINGSVILLE**

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

<u>Function/Program</u>	<u>Fiscal Year</u>				
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Police					
Stations	1	1	1	1	1
Patrol units	56	46	51	63	63
Fire stations	2	2	2	2	2
Refuse collections					
Collection trucks	N/A	N/A	12	15	18
Other public works					
Street (miles)	104	104	104	104	104
Highway (miles)					
Streetlights	N/A	N/A	N/A	N/A	N/A
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)	113	113	113	113	113
Fire hydrants	623	658	667	674	681
Storage capacity (thousands of gallons)	9,594	9,594	9,594	9,594	9,594
Wastewater					
Sanitary sewers (miles)	90.9	90.9	90.9	90.9	91.11
Storm sewers (miles)	15.3	15.5	15.5	15.5	15.5
Treatment capacity (thousand of gallons)	4,000	4,000	4,000	4,000	4,000

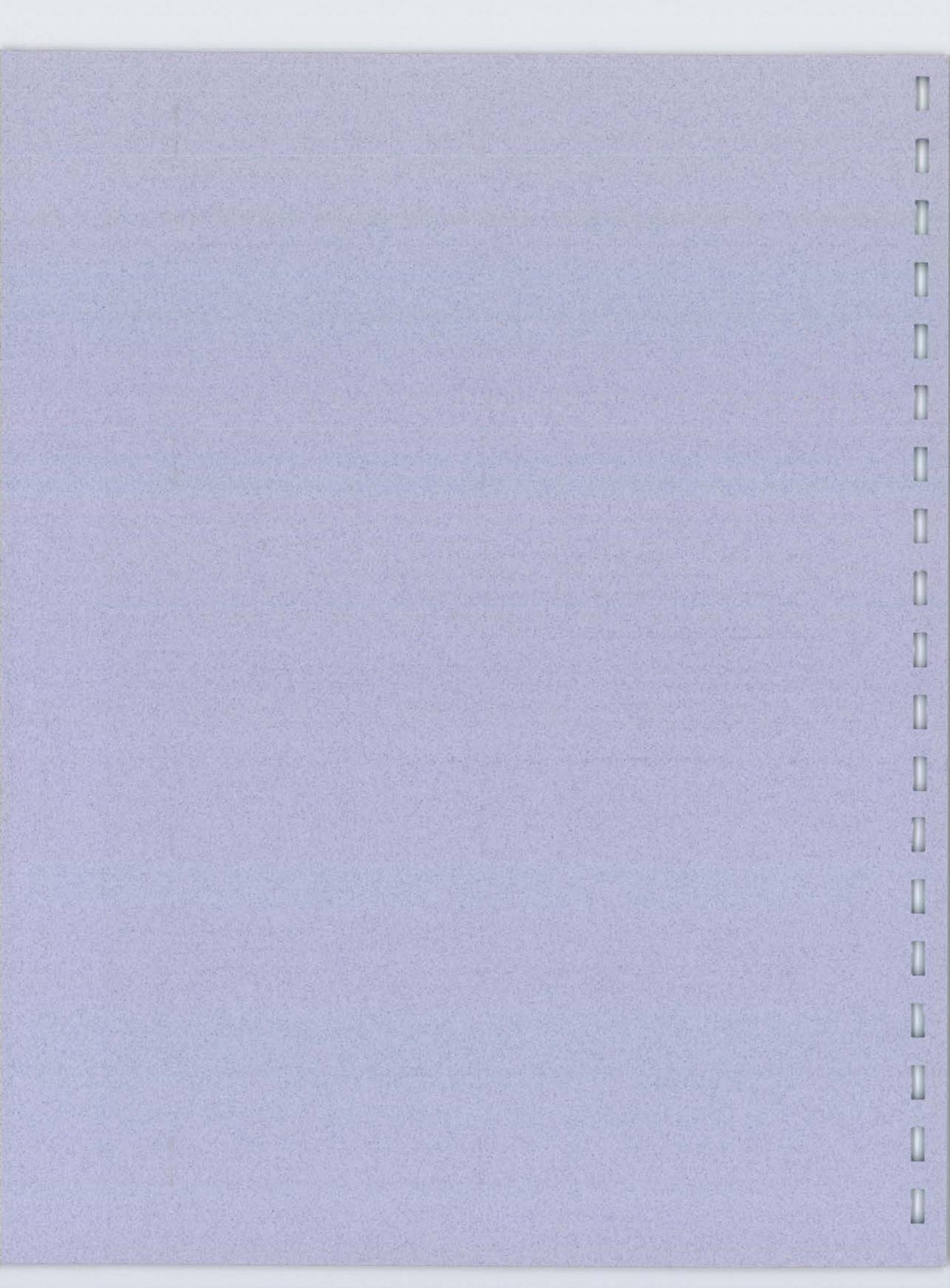
Sources: Various city departments

SCHEDULE 20

Fiscal Year				
<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
1	1	1	1	1
54	53	45	43	47
2	2	2	2	2
18	18	18	18	20
105.25	105.52	105.52	105.52	112.69
546	554	554	554	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	2
114.72	115.72	115.72	115.94	116.14
686	692	692	696	705
9,594	9,679	9,679	9,764	9,764
92.4	94.6	94.6	96.1	96.3
15.77	15.98	15.98	15.98	15.98
4,000	4,000	4,000	4,000	4,000







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

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**Independent Auditor's Report**

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

Board of Trustees  
City of Kingsville  
P.O. Box 1458  
Kingsville, Texas 78364

Members of the Board of Trustees:

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Kingsville as of and for the year ended September 30, 2009, which collectively comprise the City of Kingsville's basic financial statements and have issued our report thereon dated May 28, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Kingsville's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Kingsville's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the previous paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we considered to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Kingsville's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Kingsville's financial statements that is more than inconsequential will not be prevented by the City of Kingsville's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 09-1 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Kingsville's internal control.



PRIVATE COMPANIES PRACTICE SECTION, AICPA DIVISION FOR CPA FIRMS

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 09-1 to be a material weakness.

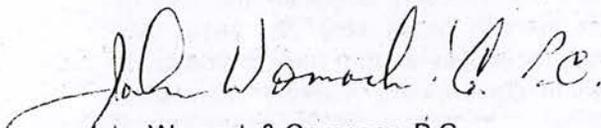
Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Kingsville's financial statements are free of 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*.

We also noted other matters that we reported to management of City of Kingsville in a separate letter dated May 28, 2010.

This report is intended solely for the information and use of management, others within the entity, the Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



John Womack & Company, P.C.  
May 28, 2010

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

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**Independent Auditor's Report**

Report on Compliance with Requirements Applicable  
To each Major Program and on Internal Control over Compliance  
In Accordance With OMB Circular A-133

Board of Trustees  
City of Kingsville  
P.O. Box 1458  
Kingsville, Texas 78364

Members of the Board of Trustees:

Compliance

We have audited the compliance of City of Kingsville with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2009. City of Kingsville's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of City of Kingsville's management. Our responsibility is to express an opinion on City of Kingsville's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Kingsville's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of City of Kingsville's compliance with those requirements.

In our opinion, City of Kingsville complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2009.

Internal Control Over Compliance

The management of City of Kingsville is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered City of Kingsville's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Kingsville's internal control over compliance.



PRIVATE COMPANIES PRACTICE SECTION AICPA DIVISION FOR CPA FIRMS

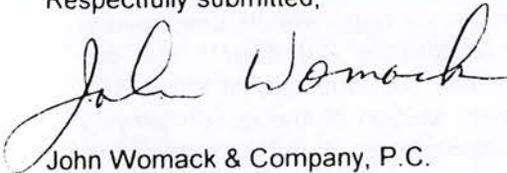
A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses.

This report is intended solely for the information and use of management, others within the entity, the Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



John Womack & Company, P.C.  
May 28, 2010

**CITY OF KINGSVILLE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

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

**1. Financial Statements**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

One or more material weaknesses identified?  Yes  No

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

Noncompliance material to financial statements noted? Yes  No

**2. Federal Awards**

Internal control over major programs:

One or more material weaknesses identified? Yes  No

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

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes  No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
14.228	Community Development Block Grant
97.044	Assistance to Firefighters Grant
97.073	State Homeland Security Program

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes  No

**CITY OF KINGSVILLE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

**B. Financial Statement Findings**

**09-1 Internal Control - Reconciliaiton of Asset and Liability Accounts**

**Condition:**

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

**Criteria:**

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

**Cause:**

The City experienced staffing changes and turnover in the accounting department in 2008 and 2009, and are training new personnel.

**Effect:**

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

**Recommendation:**

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

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

NONE

**CITY OF KINGSVILLE**

*SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009*

Finding/Recommendation	Current Status	Management's Explanation If Not Implemented
<b>08-1 Internal Control - Bank Reconciliations</b>	Implemented	N/A
<p>Condition: The City has not reconciled the pooled cash accounts and other bank accounts on a timely basis during the year or at year-end.</p>		
<p>Criteria: Cash accounts should be reconciled monthly and all related journal entries made on a timely basis.</p>		
<p>Cause: The City experienced staffing changes and turnover in the accounting department in 2008, and are training new personnel.</p>		
<p>Effect: The effect of the unreconciled bank accounts was inaccuracy in monthly reporting, and, potentially, an inability to recognize fraud or other inaccuracies.</p>		
<p>Recommendation: We recommend that the City implement procedures to ensure that personnel are provided proper training, bank accounts are reconciled, and all related journal entries posted on a timely basis.</p>		
<b>08-2 Internal Control - Reconciliation of Asset and Liability Accounts</b>	Not Implemented	The City of Kingsville has experienced an 80% turnover in Finance and Collections Departments over the past 14 months. We anticipate that these issues will be resolved thru training of new staff, allowing us to address asset and liability account reconciliations in a timely manner.
<p>Condition: The City has not reconciled certain asset and liability accounts on a timely basis during the year or at year-end.</p>		
<p>Criteria: Asset and liability accounts should be reconciled monthly and all related journal entries made on a timely basis.</p>		
<p>Cause: The City experienced staffing changes and turnover in the accounting department in 2008, and are training new personnel.</p>		
<p>Effect: The effect of the unreconciled bank accounts was inaccuracy in monthly reporting, and, potentially, an inability to recognize fraud or other inaccuracies.</p>		

**CITY OF KINGSVILLE**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

Finding/Recommendation	Current Status	Management's Explanation If Not Implemented
------------------------	----------------	--

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

<b>08-3 State Compliance - Public Funds Investment Act</b>	Implemented	N/A
--	-------------	-----

Condition:  
 The City did not fully comply with the Public Funds Investment Act.

Criteria:  
 The City's investment officer is required by the Act to submit quarterly investment reports to the Commission for their review. These quarterly reports were not always presented on a timely basis. In addition, the act requires the Commission to formally review the City's investment policy on an annual basis. The policy was not reviewed during the 07-08 fiscal year, but was reviewed in November, 2008.

Cause:  
 The City experienced staffing changes and turnover in the accounting department during the 07-08 fiscal year.

Effect:  
 The potential effect of non-compliance with the Act is the possibility of unauthorized or unapproved investments or a lack of timely changes in investment policies due to changing market conditions.

Recommendation:  
 We recommend that the City review the Public Funds Investment Act and implement policies and procedures to ensure full compliance.

**CITY OF KINGSVILLE**  
*CORRECTIVE ACTION PLAN*  
*FOR THE YEAR ENDED SEPTEMBER 30, 2009*

09-1 Internal Control - Reconciliation of Asset and Liability Accounts

The City will implement policies and procedures necessary to ensure that subledger reconciliations for assets and liabilities are performed monthly, and all related journal entries are posted on a timely basis in order to provide for more accurate monthly financial statements. Mark Rushing, Finance Director, will coordinate these efforts.

**CITY OF KINGSVILLE**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009

EXHIBIT D-1

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U. S. DEPARTMENT OF JUSTICE</b>			
Passed Through Division of Emergency Management:			
Local Border Security Program	16.710	LBSP-08-034	\$ 120,682
Border Security Equipment and Technology Grant	16.710	BSET-08-040	72,364
Justice Assistance Grant	16.710	2007-DJ-BX-0904	1,216
Total Passed Through Division of Emergency Management			194,263
Total U. S. Department of Justice			194,263
<b>U. S. DEPARTMENT OF HOUSING &amp; URBAN DEVELOPMENT</b>			
Passed Through Office of Rural Community Affairs:			
Community Development Block Grant	14.228	726311	172,469
Total U. S. Department of Housing & Urban Development			172,469
<b>U. S. DEPARTMENT OF DEFENSE</b>			
Passed Through Office of Economic Adjustment:			
Joint Land Use Study Grant	12.610	EN0602-09-02	57,261
Total U. S. Department of Defense			57,261
<b>DEPARTMENT OF HOMELAND SECURITY</b>			
Passed Through Texas Department of Homeland Security:			
State Homeland Security Program	97.073	08-2174	38,908
Passed Through Federal Emergency Management Agency:			
Disaster Relief-Hurricane IKE	97.036	JTJ-022	--
Disaster Relief - Hurricane Dolly	97.036	HBW-012	--
Assistance to Firefighters Grant	97.044	EMW-2008-FO-11687	51,437
Total Passed Through Federal Emergency Management Agency			51,437
Total Department of Homeland Security			90,345
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 514,338</b>

The accompanying notes are an integral part of this schedule.

**CITY OF KINGSVILLE**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

**Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of City of Kingsville and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

