

City of Kingsville

Comprehensive Annual Financial Report

For Year Ended September 30, 2011



Texas

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Comprehensive Annual Financial Report

September 30, 2011

CITY OF KINGSVILLE, TEXAS

City Commission

(for the fiscal year ended September 30, 2011)

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

City Manager

Vincent J. Capell

Prepared By:

Department of Finance

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

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CITY OF KINGSVILLE

P. O. BOX 1458 – KINGSVILLE, TEXAS 78364



May 31, 2012

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, 2011, 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, 2011, 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, 2011, 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 2010 Census of Kingsville, the City now has a population of 26,213; this represents a 2.49 percent increase over the 2000 Census of 25,575. The City of Kingsville's standard metropolitan statistical area consists of Kleberg County which has a population of 32,061 according to the 2010 Census. The geographic location of the City is on U. S. Highway 77 which has been proposed to be the new Interstate 69 which will facilitate travel from Mexico, Central and South America to the U.S. and Canada. The City is also home to a major military installation, NAS Kingsville, and tourist attraction, the King Ranch.

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

Form of Government and City Services

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

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

The City is a full service municipality, providing a full range of services. The City's public safety services include police protection, fire protection, building inspection, and a specialized emergency management operation. Law enforcement is provided through the Police Department with 65 employees, which includes 48 police officers and 17 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, 9 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 123.0 miles of waterlines, serves all residents of the City, as well as several other customers and industries within Kleberg County and a 2 mile radius of the City. The City's water supply is primarily provided by seven water wells. The second water supply source is with STWA which maintains a 42" water line

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

As of May 2010, the City completed the Carriage Park Drainage Project which included 3,550 feet of storm pipes, inlets, outfall structures and 2,500 feet of 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-year plan for drainage improvement for the City.

The City has completed building a new water well, Water Well #23, in Fiscal Year 2008-09 with all the finishing touches and plans to complete Water Well #24 in Fiscal Year 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 garbage pick-up twice a week which results in a savings of more than \$100,000 a year. The commercial garbage collection is also automated and is collected up to six days a week. The City's recycling center collects approximately 150 tons a year. The City owns and operates a regional waste disposal facility, also accepting waste from outside of the City and from commercial garbage haulers. Other public works operations of the City include drainage and street maintenance, street lighting and traffic signalization and engineering. The City provides engineering services to support all public works departments as well as the planning department. It also provides the City with engineering design for City construction projects.

Community enrichment and culture services are also major programs of the City. The City and Kleberg County own and operate a library with over 65,000 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 last week of May for the development of the annual operating budget. Under the direction of the City Manager, the Director of Finance uses these requests to develop a proposed balanced operating budget for presentation to the City Commission by the beginning of August. Following a month of budget discussions and deliberations with City Commission, a public hearing is scheduled for the first week of September and adoption of the budget ordinance and supporting fee schedules occur no later than September 30th. The operating budget is prepared by fund, department, function, and organizational unit or project levels.

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

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

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

FINANCIAL CONDITION

Local Economy

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

Major Revenues

The City's major sources of revenue are property, sales and other taxes, and business fees. The September 30, 2011, period showed the following changes in these sources

from the prior year: (1) an increase of 12.83% in property tax receipts due to an increase in the property values, (2) an increase of 23.87% in sales tax, and (3) less than a .01% decrease in business taxes and 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 97.9% to 96.5%. Current fiscal year collected taxes to date, as a percent of the net current tax levy, have increased slightly from 96.1% to 96.5%.

Real property assessed values, over the last fiscal year, increased 3.15%. Sales tax increased \$882,891 or 3.14% from \$3,699,421 to \$4,582,312 over the last fiscal year. This further illustrates steady and stable growth for the local economic conditions.

Employment

The local unemployment rate decreased to 6.5% in September 2011 from 6.7% in September 2010 and the number of jobs in the community increased from 13,107 in September 2011 to 12,579 in September 2010. During the same period, personal income rose from \$28,101 to \$32,936 or 17.21%.

Diversification of Economy

The region has a varied manufacturing, agricultural and petrochemical base that adds to the relative stability of employment. Major industries located within the City's boundaries, or in close proximity, include industrial, construction, fast food restaurants, convenience stores, banking, and financial services. Texas A&M University - Kingsville (TAMUK) is also located within the city limits of the City of Kingsville. There has been a lot of new construction activity on the campus during this fiscal year, including new residence halls and a recreation center.

The federal government also has a major presence within the area with two bases that make up the south Texas military complex: Naval Air Station – Kingsville for jet aviation training and Naval Air Station – Corpus Christi. NAS Kingsville has recently added new tenant commands and is refurbishing and expanding its infrastructure and facilities.

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

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

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

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

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

Transportation

A primary component of the City's transportation system is the 2,457-acre Corpus Christi International Airport, which is only 45 minutes from the City of Kingsville. Currently, the Airport is served by approximately 24-30 daily flights from three major domestic carriers that use the Airport's 7,508 and 6,080 feet of lighted runways for a total of 13,588 feet. The Airport serviced 16,560 airline arrivals and departures and 16,560 passengers in fiscal year 2010. 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 Fiscal Year 2011, the citizens and elected officials of Kingsville cooperated in the planning and implementation of several major projects and capital asset acquisitions.

The City Community Appearance Division was created to expand upon the existing Code Enforcement Division. This new division was placed within the Development Services Department and has since created a "one-call" complaint line for residents and initiated its "Clean Sweep" program among several other programs. The "Clean Sweep" program

is designed to provide clean-up assistance and educational awareness on a quarterly basis working to provide a clean and beautiful City.

Additionally, the Development Services Department began a dangerous building initiative, wherein the Community Appearance Division and the Building Permits and Licenses Division collectively identified and razed the top dangerous buildings in Kingsville at the end of Fiscal Year 2011 and beginning of Fiscal Year 2012. In total, eleven dangerous structures were demolished and properly disposed utilizing City demolition funds. This program will continue in Fiscal Year 2012.

The City's Police Department received over \$92,000 for equipment and over \$81,000 for overtime costs to fight drug trafficking along the highway and within the city limits. The Kingsville Police Department and Task Force are combining their efforts and plan to receive additional grant funds for overtime to continue the fight of drug trafficking.

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

Certificates of Obligation have been designated for the remodeling and upgrade of the old HM King High School. Planning committees have met to discuss the project.

In addition to the Kingsville Main Street initiative, the City has updated its events policies to clarify procedures and encourage events for both local citizens and for visitors.

City Growth and Development

In fiscal year 2010, the City continued previous year's projects and 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 conducted smoke tests starting in fiscal year 2008-2009 for the Inflow and Infiltration (I&I) study of existing sanitary sewer lines and completed testing through fiscal year 2009-2010.

Economic Development

The City continues to partner with Kleberg County, the Economic Development Council (EDC), Texas A&M University-Kingsville (TAMUK) and Coastal Bend College in creating quality jobs and programs toward achieving optimal economic stability and diversification. Major initiatives tied to economic development are being collaborated with these partners. Case in point, the City, EDC and TAMUK recently partnered to hire a consultant to develop a comprehensive housing market study. Two planning companies from Austin, Texas performed an economic indicator study providing factual analysis

showing Kingsville is poised for growth. This study has since been disseminated to those in the development community, investors and business/corporation owners. This vital tool is proving to be a successful partnership as development interest is at a 40-year high.

Additionally, the City performed an in-house study to develop a comprehensive housing plan. The plan was created to provide a long range and short term vision for addressing the known housing shortage. This ties into economic development, as the aforementioned housing market study and the in-house study shows, Kleberg County and the City of Kingsville had a 16.9% increase in job growth; however, our population in the City only grew by 2.5%. This indicates rampant residential leakage. Residential leakage is defined as those that commute to Kingsville to work, but choose to live elsewhere due to a more plentiful housing choice or higher quality of life in a neighborhood setting. To address this, the Comprehensive Housing Plan was created to be utilized in policy making and design review settings as a guide to how housing developments should be carried out to capture that residential leakage, build the community and develop the local economy.

Current Construction Projects

- ❖ Nature's Own RV Resort – new construction value \$600,000.00 and 3,864 sq. ft. on S. Hwy 77.
- ❖ Christus Spohn Hospital – new construction for the new ICU Unit Center valued at \$150,000.00.
- ❖ Proco, located at 700 Proco Trail, an oil industry supplier is in the process of expansion, including two new buildings valued at \$ 12,000.00.
- ❖ Kleberg County initiated and completed renovation and remodeling of the building known as the “Exxon Building” with a value of over \$2,000,000.00.
- ❖ Steele's, a new regional merchant retailer, began construction at their new location in Southgate Mall. This business is scheduled to open for business in May of 2012.
- ❖ GNC Center relocated and remodeled a tenant space on E. General Cavazos Blvd. with a construction value of \$48,443.66.
- ❖ The Animal Clinic, located on E. General Cavazos Blvd., performed new construction of a 1,488 sq. ft. building valued at \$30,000.00.
- ❖ Ponchos on the Border, a new business at 601 N. 7th St., performed a 1,600 sq. ft. commercial remodel for the new business with an overall value of \$5,000.00.
- ❖ H.M. King High School expanded by adding a new 9,151 sq. ft. fine arts building at 2210 S. Brahma Blvd. valued at \$179,550.00.
- ❖ Home Smart, a merchant retailer, has located at 805 S. 14th St. with a commercial remodel valued at \$160,000.
- ❖ Rimco, a merchant retailer, has located at 805 S 14th St., Suite B. with a commercial remodel valued at \$150,000.00.
- ❖ The Texas State Department of Family Services relocated to the Kleberg County Building located at 100 E King Ave., a.k.a. the “Exxon building” with the improvements totaling \$7,535.00.
- ❖ Hubert Animal Clinic performed a 2,400 sq. ft. commercial remodel at 2103 E. Caesar St. with a value of \$30,000.00.

- ❖ Blake Fulenwider Dodge, Chrysler, Jeep took over the site at 2151 N. Hwy 77, the previously vacant dealership and performed a commercial remodel valued at \$8,000.00.
- ❖ Love's Truck Stop performed new construction for a Tire Shop Center and fuel tank construction valued at \$165,000.00 at 1451 N. Hwy 77.
- ❖ The Nail Salon, located on E. King Ave. underwent a commercial remodel valued at \$5,000.00.
- ❖ Betty Haas' office on E. King Ave. underwent a commercial remodel valued at \$5,000.00.

Future Construction Projects

- ❖ The Kingsville Independent School District is in the design process to build a new high school to replace the existing high school. This will be a substantial investment in the community.
- ❖ The City of Kingsville is investing in an enhanced corridor landscape project that will beautify a portion of General Cavazos Blvd. from US Highway 77 to Brahma Blvd. This project will consist of the planting of 121 new trees to create a tree lined boulevard.
- ❖ Franklin Welding Inc. is proposing a 2,400 sq. ft. expansion of their current facility. The intent is to expand the shop area to facilitate future growth, both in jobs and production.
- ❖ Coastal Plains MHMR is proposing the construction of a nearly 14,000 sq. ft. facility on Corral Ave. to relocate their offices and provide additional services for their clients.
- ❖ A new apartment complex has been submitted for review at 126 W. Corral Ave. which will consist of 6 two-bedroom living units. This project is anticipated to be completed in 2013.
- ❖ RX apartments, located at 711 W. Avenue B. will be a 12 unit one-bedroom apartment complex which will cater to the pharmacy student population and include on-site laundry, common area and heavy landscaping within the development.
- ❖ The Newman Connection, in partnership with the Corpus Christi Catholic Diocese, will be constructing a 600 unit student housing facility near the Texas A&M University-Kingsville campus. This project will be done in two phases with the first phase scheduled to begin in September of 2012 with completion in July of 2013.
- ❖ Reyna Apartments has been submitted for review at 1st St. and Corral Ave. which will consist of 5 residential apartment units.

Residential Developments

- ❖ University Oaks Apts. located at W Santa Gertrudis completed their 3,630 sq. ft. project consisting of 6 apartment units valued at \$220,000.00 in the summer of 2011.
- ❖ The Kingsville Housing Authority constructed a new housing development named the Heights of Corral with a multi-unit complex totaling 89,211 sq. ft. and an estimated value of \$512,000.

- ❖ The construction of Paulson Falls Phase III is underway. Currently, thirteen of the sixty-three lots have been built upon.
- ❖ Casa Ricardo, the new senior housing development, currently under construction at 200 W. Yoakum St. will be completed in late summer of 2012. This project is valued at \$2,000,750.00.
- ❖ In fiscal year 2011, a total of 17 new residential permits were issued.

Tourism

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

The ranchland connections support birding, hunting, fishing, gunning, heritage events and other tourism.

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

The Naval Air Station provides its own Navy and business visitors, as well as providing the venue for a spectacular biennial Wings over South Texas Air Show with the Navy's Blue Angels.

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

Financing of Major Capital Projects

During the 2010 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 .51% 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 August 31, 2010. The funded ratio of actuarial accrued liability for the Volunteer Fire Fighter's TESRS was 80% as of August 31, 2010, 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 2011 the City contributed \$32 per volunteer fire fighter toward pension financing each year, with no contribution from the individual fire fighters.

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 11.87% of salaries. The funded

ratio of actuarial accrued liability for the City employees' plan, TMRS, was 87.7% at the date of the last actuarial reports.

CAFR Program

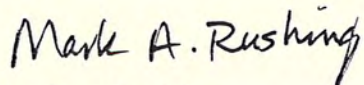
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Kingsville for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2010 continuing to confirm compliance with both GAAP and legal requirements. This was the twenty-third 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; J. Chris Newton, Assistant Accountant II; Diana Medina, Collections Manager; Rose Morrow, current Municipal Court Manager; Yolanda Vasquez, previous Municipal Court Manager; Antonio Verdin, current Information Systems Technician; and Rudy Najera, previous Information Systems Technician. Special thanks must be given to Vincent J. Capell, City Manager for his continued guidance and support.

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

Respectfully submitted,



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, 2010

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.



Linda C. Sandison

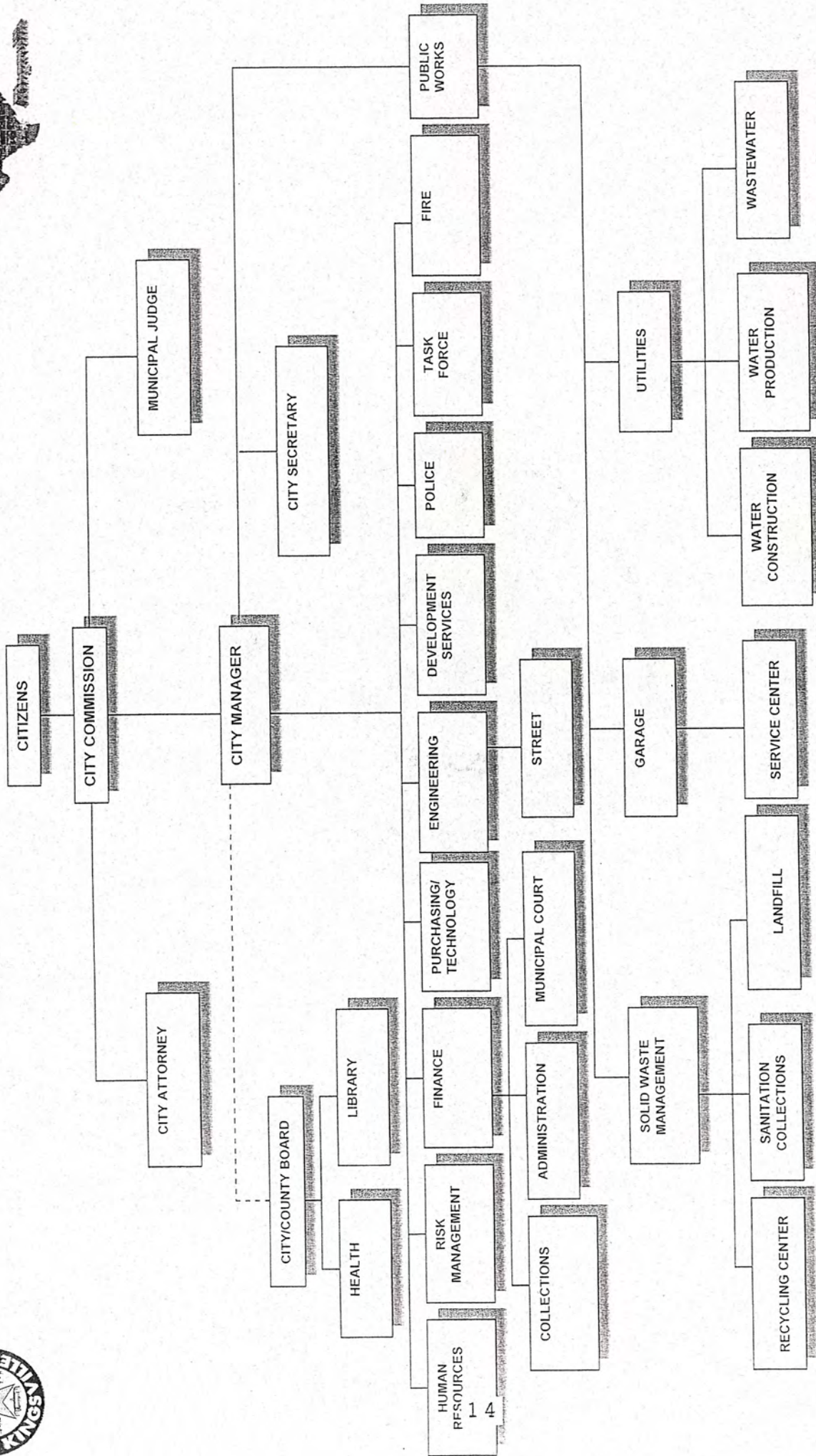
President

Jeffrey R. Enner

Executive Director



City of Kingsville Organizational Chart





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

JOHN L. WOMACK, CPA

JOHN R. WOMACK, CPA
MARGARET KELLY, CPA

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

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, 2011, 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 the 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, 2011, 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 April 13, 2012, on our consideration of City of Kingsville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

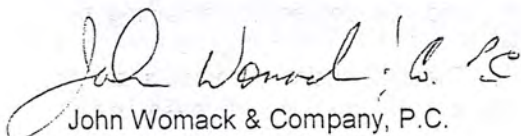
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our



inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Kingsville's financial statements as a whole. not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Respectfully submitted,



John Womack & Company, P.C.
April 13, 2012

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, 2011. 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 \$ 27.2 million.
- The fund balance of the General Fund increased from \$8.7 million to \$10.4 million. This represents a 19.47% increase over the prior year's fund balance, and furthermore, represents 72.8% of the \$14.3 million in expenditures. The General Fund's undesignated and unreserved fund balance was \$5.9 million, or 41.3% of general fund expenditures.
- Total assets, excluding component units, were \$67.3 million; total liabilities, excluding component units, were \$40.1 million.
- The ratio of total assets to total liabilities for governmental activities was 2.03 times; for business-type activities the ratio was 1.46 times.
- The quick ratio (current assets to current liabilities) was 3.37 times for governmental activities and 7.76 times for business-type activities.
- Total net assets were \$27.2 million, which was an increase from \$25.0 million for the prior year, or about 8.7%. Governmental activities' net assets increased by 13.38%, while business-type activities net assets increased by 2.77%.

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

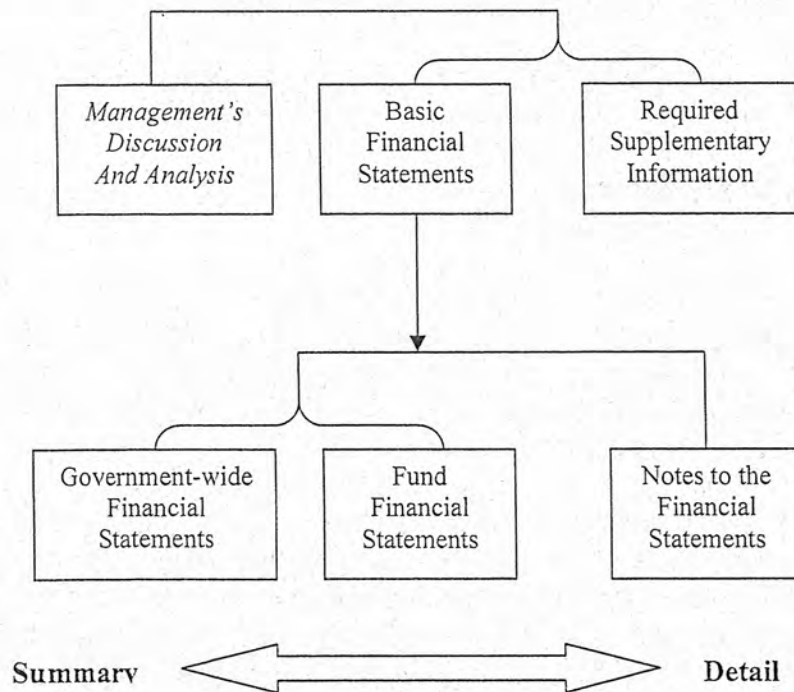


Figure A-1 shows how the required parts of this annual financial report are arranged and relate to one another. In addition to these required elements, a section with combining statements that provides details about the non-major governmental funds and internal service funds is included.

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, 2011, the net assets totaled \$27.2 million, \$2.177 million more than the prior year. The composition of these net assets is \$15.8 million for governmental activities and \$11.4 million for business-type activities, which is comprised primarily of the Combined Utility System.

A large portion of the City's net assets, 44.4%, are invested in capital assets (e.g., land, infrastructure, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities, and the City has over 2.8% of its net assets set aside for the retirement of debt. Approximately 40.7% 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
September 30, 2011 and 2010 (in thousands of dollars)

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current & other assets	\$18,193	\$11,512	\$18,713	\$13,615	\$36,905	\$25,127
Capital assets	12,985	12,749	17,498	17,981	30,483	30,730
Total assets	31,178	24,261	36,210	31,596	67,388	55,857
Long-term liabilities	9,982	5,941	22,396	18,247	32,377	24,188
Other liabilities	5,353	4,347	2,411	2,252	7,764	6,599
Total liabilities	15,335	10,288	24,807	20,499	40,141	30,787
Net assets	\$15,843	\$13,973	\$11,404	\$11,097	\$27,247	\$25,070
Net assets						
Investment in capital assets						
net of related debt	\$8,704	\$7,243	\$3,399	\$3,028	\$12,102	\$10,271
Restricted	683	912	1,404	2,226	2,086	3,138
Unrestricted	6,457	5,819	6,602	5,843	13,058	11,662
Total net assets	\$15,843	\$13,974	\$11,404	\$11,097	\$27,247	\$25,071

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 \$11.4 million, which is 41.8% of total net assets and is \$307 thousand 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, 2011 and 2010
(in thousands of dollars)

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenue:						
Program revenue:						
Charges for services	\$3,408	\$3,140	\$11,526	\$10,051	\$14,935	\$13,191
Operating grants and contributions	479	487	0	1	479	488
Capital grants and contributions	93	0	0	0	93	0
General revenues:						
Property taxes	5,998	5,567	0	0	5,998	5,567
Sales taxes	4,582	3,699	0	0	4,582	3,699
Other taxes	1,028	1,026	0	0	1,028	1,026
Investment earnings	87	148	130	79	217	227
Other	0	37	0	0	0	0
Total revenues	15,676	14,104	11,656	10,131	27,332	24,235
Expenses:						
General government	2,974	2,853	0	0	2,974	2,853
Public safety	9,145	8,450	0	0	9,145	8,450
Public works	2,521	2,839	0	0	2,521	2,839
Health & other public services	801	782	0	0	801	782
Tourism	484	421	0	0	484	421
Interest on long-term debt	319	191	0	0	319	191
Water and wastewater		0	6,240	5,748	6,240	5,748
Solid waste		0	2,670	3,201	2,670	3,201
Total expenses	16,245	15,536	8,910	8,949	25,155	24,485
Increase in net assets before transfers	(570)	(1,432)	2,747	1,182	2,177	(250)
Transfers	2,440	1,003	(2,440)	(1,003)	0	0
Increase (decrease) in net assets	1,870	(429)	307	179	2,177	(250)
Net assets, beginning	13,973	15,312	11,097	10,008	25,070	25,320
Prior period adjustment	0	(910)	0	910	0	0
Net assets, ending	\$15,843	\$13,973	\$11,404	\$11,097	\$27,247	\$25,070

Governmental Activities

As shown in Table A-2, revenues were split between governmental activities and business-type activities 57.4% and 42.6%, respectively, with expenses for each at 64.6% and 35.4%. Net assets increased 14.7% from the prior period for governmental activities, increased 2.7% for business-type activities, and increased 8.7% overall.

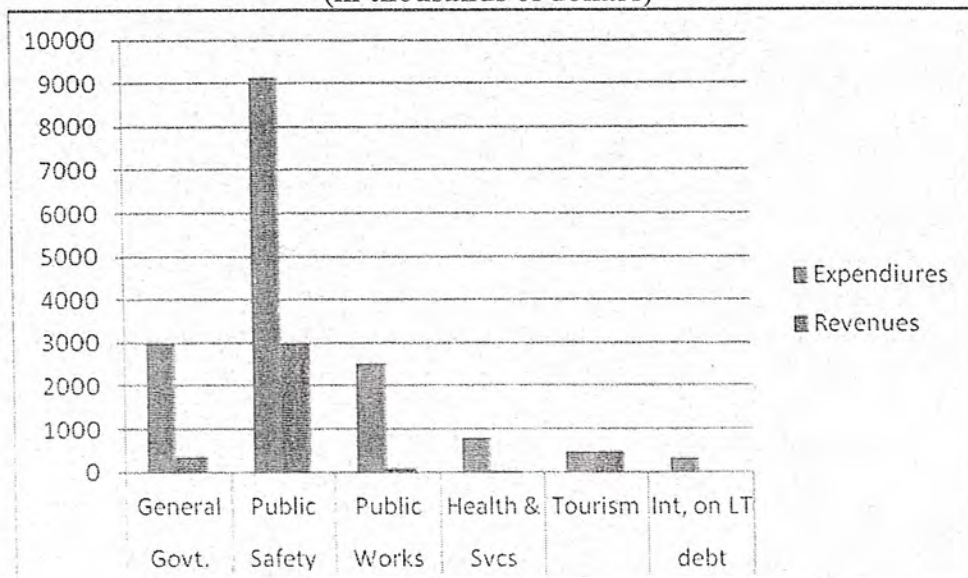
- The cost of all *governmental* activities for the fiscal year 2011 was \$16.2 million.
- However, the amount that taxpayers paid for these services through City taxes and business fees was \$11.5 million.

Some of the cost was paid by:

- Those who directly benefited from the programs (\$3.4 million), and
 - Other governments and organizations that subsidized certain programs with grants and contributions (\$572 thousand).
- Charges for services comprised 21.7% of governmental activities revenues including transfers and 98.9% of business-type activities' revenues including transfers.
- Taxes contributed 74.1% of governmental activities revenues including transfers. Investment earnings, with interest rates, generated .6% and 1.1% of governmental activities revenues and business-type activities, respectively.
- Public Safety (including Police, Fire, Emergency Management, Municipal Court, and Inspections) expenses accounted for 56.3% of governmental activities expenses and 15.5% 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 \$6.2 million.
- General government comprises 18.3% of all governmental activities' expenses.

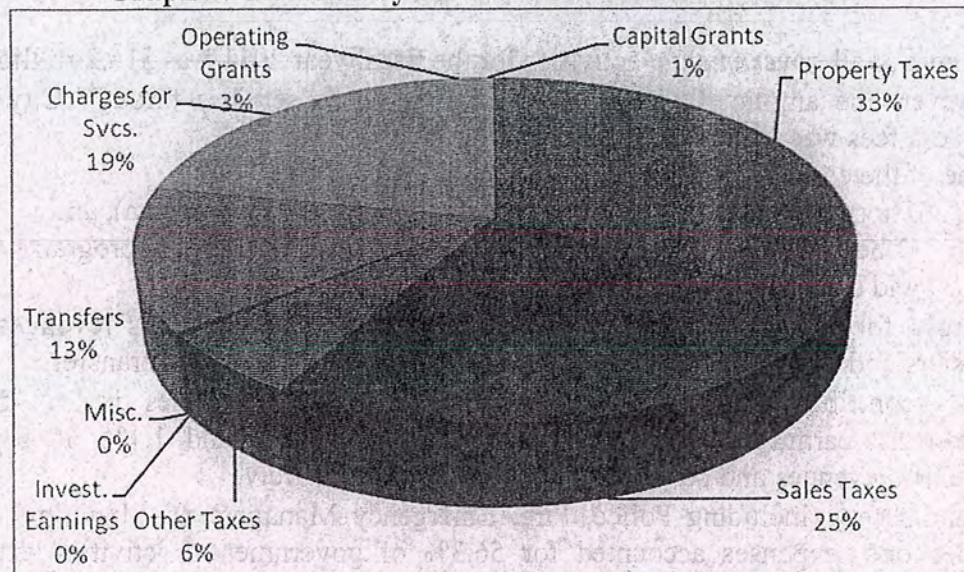
Graph 1 presents the cost of each of the City's major governmental functions, as well as the associated program revenues.

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



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

Graph 2: Revenue by Source – Governmental Activities



Revenues of the City's business-type activities are associated with operating activities accounted for in the Enterprise Funds. Solid Waste activities are recorded in the General Fund but are shown in the government-wide statement as a business-type activity.

The Combined Utilities System of water and wastewater accounted for 70.0% of the expenses generated for business-type activities, with solid waste accounting for an additional 30.0%. It had operating revenues of \$8.0 million, operating income of \$2.3 million, and income before transfers of about \$1.77 million, with a profit after transfers of \$523 thousand for the fiscal year. Compared to the 2010 fiscal year, the System's operating revenues were up by \$1.4 million, the operating income was up by \$1.1 million and net income after transfers was \$855 thousand higher. The major causes of these results were:

- Increased operating revenues are largely the result of an unusually dry spring and summer during 2011, which caused water revenues to increase by \$959 thousand, or 25.5% more than the preceding year.
- The operating expenses increased by \$403 thousand, primarily due to increased supplies costs and water supply contract costs.
- Wastewater fund revenue was up by \$448 thousand, also due to a decrease in water sales, to which wastewater revenue is tied.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds

- Total assets of the General Fund increased \$1.5 million from \$12.0 million to \$13.5 million between 2010 and 2011. Most of this overall increase in total assets is from an

increase in Investments of about \$1.1 million, an increase in Equity in Pooled Cash and Cash Equivalents of \$602 thousand, a reduction in Accrued interest of \$350 thousand, a reduction in Due From Other Funds of \$1.0 million, and a reduction in Restricted Cash and Cash equivalents of \$976 thousand over the previous Fiscal Year 2009-2010.

- The City forgave all Accrued Interest on old Street Assessments to encourage the collection of the principal portion of the assessment. This was conditional on payment being made in full for the principal over the course of a year. Therefore Accrued Interest Receivable declined by \$350 thousand, as well as Deferred Revenue by the same amount.
- Total liabilities of the General Fund decreased by \$196 thousand to approximately \$3.1 million, a 5.9% decrease. The majority of the increase is attributed to a \$318 thousand increase in Current Accounts Payable, and a \$210 thousand reduction in Due to Other Governments, and a \$402 thousand reduction in Deferred Revenue for Fiscal Year 2010-2011 over Fiscal Year 2009-2010. This brings the ratio of total assets to total liabilities to 4.31 times in 2011 which is the same ratio in 2010.
- See on page 26 the Budgetary Results of the General Fund section below for more details on the General Fund revenues and expenditures resulting in General Fund Excess of revenue over expenditures before other financing sources of \$1.2 million.
- The General Fund Unassigned Fund balance increased \$1.3 million in Fiscal Year 2010-2011 to \$5.9 million from \$4.5 million in Fiscal Year 2010-2011. The Committed Fund Balance for Landfill Closure /Post Closure increased by \$283 thousand.

Police Forfeiture Funds

- Total assets of the Police Forfeiture Fund increased \$740 thousand from \$4.0 million to about \$4.8 million between 2010 and 2011. Most of this overall increase in total assets is from increased Equity in Pooled Cash and Cash Equivalents of \$1.0 million, an increase in Restricted Cash and Cash Equivalents of \$264 thousand and a decrease in Investments of \$600 thousand as compared to the previous Fiscal Year 2009-2010.
- Total liabilities of the Police Forfeiture Fund increased by \$665 thousand from \$1.6 million in Fiscal Year 2009-2010 to approximately \$2.3 million in Fiscal Year 2010-2011. This brings the quick ratio (current assets to current liabilities) to 2.08 times in 2011 from 2.47 times in 2010. This is because they still had \$775 thousand in unsettled seizures pending up \$251 thousand and Due from Other Funds of \$1.0 million which was up \$292 thousand at September 30, 2011.
- The Police Forfeiture Fund revenues remained the same at \$1.5 million for FY 2009-2010 and FY 2010-2011. The Police Forfeiture Fund expenditures increased from \$1.3 million in FY 2009-2010 to \$1.5 million in FY 2010-2011 or \$197 thousand.
- The Police Forfeiture Fund Unassigned Fund balance increased by \$74 thousand from approximately \$2.4 million in year 2010 to \$2.5 million in 2011.

Debt Service Fund

- The Debt Service Fund increased \$223 thousand from about \$431 thousand in 2010 to \$654 thousand in 2011. This was an increase of 51.74% increase from 2010 to 2011. The City has implemented a strategy to build up the Debt Service Fund Balance to safeguard against adverse economic times that could occur in the future as a conservative measure. This is balanced with structuring the Debt Service Fund Balance to minimize the balance being carried to no more than required for the cash flow necessary to service the City's debt.

Capital Improvement Fund

- Total assets of the Capital Improvement Fund increased \$4.0 million from \$1.0 million to \$5.0 million between 2010 and 2011 with the issuance of Certificates of Obligation in during 2011. Most of this overall increase in total assets is the result of the Restricted Cash and Cash Equivalents \$4.8 million remaining at September 30, 2011.
- Total liabilities of the Capital Improvements increased by \$323 thousand to approximately \$682 thousand, a 90.3% increase. The majority of the increase is attributed to a \$154 thousand increase in Current Accounts Payable, and a \$169 thousand increase in Due to Other Funds Fiscal Year 2010-2011 over Fiscal Year 2009-2010. This brings the ratio of total assets to total liabilities to 7.38 times in 2011.
- The Capital Improvement Fund Restricted Fund Balance increased by \$3.7 million primarily as the result of the Certificate of Obligation 2011 issue.
- For more details on the Certificate of Obligation 2011 issue see Note H on page 61.

Other Governmental Funds

- Total assets of the Other Governmental Funds remained relatively unchanged decreasing \$51 thousand from \$532 thousand to \$480 thousand between 2010 and 2011. Due From Other Governments was \$126 thousand less with Restricted Cash and Cash equivalents increasing \$91 thousand.
- Total liabilities of the Other Governmental Funds decreased by \$51 thousand to approximately \$470 thousand, a 9.8% decrease. The majority of the decrease is attributed to a \$59 thousand decrease in Current Accounts Payable.

Budgetary Results of the General Fund

General Fund taxes and business fee revenues were over \$10 million, which was \$221 thousand or 2.25% above the final budget. Ad Valorem Delinquent and Penalty revenues were \$49 thousand or 65.34% and \$21 thousand or 84.29% respectively above budget. Sales Tax Revenue was \$115 thousand or 2.58% above budget. Electric Franchise revenue was \$72 thousand or 11.44% higher than the final budget. These positive variances are the result of conservative budgeting and a surge in the local economy resulting from increased activity in the Oil and Gas industry.

Sanitation Total Charges for Services revenues were \$62 thousand or 1.73% more than the final budget. Sanitation Services Garbage Fees revenue were higher than the final budget by \$52 thousand or about 1.75% of the Final Budget for Fiscal Year 2011-12 for Garbage Fees. Sanitation Services Landfill Fees revenue were higher than the final budget by \$57 thousand or about 11.53% of the Final Budget for Fiscal Year 2011-12 for Landfill fees. This resulted from budgeting conservatively, updating sanitation revenue ordinances, and adjusting marketing strategies throughout the fiscal year. Sanitation Services Miscellaneous revenue were less than the final budget by \$48 thousand or 56.04%. This revenue variance is due to a less than anticipated amount of sanitation penalty and interest. The City in this case, didn't budget conservatively enough in landfill fees which caused an unfavorable budget variance to occur. Customers were paying on a more than anticipated timely basis.

City Manager Personal Services was \$23 thousand or 11.62% less than budgeted. During FY 2010-11, the City Attorney served as the Interim City Manager while a formal search for a new City Manager was conducted. The former City Manager had been recruited by a larger City in the area in late summer of 2010.

City Special Services expenditures were lower than the final budget by \$75 thousand. This favorable budget variance is mainly the result of less Claims Paid against the City expenditures because less than normal claims and deductible amounts were needed for the fiscal year. The Kleberg County Golf Courses expenditures were only for September through January instead of a full year.

Municipal Court Services expenditures were lower than the final budget by \$34 thousand. Employees in the department were budgeted full-time, but for various reason/s worked less than full-time.

Community Appearance Services expenditures were lower than the final budget by \$44 thousand. This was the result of a \$41 thousand budget increase for additional services not needed at fiscal year-end for housing demolition.

Fire Department Total expenditures were lower than the final budget by \$96 thousand. Of this amount, \$92 thousand is related to Personal Services for the Fire Department or about 4.16% of the Fire Department Personal Services final budget. Police Department total expenditures were also lower than the final budget by \$211 thousand. Of this amount, \$123 thousand is related to Personal Services for the Police Department or about 3.38% of the Police Department Personal Services final budget. In Fiscal Year 2010-11, both of these departments Personal Services were budgeted conservatively. The City budgets at 100% of the City of Kingsville Compensation Plan. In both departments, employee turnover is off-set by retirement pay-off (that can't always be planned in advance). The final result was a positive variance for this fiscal year. The other expenditures in these departments were also conservatively budgeted with managerial oversight contributing to the positive variances. The Volunteer Fire Department had an unfavorable variance of \$7 thousand more expenditures than budgeted. This negative variance was due to an aggressive renovation program in the department and lack of proper oversight in the department.

Street Department Total expenditures were lower than the final budget by \$107 thousand or 8.68%. The majority of this came from Personal Services and Services expenditures. Of this amount, \$74 thousand is from Personal Services for the Street Department or about 9.97% of the Street Department Personal Services final budget. This positive variance is due to budgeting at full staff and experiencing turnover in the department. The downside is the City is experiencing considerable turnover in labor competing with the Oil and Gas Industry. Street Department Equipment Maintenance expenditures were lower than the final budget by \$24 thousand or 36.35%. This was due to newly implemented vehicle fleet, machinery and equipment replacements initiatives and managerial strategies.

Landfill Department Total expenditures were lower than the final budget by \$60 thousand or 7.71%. The majority of this came from \$23 thousand in Services and \$28 thousand in Equipment Maintenance expenditures. This was due to newly implemented vehicle fleet, machinery and equipment replacements initiatives and managerial strategies.

General Fund total revenues came in \$346 thousand or 2.33% above the final budget. The General Fund expenditures came in \$846 thousand or 5.58 % below the final budget. These two favorable variances combined for a net favorable variable of \$1.22 million or 12.82% excess revenues over expenditures.

Budget Amendments of the General Fund

City Sales Tax Revenue was amended up \$987 thousand to adjust for \$382 in Texas State Comptroller Audit Adjustments and \$605 thousand increase in revenue resulting from an economic upsurge in Oil and Gas related activity. Building Permits Revenue and Other Permits Revenue was amended down \$28 thousand and \$21 thousand respectively due to an economic shortfall. These permits revenues were anticipated to increase at the first part of the fiscal year but lagged behind the local economic surge and didn't start materializing until the later part of the fiscal year.

Ambulance Revenue was amended a net increase of \$23 thousand. This was due to less than anticipated collection rate of reimbursements of \$26 thousand and \$49 thousand increase in budget for uncollectible expenditure. Ambulance Services Revenue was previously budgeted as a net amount with no provision for the uncollectible expenditure. Charge for Other Services Revenue was amended up \$50 thousand due to the City entering into an inter-local agreement with Texas A & M University Kingsville. Sanitation Services Landfill Fees Revenues was amended up \$21 thousand due to projected increases in revenue due to changes in landfill ordinance/s and marketing strategies. Sanitation Services Garbage Fees Revenue was amended down \$42 thousand due to a drop in volume at the 1st part of the fiscal year.

Municipal Court Fines and Forfeiture Revenue were amended down \$50 thousand due to lack of focus in the department. The Municipal Court Clerk was working only a half-time schedule. New initiative in FY 2011-12 have addressed issues in the department and the Municipal Courts efficiency and effectiveness have increased. Special Assessments – Street Paving Fee Revenues was amended up \$31 thousand due to the City Commission declaring a moratorium on the interest owed on old outstanding balances, if paid by February 28, 2012.

Auction Revenue was amended up \$83 thousand due to additional revenue generated from the sale of old vehicles and equipment.

City Administration Department City Special Personal Services Expenditures was amended up \$637 thousand to pay-off the City of Kingsville's Net Pension Obligation owed to the Texas Municipal Retirement System through 9/30/11. In that same department Professional Services Expenditures was amended up \$51 thousand for a consultant to assist in the hire of a City Manager search in the amount of \$20 thousand and \$48 thousand for the payment Kleberg County to assist with Golf Course utility and equipment repairs expenditures. In addition \$17 thousand was moved out of the departmental budget to finance the Service Center purchase of new gasoline tank equipment.

Community Appearance Services Expenditures was amended up by \$41 thousand in anticipation of increased hauling fees resulting from increased housing demolition of condemned structures. This was funded by a \$54 thousand budget amendment down in Community Appearance Building Maintenance Expenditures that was rescheduled for FY 2001-12.

Police Department Personal Services Expenditures was amended up \$40 thousand to additional payroll costs. This was funded primarily from a \$35 thousand budget amendment down in Police Department Building maintenance that was rescheduled for FY 2001-12. Fire Department Personal Services Expenditures was amended down \$64 thousand due to budget savings. The majority of that budget savings was used to finance a \$31 thousand budget amendment increase for building renovations at the Volunteer Fire Department. Recycle Center Personal Services Expenditures was amended down \$67 thousand due to budget savings. The majority of that budget savings was used to finance a \$35 thousand budget amendment increase in Sanitation Collection Equipment Maintenance and a \$27 thousand increase in Landfill Department Services Expenditures to comply with State Mandates.

Other Expense Ambulance Services and Sanitation Services Uncollectible Expenditures were amended up \$49 thousand. Ambulance Services Revenue was previously budgeted as net amount with no provision for the uncollectible expenditure.

Additional information on the City's Original Budget to Final Budget and Final Budget to Actual can be found on Exhibit B-1, pages 77-84.

Non-major Governmental Funds

Four special revenue funds comprise this portion of the financial statements. Total assets for the combined funds were \$481 thousand, total liabilities were \$470 thousand, and total fund balances were \$10 thousand, with \$10 thousand in undesignated and unreserved fund balances.

The most significant of these special funds is the Federal Grants. Each of the special revenue funds are maintained separately because of special provisions for the receipt and expenditure of funds in compliance with Federal or State laws or regulations and the City's bond ordinances, or other City Council actions.

CAPITAL ASSET AND DEBT ADMINISTRATION

Table A-3: Capital Assets (net of depreciation) at September 30, 2011 and 2010
(In thousands of dollars)

	Governmental Activities			Business-type Activities		
	2011	2010	% Change 10-11	2011	2010	% Change 10-11
Land	\$470	\$470	0.00%	\$352	\$352	0.00%
Building and improvements	1,850	1,851	-.05%	13,574	11,981	13.30%
Equipment	607	548	10.77%	1,194	817	46.00%
Vehicles	2,662	2,180	22.05%	1,811	2,003	-9.59%
Road network	7,397	7,665	-3.50%	0	0	N/A
Construction in progress			N/A	566	2,729	-79.26%
Total	\$12,985	\$12,714	2.13%	\$17,498	\$17,882	-2.15%

As shown in Table A-3, at September 30, 2011, the City had invested \$30.4 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 51-52 of the Notes to the Financial Statements.

Long-term Debt

Table A-4 indicates that total long-term debt decreased by \$7.9 million from 2010 to 2011 or 30.0%. Of that, landfill closure costs increased \$254 thousand or 6.6%, while compensated absences increased 3.6%. Certificates of Obligation decreased \$1.8 million which is about an 8.73% reduction from the previous Fiscal Year. Other Post-Employment Benefits increased by \$178 thousand and Net Pension Obligation increased \$315 thousand in compliance with GASB 45 recognition. Total debt outstanding at fiscal year-end was \$29.1 million, down from \$21.5 million for the prior year.

In addition, there were overall reductions of \$2 million in certificates of obligation bonds and revenue bonds (Combined Utility System) through scheduled principal payments. Governmental Activities certificate of obligations had \$957 thousand in debt reduction and the Business-type had a reduction of \$1.1 million in certificate of obligations and revenue bonds. Additional information on the City's Long-Term Obligations can be found on Note H, Item # 1-3, pages 61-64 of the Notes to the Financial Statements.

The FY 2010-2011 tax rates were \$0.56672 for the General Fund and \$0.20468 for the Debt Service Fund, totaling \$0.80187 per \$100 of assessed value. Therefore, the City's tax margin of \$1.65780 per \$100 of assessed value could increase taxes \$11.3 million each year based on the assessed value of \$671,285,466. 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 52 of the Notes to the Financial Statements.

Table A-4: Long-Term Liabilities at September 30, 2011 and 2010
(in thousands of dollars)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Certificates of obligation	\$9,556	\$5,336	\$18,504	\$14,484	\$28,060	\$19,820
Capital Leases	110	135	0	0	110	135
Other post-employment benefits	683	570	186	155	869	725
Net Pension Obligation	0	399	0	116	0	516
Revenue bonds payable	0	0	190	370	190	370
Total debt	10,349	6,440	18,880	15,125	29,229	21,566
Compensated absences	916	867	67	82	983	948
Landfill closure cost	0	0	4,108	3,854	4,108	3,854
Total long-term debt	<u>\$11,265</u>	<u>\$7,307</u>	<u>\$23,054</u>	<u>\$19,061</u>	<u>\$34,320</u>	<u>\$26,368</u>

Bond Ratings

In April 2010, the City general obligation bond rating went up from A3 to an A1 due to a change in rating scale. Then in May 2010, the A1 rating for the City of Kingsville was reaffirmed by Moody's Rating Services. In January 2011, the City of Kingsville was rated by Standard & Poor's Rating Services and received an A+ rating (up from the previous rating of AAA in 2005).

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 2010 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 2011-2012 ADOPTED OPERATING BUDGET

Total Revenues and Expenditures budgeted for FY2011-2012 are \$29,785,779 and \$36,034,932, respectively. The \$6,249,153 difference between expenditures and revenues is due mostly to drawing down fund balances to complete capital projects, the largest portion of which are for projects financed by Certificates of Obligation (C.O.'s).

Overall General Fund Total Revenues, before transfers, decreased in FY 2011-2012 by \$124,412 or .84% under the FY 2010-2011 budget. The transfers into the General Fund from the Utility Fund remained the same at \$1,250,000. The overall General Fund Total Expenditures decreased in FY 2011-2012 by \$30,476 or .20% under the FY 2010-2011 budget.

General Fund Property taxes were estimated to increase \$49 thousand or 1.13% when compared to the prior year budget. With steady 3 to 6 percent increases in assessed values each year for the previous five tax years (and a 5.09% increase for the 2011 tax year) along with no increase in the overall property tax rate, a conservative revenue forecasting approach was applied by management for Fiscal Year 2011-2012.

Sales and business franchise taxes are expected to exceed FY2010-2011 budgeted amounts by \$788,743. The local economy is heavily impacted by an upsurge in Oil and Gas Industry activities in the area. This factor in conjunction with receipt of a one-time sales tax audit adjustment from the State of \$177,997.61 pushes FY2010-2011 expected sales tax revenues and business franchise taxes for the year to \$5,498,896, which is \$788,743 or 16.7% more than amounts budgeted. Removing the effects of the State remittance for FY2011-2012 keeps budgeted sales and franchise tax revenues for FY2011-2012 near expected actual levels (not budgeted levels) for FY2010-2011. As a result, an overall reduction in Sales Tax Revenue of \$434,943 or 9.74% was built into the FY 2011-2012 budget expected revenues.

Permits and licenses for FY2011-2012 are expected to increase \$30,499 or 19.6% primarily due to building permit and plan review fees consistent with the actual amount received during and expected to be received for the remainder of FY2010-2011. Municipal Court Fines have declined each year for the past three years. FY2011-2012 fines are expected to increase \$280,985 or 68.52% over FY2010-2011 budgeted amounts. This is primarily due to the proposed hiring of a Police Warrant Officer in FY2011-2012. This factor accounts for the majority of the Municipal Court Personal Services FY 2011-12 expenditures increase of \$74,305 or 48.55%.

Seizure Revenues are expected to increase \$437,226 or 73.2% over the FY2010-2011 budgeted amounts primarily due to funds released on Task Force asset seizures as identified by the Task Force Commander and Chief of Police.

Grants and transfers are expected to increase \$698,604 or 16.5% over amounts budgeted in FY2010-2011. A substantial majority of the increase, \$654,489, is attributed to higher annual debt service and capital outlay paid for the Utility Fund.

Interest and other revenues are expected to increase \$30,926 or 19.1% over FY2010-2011 budgeted amounts for interest income, asset and document sales and other miscellaneous revenue items.

Utility services revenues are expected to increase \$352,418 or 3.2% over FY2011 budget levels. Most of this increase is attributed to increases in water and sewer sales of \$437,585 (\$181,884 for water and \$255,701 for sewer). These projected revenue increases are offset by lower expected garbage fees and penalties. The higher water and sewer revenues result almost entirely from rate model increases for FY2012 of 2% and 4%, respectively.

In FY 2010-2011 the City Budgeted and paid off a significant portion of the Net Pension Obligation to Texas Municipal Retirement System (TMRS). The General Fund had budgeted \$625,794, Utility Fund \$163,493 and Task Force \$50,145 for a total of \$839,432. In FY 2011-2012, only \$75,724 was need to finance the remaining payoff amount. The General Fund budgeted \$61,146, Utility Fund \$9,896 and Task Force \$4,682. This is an overall reduction of \$763,708 or 90.98% in budgeted expenditures. The FY 2011-2012 budgeted amount should be enough to fully retire the Net Pension Obligation owed by the City to TMRS.

City of Kingsville FY2011-2012 personnel services; including employee compensation and benefits are budgeted to increase \$949,158 or 7.3% over amounts budgeted for FY 2010-2011. No cost of living adjustments and one new employee position is budgeted for FY 2011-2012. Employee Compensation makes up \$492,911 of the increase to personnel services base wages, salary and overtime. Employee Benefits make \$456,247 of the increase to the personnel services

The purchase of newer and more technologically advanced Solid Waste trucks and equipment in FY2009-2010 also provided for cost containment in the FY2011-2012 vehicle and machinery maintenance budgets.

For more details on the City of Kingsville FY 2011-2012 Adopted Budget visit the city web-site referenced below.

CITY'S FINANCIAL MANAGEMENT

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

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

The City of Kingsville
Director of Finance
P.O. Box 1458
Kingsville, Texas 78364

(361) 595-8009 (phone) (361) 595-8035 (fax)
or visit our web site at : www.cityofkingsville.com



CITY OF KINGSVILLE
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 5,608,506	\$ 3,500,050	\$ 9,108,556	\$ 314,957
Equity in pooled cash and cash equivalents	519,794	4,303,099	4,822,893	--
Investments	4,125,000	--	4,125,000	--
Receivables (net of allowances for uncollectibles):				
Taxes	1,343,344	--	1,343,344	--
Accounts	374,028	1,583,977	1,958,005	--
Accrued Interest	18,117	15,717	33,834	--
Internal Balances	(1,576,787)	1,576,786	(1)	--
Due from other governments	368,571	--	368,571	67,345
Inventory, at cost	199,295	271,436	470,731	--
Restricted assets:				
Cash and cash equivalents	6,745,349	6,727,063	13,472,412	--
Equity in pooled cash and cash equivalents	314,224	434,861	749,085	--
Accounts	91	108,860	108,951	--
Long-term assets:				
Bond issuance costs	153,001	190,715	343,716	--
Land and construction in progress	469,540	918,592	1,388,132	--
Capital assets, net of related depreciation	12,515,870	16,579,300	29,095,170	11,904
Total Assets	31,177,943	36,210,456	67,388,399	394,206
LIABILITIES				
Accounts payable	2,088,115	770,688	2,858,803	3,159
Accrued wages payable	90,625	14,266	104,891	--
Payable from restricted assets:				
Accrued interest payable	165,365	201,492	366,857	--
Customer deposits	971,763	696,261	1,668,024	--
Due to:				
Other governments	624,148	1,217	625,365	--
Others	25,698	--	25,698	--
Unearned revenues	23,185	--	23,185	--
Liabilities due within one year:				
Accumulated unpaid compensated absences	226,680	38,500	265,180	--
Leases payable	25,871	--	25,871	2,916
Contractual obligations payable	1,111,491	688,509	1,800,000	--
Liabilities due beyond one year:				
Accumulated unpaid compensated absences	689,086	28,117	717,203	--
Leases payable	84,647	--	84,647	8,921
Accrued other post-employment benefits	682,845	185,728	868,573	--
Contractual obligations payable	8,444,794	18,005,202	26,449,996	--
Premium on bonds	80,361	68,869	149,230	--
Landfill closure costs	--	4,107,732	4,107,732	--
Total Liabilities	15,334,674	24,806,581	40,141,255	14,996
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	8,703,647	3,398,641	12,102,288	--
Restricted For:				
Debt Service	543,406	206,497	749,903	--
Capital Projects	139,461	1,197,048	1,336,509	--
Unrestricted	6,456,755	6,601,689	13,058,444	379,210
Total Net Assets	\$ 15,843,269	\$ 11,403,875	\$ 27,247,144	\$ 379,210

The accompanying notes are an integral part of this statement.

CITY OF KINGSVILLE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
General government and administration	\$ 2,974,363	\$ 357,478	\$ 195	\$ --
Public safety	9,144,528	2,486,253	422,433	92,993
Public works	2,521,159	48,367	56,520	--
City/County	801,490	32,587	--	--
Tourism	484,470	483,424	--	--
Interest on long-term debt	319,288	--	--	--
Total Government Activities	16,245,298	3,408,109	479,148	92,993
Business-type Activities:				
Water Improvement	3,847,697	4,516,381	--	--
Solid Waste	2,669,749	3,646,165	--	--
Wastewater	2,392,136	3,363,894	--	--
Total Business-type Activities	8,909,582	11,526,440	--	--
Total Primary Government	\$ 25,154,880	\$ 14,934,549	\$ 479,148	\$ 92,993
COMPONENT UNIT:				
Kingsville Convention & Visitors Bureau	\$ 350,778	\$ 392,393	\$ --	\$ --

General Revenues:
Property Taxes
Sales Taxes
Franchise Taxes
Bingo Taxes
Alcoholic Beverage Taxes
Unrestricted Investment Earnings
Miscellaneous Income
Transfers
Total General Revenues
Change in Net Assets
Net Assets - Beginning
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
\$ (2,616,690)		\$ (2,616,690)	
(6,142,849)		(6,142,849)	
(2,416,272)		(2,416,272)	
(768,903)		(768,903)	
(1,046)		(1,046)	
(319,288)		(319,288)	
<u>(12,265,048)</u>		<u>(12,265,048)</u>	
--	\$ 668,684	668,684	
--	976,416	976,416	
--	971,758	971,758	
<u>--</u>	<u>2,616,858</u>	<u>2,616,858</u>	
<u>(12,265,048)</u>	<u>2,616,858</u>	<u>(9,648,190)</u>	

\$ 41,615

5,998,032	--	5,998,032	--
4,582,312	--	4,582,312	--
981,170	--	981,170	--
5,143	--	5,143	--
41,238	--	41,238	--
87,229	129,857	217,086	2,331
220	--	220	--
2,439,847	(2,439,847)	--	--
14,135,191	(2,309,990)	11,825,201	2,331
1,870,143	306,868	2,177,011	43,946
13,973,126	11,097,007	25,070,133	335,264
\$ 15,843,269	\$ 11,403,875	\$ 27,247,144	\$ 379,210

CITY OF KINGSVILLE

BALANCE SHEET - GOVERNMENTAL FUNDS

SEPTEMBER 30, 2011

	General Fund	Police Forfeiture Fund
ASSETS		
Assets:		
Cash and cash equivalents	\$ 3,552	\$ 3,981,195
Equity in pooled cash and cash equivalents	681,370	6,292
Investments	7,325,000	--
Receivables (net of allowances for uncollectibles):		
Taxes	1,318,524	--
Accounts	469,726	302
Assessments	83,744	--
Accrued Interest	33,834	--
Due from:		
Other funds	2,223,236	24,373
Other governments	53,700	--
Inventory, at cost	199,295	--
Restricted assets:		
Cash and cash equivalents	983,753	775,634
Equity in pooled cash and cash equivalents	74,832	38,108
Accounts	108,951	--
Total Assets	<u>\$ 13,559,517</u>	<u>\$ 4,825,904</u>
LIABILITIES AND EQUITY		
Liabilities:		
Accounts payable	\$ 1,461,711	\$ 78,157
Accrued wages payable	84,333	6,292
Payable from restricted assets:		
Customer deposits	--	775,635
Due to:		
Other funds	984,413	1,028,463
Other governments	98,667	427,581
Others	25,698	--
Deferred revenues	486,112	--
Total Liabilities	<u>3,140,934</u>	<u>2,316,128</u>
Equity:		
Fund balances:		
Nonspendable:		
Inventory	186,270	--
Restricted:		
Debt service	--	--
Capital outlay	49,735	--
Municipal court building security	74,332	--
Municipal court technology	--	38,108
Law enforcement	--	2,471,668
Committed:		
Landfill	3,624,829	--
Sanitation capital outlay	554,219	--
Capital outlay	12,070	--
Unassigned:	5,917,128	--
Total equity	<u>10,418,583</u>	<u>2,509,776</u>
Total Liabilities and Equity	<u>\$ 13,559,517</u>	<u>\$ 4,825,904</u>

The accompanying notes are an integral part of this statement.

Debt Service Fund	Capital Improvements Fund	Other Governmental Funds	Total Governmental Funds
\$ --	\$ --	\$ --	\$ 3,984,747
--	--	30,913	718,575
--	--	--	7,325,000
24,820	--	--	1,343,344
3,151	--	40,429	513,608
--	--	--	83,744
--	--	--	33,834
752	22,817	2,923	2,274,101
--	--	314,871	368,571
--	--	--	199,295
892,665	4,865,575	91,595	7,609,222
135,690	142,855	--	391,485
--	--	--	108,951
<u>\$ 1,057,078</u>	<u>\$ 5,031,247</u>	<u>\$ 480,731</u>	<u>\$ 24,954,477</u>
\$ --	\$ 153,973	\$ 26,516	\$ 1,720,357
--	--	--	90,625
--	--	--	775,635
377,593	527,808	322,827	3,241,104
--	--	97,900	624,148
--	--	--	25,698
24,821	--	23,185	534,118
<u>402,414</u>	<u>681,781</u>	<u>470,428</u>	<u>7,011,685</u>
--	--	--	186,270
654,664	--	--	654,664
--	4,349,466	--	4,399,201
--	--	--	74,332
--	--	--	38,108
--	--	--	2,471,668
--	--	--	3,624,829
--	--	--	554,219
--	--	--	12,070
--	--	10,303	5,927,431
<u>654,664</u>	<u>4,349,466</u>	<u>10,303</u>	<u>17,942,792</u>
<u>\$ 1,057,078</u>	<u>\$ 5,031,247</u>	<u>\$ 480,731</u>	<u>\$ 24,954,477</u>

CITY OF KINGSVILLE
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011**

Total fund balances - governmental funds balance sheet \$ 17,942,792

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.	12,985,410
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	427,190
The assets and liabilities of internal service funds are included in governmental activities in the SNA.	643,133
Payables for bond principal which are not due in the current period are not reported in the funds.	(9,636,647)
Payables for capital leases which are not due in the current period are not reported in the funds.	(110,518)
Payables for bond interest which are not due in the current period are not reported in the funds.	(165,365)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(915,766)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.	(682,845)
Other long-term assets are not available to pay for current period expenditures and are deferred in the funds.	153,000
Solid waste assets and liabilities are included in the general fund but are included in business activities in SNA.	(4,797,115)

Net assets of governmental activities - Statement of Net Assets \$ 15,843,269

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, 2011

	General Fund	Police Forfeiture Fund
Revenue:		
Taxes	\$ 10,075,396	\$ --
Licenses and permits	175,386	--
Charges for services	4,245,457	--
Fines and forfeitures	427,715	1,528,003
Special assessments	45,192	--
Interest and miscellaneous	221,536	41,687
Donations	--	--
Reimbursements-Interdepartmental Revenue	--	17,250
Federal and state grants	--	--
Total revenues	<u>15,190,682</u>	<u>1,586,940</u>
Expenditures:		
Current:		
General government and administration	3,349,600	8,708
Public Safety	6,790,270	1,503,535
Public works	3,369,669	--
City/County	763,542	--
Tourism	--	--
Other expenses	37,053	--
Debt service:		
Principal retired	--	--
Interest	--	--
Paying agent fees	--	--
Total expenditures	<u>14,310,134</u>	<u>1,512,243</u>
Excess (deficiency) of revenues (under) expenditures	880,548	74,697
Other financing sources (uses):		
Transfers in	1,250,000	--
Transfers out	(432,936)	--
Gain on Sale of Assets	--	--
Bond Issuance Premium	--	--
Issuance of debt	--	--
Total other financing sources (uses)	<u>817,064</u>	<u>--</u>
Net change in fund balances	1,697,612	74,697
Fund balances/equity, October 1	8,720,971	2,435,079
Fund balances/equity, September 30	<u>\$ 10,418,583</u>	<u>\$ 2,509,776</u>

The accompanying notes are an integral part of this statement.

Debt Service Fund	Capital Improvements Fund	Other Governmental Funds	Total Governmental Funds
\$ 1,532,985	\$ --	\$ 483,424	\$ 12,091,805
--	--	--	175,386
--	--	--	4,245,457
--	--	20,042	1,975,760
--	--	--	45,192
1,578	5,894	3,294	273,989
--	--	220	220
--	25,916	426	43,592
--	--	505,213	505,213
<u>1,534,563</u>	<u>31,810</u>	<u>1,012,619</u>	<u>19,356,614</u>
--	127,814	33,004	3,519,126
--	681,355	495,685	9,470,845
--	991,066	195	4,360,930
--	50,449	--	813,991
--	--	484,470	484,470
--	--	--	37,053
1,453,000	--	--	1,453,000
289,220	--	--	289,220
1,800	--	--	1,800
<u>1,744,020</u>	<u>1,850,684</u>	<u>1,013,354</u>	<u>20,430,435</u>
(209,457)	(1,818,874)	(735)	(1,073,821)
432,936	--	--	1,682,936
--	--	--	(432,936)
--	11,000	--	11,000
--	80,361	--	80,361
--	5,385,040	--	5,385,040
<u>432,936</u>	<u>5,476,401</u>	<u>--</u>	<u>6,726,401</u>
223,479	3,657,527	(735)	5,652,580
431,185	691,939	11,038	12,290,212
<u>\$ 654,664</u>	<u>\$ 4,349,466</u>	<u>\$ 10,303</u>	<u>\$ 17,942,792</u>

CITY OF KINGSVILLE

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Net change in fund balances - total governmental funds	\$ 5,652,580
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	1,221,026
The depreciation of capital assets used in governmental activities is not reported in the funds.	(931,935)
Trade-in or disposal of capital assets decrease net assets in the SOA but not in the funds.	(17,957)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(487)
Expenses not requiring the use of current financial resources are not reported as expenditures in the funds.	127,815
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	1,164,744
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	24,781
The net revenue (expense) of internal service funds is reported with governmental activities.	36,407
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	94,285
Solid waste activities are included in the general fund, but are included in the business activities in the SOA.	(35,715)
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	(5,385,040)
Bond premiums are reported in the funds but not in the SOA.	(80,361)
Change in net assets of governmental activities - Statement of Activities	\$ <u>1,870,143</u>

The accompanying notes are an integral part of this statement.

CITY OF KINGSVILLE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2011

	Enterprise Fund	Nonmajor Internal Service Fund
	Utility Fund	Insurance Fund
ASSETS		
Current assets:		
Cash and cash equivalents	\$ --	\$ 1,147,583
Equity in pooled cash and cash equivalents	4,259,893	--
Receivables (net of allowances for uncollectibles):		
Accounts	1,215,769	255,491
Due from:		
Other funds	1,314,076	830,856
Inventory, at cost	271,436	--
Restricted assets - noncurrent:		
Cash and cash equivalents	6,167,772	--
Equity in pooled cash and cash equivalents	675,409	--
Total current assets	<u>13,904,355</u>	<u>2,233,930</u>
Noncurrent assets:		
Bond issuance costs	190,715	--
Capital assets:		
Land	132,354	--
Utility plant	35,540,383	--
Equipment	1,693,463	--
Vehicles	1,801,825	--
Construction in progress	566,237	--
Total capital assets	39,734,262	--
Less accumulated depreciation	(26,432,790)	--
Net capital assets	13,301,472	--
Total noncurrent assets	13,492,187	--
Total Assets	\$ 27,396,542	\$ 2,233,930
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 719,600	\$ 375,759
Accrued wages payable	14,266	--
Due to:		
Other funds	160,758	1,017,172
Other governments	1,217	--
Accumulated unpaid compensated absences	38,500	--
Current liabilities payable from restricted assets:		
Accrued interest payable	184,059	--
Contractual obligations payable	533,067	--
Customer deposits	696,261	196,128
Total current liabilities	<u>2,347,728</u>	<u>1,589,059</u>
Long-term liabilities, net of current portion		
Accumulated unpaid compensated absences	28,117	--
Accrued other post-employment benefits	138,221	--
Premium on bonds payable	68,869	--
Contractual obligations payable	14,761,893	--
Total long-term liabilities, net of current portion	<u>14,997,100</u>	<u>--</u>
Total Liabilities	17,344,828	1,589,059
Net Assets:		
Invested in capital assets, net of related debt	2,621,473	--
Restricted for:		
Debt service	206,497	--
Self insurance	--	644,871
Capital outlay	1,197,048	--
Unrestricted	6,026,696	--
Fund balances:		
Total net assets	<u>10,051,714</u>	<u>644,871</u>
Total Liabilities and Net Assets	\$ 27,396,542	\$ 2,233,930

The accompanying notes are an integral part of this statement.

The accompanying notes are an integral part of this statement.

CITY OF KINGSVILLE

EXHIBIT A-7R

RECONCILIATION OF THE PROPRIETARY FUND STATEMENT OF NET ASSETS TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS SEPTEMBER 30, 2011

Utility Fund Net Assets - Proprietary Funds Statement of Net Assets	\$ 10,051,714
---	---------------

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.	1,308,955
---	-----------

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	<u>\$ 11,403,875</u>
--	----------------------

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

CITY OF KINGSVILLESTATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Enterprise Fund	Nonmajor Internal Service Fund
	Utility Fund	Insurance Fund
OPERATING REVENUES:		
Water	\$ 4,724,087	\$ --
Other income	120,676	11,061
Wastewater	3,156,188	--
Insurance premiums	--	2,227,141
Total Operating Revenues	<u>8,000,951</u>	<u>2,238,202</u>
OPERATING EXPENSES:		
Personal services	1,927,295	--
Supplies	217,781	--
Services	1,188,694	2,201,795
Maintenance	706,977	--
Water supply contract	366,196	--
Uncollectable accounts	51,481	--
Depreciation and amortization	1,179,631	--
Total Operating Expenses	<u>5,638,055</u>	<u>2,201,795</u>
Operating Income (Loss)	<u>2,362,896</u>	<u>36,407</u>
NON-OPERATING REVENUES (EXPENSES):		
Interest	11,751	--
Interest and fiscal agent charge	(601,778)	--
Total Non-operating Revenues (Expenses)	<u>(590,027)</u>	<u>--</u>
Net Income (Loss) before Transfers	<u>1,772,869</u>	<u>36,407</u>
TRANSFERS IN (OUT):		
To General Fund	(1,250,000)	--
Total Transfers In (Out)	<u>(1,250,000)</u>	<u>--</u>
Net income (loss)	522,869	36,407
Net assets, October 1	9,528,845	608,464
Net assets, September 30	<u>\$ 10,051,714</u>	<u>\$ 644,871</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, 2011

EXHIBIT A-8R

Change in net assets-utility fund

\$ 522,869

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.

(220,117)

Change in net assets of Business-type activities - statement of activities

\$ 302,752

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, 2011

	Utility Fund	Internal Service Fund
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 7,723,825	\$ --
Cash Receipts (Payments) for Quasi-external Operating Transactions with Other Funds	--	2,005,054
Cash Payments to Employees for Services	(1,997,008)	--
Cash Payments to Other Suppliers for Goods and Services	(2,441,351)	(2,004,253)
Net Cash Provided (Used) by Operating Activities	<u>3,285,466</u>	<u>801</u>
Cash Flows from Non-capital Financing Activities:		
Proceeds (Payments) from (for) Interfund Borrowings	220,749	(169,426)
Transfers From Other Funds	--	--
Transfers To Other Funds	(1,250,000)	--
Net Cash Provided (Used) by Non-capital Financing Activities	<u>(1,029,251)</u>	<u>(169,426)</u>
Cash Flows from Capital and Related Financing Activities:		
Principal and Interest Paid	(973,519)	--
Proceeds from Issuance of Bonds	4,574,287	--
Acquisition or Construction of Capital Assets	(1,072,143)	--
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>2,528,625</u>	<u>--</u>
Cash Flows from Investing Activities:		
Purchase of Investment Securities	--	--
Interest and Dividends on Investments	11,751	--
Net Cash Provided (Used) for Investing Activities	<u>11,751</u>	<u>--</u>
Net Increase (Decrease) in Cash and Cash Equivalents	4,796,591	(168,625)
Cash and Cash Equivalents at Beginning of Year	6,306,482	1,016,208
Cash and Cash Equivalents at End of Year	<u>\$ 11,103,073</u>	<u>\$ 847,583</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ 2,362,896	\$ 36,407
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation	1,179,631	--
Provision for Uncollectible Accounts	51,481	--
Change in Assets and Liabilities:		
Decrease (Increase) in Receivables	(293,754)	(255,491)
Decrease (Increase) in Due from Other Governments	3,941	--
Decrease (Increase) in Inventories	(56,745)	--
Increase (Decrease) in Accounts Payable	95,042	197,542
Increase (Decrease) in Accrued Wages Payable	(1,007)	--
Increase (Decrease) in Accrued Other Employment and Post Employment Benefits	(53,395)	--
Increase (Decrease) in Accumulated Compensated Absences	(15,311)	--
Increase (Decrease) in Due to Other Governments	--	--
Increase (Decrease) in Customer Deposits	12,687	22,343
Total Adjustments	<u>922,570</u>	<u>(35,606)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 3,285,466</u>	<u>\$ 801</u>

The accompanying notes are an integral part of this statement.

CITY OF KINGSVILLE
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2011

	Agency Funds
ASSETS	
Assets:	
Cash and cash equivalents	\$ 25,680
Total Assets	\$ 25,680
LIABILITIES AND EQUITY	
Liabilities:	
Payable from restricted assets:	
Customer deposits	\$ 25,680
Total Liabilities	25,680
Equity:	
Unassigned fund balances	--
Total equity	--
Total Liabilities and Equity	\$ 25,680

The accompanying notes are an integral part of this statement.

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

A. Summary of Significant Accounting Policies

The financial statements of the City have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. Pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989 are not applied in the preparation of the financial statements of the proprietary fund types in accordance with an election made by the City under GASB Statement No. 20. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of these Notes. The remainder of the Notes is organized to provide explanations, including required disclosures, on the City's financial activities for the fiscal year ended September 30, 2011.

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.

1. Blended Component Units

The City did not have a Blended Component Unit at September 30, 2011.

2. 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, 2011

3. 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.

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

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

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

The City reports the following major governmental funds:

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

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

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

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

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

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

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

Government-wide Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or 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.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Those revenues considered susceptible-to-accrual are property taxes, hotel occupancy taxes, special assessments, interest income, and charges for services. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

CITY OF KINGSVILLE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2011

3. Implementation of New Standards

The City has adopted all current GASB pronouncements that are applicable to its operations and activities. In particular, the City adopted GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions," as of October 1, 2010. Statement No. 54 required the City to restate its fund balance in its fund-level financial statements based on a new hierarchy. (See Footnote A.4.i.) The accounting principles governing the reported amounts, financial presentations, and disclosures are subject to change from time to time based on new pronouncements and/ or rules issued by various standards-setting bodies. The GASB has issued the following new statements that are potentially applicable to the City of Kingsville and its component units.

- Statement No. 59, Financial Instruments Omnibus
- Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements
- Statement No. 61, The Financial Reporting Entity: Omnibus - an amendment of GASB Standards No. 14 and No. 34
- Statement No. 62, Codification of Accounting and Financial Reporting Guidelines Contained in Pre-November 20, 1989 FASB and AICPA Pronouncements
- Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position
- Statement No. 64, Derivative Instruments: Application of Hedge Accounting Termination Provisions - an amendment of GASB Statement No. 53.

New pronouncements not yet in effect as of September 30, 2011, are not expected to have any significant impact on the City's financial position, results of operations, or cash flows. The City is currently studying these new pronouncements and will adopt them, as applicable, for the fiscal year ending September 30, 2012.

4. Financial Statement Amounts

a. Equity in Pooled Cash and Cash Equivalents

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

b. Real Property and Sales Taxes

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

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

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

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 2010 tax rate was \$.84220 of which \$.62543 was distributed to the General Fund and \$.21677 was applied to the Debt Service Fund. Using the twenty-five percent rule, the City's legal margin is \$179,057,159.

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

The top ten taxpayers are as follows:

Taxpayer Name	Nature of Operations	Assessed Valuation	% of Total Taxable Valuation
AEP Texas Central Company	Electric Utility	10,269,870	1.50%
Wal-Mart Stores East LP #01-0442	Retail	7,790,360	1.14%
Kingsville Two	Apartments	6,876,800	1.01%
Eddie Yaklin Ford Lincoln Mercury Ltd	Auto Dealership	6,836,240	1.00%
HBC Holding LTD	Apartments	6,829,380	1.00%
Collegiate Kingsville Partners LP	Apartments	6,387,370	0.94%
Wal-Mart Stores Inc. # 01-0442	Retail	5,555,450	0.81%
HEB Grocery Inc.	Grocery	4,698,090	0.69%
Lowes Home Centers Inc.	Retail	4,296,710	0.63%
Yaklin, Eddie L	Automotive	4,112,500	0.60%

c. Inventory

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

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

d. Capital Assets

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

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

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

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

Impairment losses related to capital assets are recognized and measured when there has been a significant, unexpected decline in the service utility of capital assets. The events or changes in circumstances which lead to impairment determinations are not considered to be normal or ordinary. The service utility of a capital asset is the usable capacity which, at acquisition, was expected to be used or provide service. Common indicators of impairment include - evidence of physical damage where the level of damage is such that restoration efforts are needed to restore service utility; enactment of laws or approval of regulations as well as changes in environmental factors ; technological developments, or other evidence of obsolescence; changes in the manner of duration of use of capital assets; or construction stoppage due to lack of funding. There were no impairment charges during fiscal 2011.

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."

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

h. Pension Plans

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

i. Fund Equity

Fund balances of the governmental funds are classified as follows:

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

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the City's Board of Commissioners. Committed amounts cannot be used for any other purpose unless the Board of Commissioners removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Board of Commissioners. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the City intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Board of Commissioners or by an official or body to which the Board of Commissioners delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the City itself.

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

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

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, 2011

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 benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net 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:

<u>Violation</u>	<u>Action Taken</u>
Excess expenditures over appropriations	Will review budgeting process

<u>Fund</u>	<u>Department/Category</u>	<u>Amount</u>
General	Volunteer Fire Department	\$ 6,568
General	Train Depot	4,282
General	Operating Transfers Out	9,000
Tourism	Tourism/Services	8,881

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:

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

C. Deposits and Investments

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

Cash and Investments

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

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

1. Cash & Cash Equivalents

At September 30, 2011, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$35,898,269 and the bank balance was \$32,305,357. The City's cash deposits at September 30, 2011 and during the year ended September 30, 2011, 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 \$314,957 held in cash and cash equivalents which was secured by FDIC insurance.

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 fair value does not vary with market interest rate changes. Non-negotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

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

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

The City's only investments at September 30, 2011, were in Certificates of Deposit and other interest bearing accounts and are included in the Cash and Cash Equivalent information presented above.

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Analysis of Specific Deposit and Investment Risks:

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

1. Credit Risks

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

2. Custodial Credit Risk

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

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

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

3. Concentration of Risk

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

4. Interest Rate Risk

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

5. Foreign Currency Risk

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

D. Receivables

	General	Debt Service	Enterprise	Enterprise Restricted	Primary Government Total
Receivables:					
Accounts	\$ 772,627	\$ 3,151	\$ 2,275,803	\$ 35,955	\$ 3,087,536
Taxes - Property	678,998	64,928	--	--	743,926
Taxes - Franchise & Sales	916,174	--	--	--	916,174
Special Assessments	83,744	--	--	--	83,744
Gross Receivables	2,451,543	68,079	2,275,803	35,955	4,831,380
Less: Allowance for uncollectable	(762,143)	(40,108)	(727,780)	--	(1,530,031)
Net total receivable	\$ 1,689,400	\$ 27,971	\$ 1,548,023	\$ 35,955	\$ 3,301,349

The component unit has no accounts receivable at year end.

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

E. Capital Assets

Capital asset activity for the year ended September 30, 2011, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 469,540	\$ --	\$ --	\$ 469,540
Construction in progress	--	--	--	--
Total capital assets not being depreciated	<u>469,540</u>	<u>--</u>	<u>--</u>	<u>469,540</u>
Capital assets being depreciated:				
Road Network	18,568,151	--	--	18,568,151
Buildings and improvements	3,859,075	78,319	(22,592)	3,914,802
Equipment	2,568,938	298,527	--	2,867,465
Vehicles	4,308,395	844,180	(42,135)	5,110,440
Total capital assets being depreciated	<u>29,304,559</u>	<u>1,221,026</u>	<u>(64,727)</u>	<u>30,460,858</u>
Less accumulated depreciation for:				
Road Network	(10,902,977)	(268,082)	--	(11,171,059)
Buildings and improvements	(2,007,905)	(63,079)	5,758	(2,065,226)
Equipment	(2,021,074)	(239,129)	--	(2,260,203)
Vehicles	(2,127,867)	(361,645)	41,013	(2,448,499)
Total accumulated depreciation	<u>(17,059,823)</u>	<u>(931,935)</u>	<u>46,771</u>	<u>(17,944,987)</u>
Total capital assets being depreciated, net	<u>12,244,736</u>	<u>289,091</u>	<u>(17,956)</u>	<u>12,515,871</u>
Governmental activities capital assets, net	<u>\$ 12,714,276</u>	<u>\$ 289,091</u>	<u>\$ (17,956)</u>	<u>\$ 12,985,411</u>
	Beginning Balances	Increases	Decreases	Ending Balances
<u>Business-type activities:</u>				
Capital assets not being depreciated:				
Land	\$ 352,354	\$ --	\$ --	\$ 352,354
Construction in progress	2,728,815	318,113	(2,480,690)	566,238
Total capital assets not being depreciated	<u>3,081,169</u>	<u>318,113</u>	<u>(2,480,690)</u>	<u>918,592</u>
Capital assets being depreciated:				
Buildings and improvements	34,982,000	2,650,033	--	37,632,033
Equipment	2,674,157	606,801	(183,443)	3,097,515
Vehicles	4,577,247	142,104	(515,530)	4,203,821
Total capital assets being depreciated	<u>42,233,404</u>	<u>3,398,938</u>	<u>(698,973)</u>	<u>44,933,369</u>
Less accumulated depreciation for:				
Buildings and improvements	(23,001,322)	(1,056,851)	--	(24,058,173)
Equipment	(1,856,628)	(230,068)	183,443	(1,903,253)
Vehicles	(2,574,537)	(299,539)	481,433	(2,392,643)
Total accumulated depreciation	<u>(27,432,487)</u>	<u>(1,586,458)</u>	<u>664,876</u>	<u>(28,354,069)</u>
Total capital assets being depreciated, net	<u>14,800,917</u>	<u>1,812,480</u>	<u>(34,097)</u>	<u>16,579,300</u>
Business-type activities capital assets, net	<u>\$ 17,882,086</u>	<u>\$ 2,130,593</u>	<u>\$ (2,514,787)</u>	<u>\$ 17,497,892</u>

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Depreciation was charged to functions as follows:

General Government	\$ 53,707
Public Safety	432,898
Public Works	420,204
City/County	25,126
	<u>\$ 931,935</u>

F. Interfund Balances and Activity

1. Due To and From Other Funds

Balances due to and due from other funds at September 30, 2011, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Other Governmental Funds	\$ 837,061	Short-term loans
General Fund	Police Forfeiture Fund	1,028,463	Short-term loans
General Fund	Debt Service Fund	312,690	Short-term loans
General Fund	Utility Fund	45,009	Short-term loans
Utility Fund	General Fund	232,001	Short-term loans
Utility Fund	Debt Service Fund	64,903	Short-term loans
Utility Fund	Internal Service Fund	1,017,172	Short-term loans
Debt Service Fund	Capital Projects Fund	752	Short-term loans
Internal Service Fund	General Fund	729,581	Short-term loans
Internal Service Fund	Utility Fund	73,085	Short-term loans
Internal Service Fund	Other Governmental Funds	28,191	Short-term loans
Capital Projects Fund	Other Governmental Funds	22,817	Short-term loans
Other Governmental Funds	Other Governmental Funds	2,923	Short-term loans
Other Governmental Funds	General Fund	24,387	Short-term loans
	Total	<u>\$ 4,419,035</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, 2011, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General Fund	Debt Service Funds	\$ 432,936	Supplement other funds sources
Utility Fund	General Fund	1,250,000	Supplement other funds sources
	Total	<u>\$ 1,682,936</u>	

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

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, 2011 is as follows:

	All Governmental Fund Types
Deferred Taxes	\$ 427,189
Deferred Assessments/Interest	83,744
Other	23,185
Total Deferred Revenue	<u>\$ 534,118</u>

H. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended September 30, 2011, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
Certificates of obligation	\$ 5,335,993	\$ 5,385,040	\$ 1,164,744	\$ 9,556,289	\$ 1,111,491
Capital leases	135,299	--	24,781	110,518	25,871
Total long-term debt	5,471,292	5,385,040	1,189,525	9,666,807	1,137,362
Accumulated compensated absences*	866,256	635,590	586,080	915,766	226,680
Other post-employment benefits	570,363	112,482	--	682,845	--
Net Pension Obligation (2)	399,484	--	399,484	--	--
Governmental activity Total long-term debt	<u>\$ 7,307,395</u>	<u>\$ 6,133,112</u>	<u>\$ 2,175,089</u>	<u>\$ 11,265,418</u>	<u>\$ 1,364,042</u>
<u>Business-type activities:</u>					
Revenue bonds-payable	\$ 370,000	--	\$ 180,000	\$ 190,000	\$ 190,000
Certificates of obligation (1)	14,484,007	4,614,960	595,256	18,503,711	498,509
Total long-term debt	14,854,007	4,614,960	775,256	18,693,711	688,509
Landfill closure cost	3,854,048	253,684	--	4,107,732	--
Other post-employment benefits	154,518	31,210	--	185,728	--
Accumulated compensated absences*	81,928	48,649	63,960	66,617	38,500
Net Pension Obligation	116,595	--	116,595	--	--
Business-type activities Long-term liabilities	<u>\$ 19,061,096</u>	<u>\$ 4,948,503</u>	<u>\$ 955,811</u>	<u>\$ 23,053,788</u>	<u>\$ 727,009</u>

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

(2) See Note I for NPO liability.

* Other long-term liabilities

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

Liability	Activity Type
Compensated absences	Governmental activities
Other post-employment benefits	Governmental activities
Net Pension Obligation	Governmental activities
Compensated absences	Business-type activities
Other post-employment benefits	Business-type activities
Net Pension Obligation	Business-type activities

Revenue bonds payable:	2011	2010
\$2,000,000 Utility System Revenue Bonds Series 1995; due in annual installments of \$180,000 to \$190,000 through April 15, 2012; interest at 3.95% to 5.8%.	\$ 190,000	\$ 370,000
Total Revenue Bonds Payable	\$ 190,000	\$ 370,000
 Certificates of obligation payable:	 2011	 2010
\$11,780,000 Certificates of Obligation Series 2005 for General Improvements; due in annual installments of \$230,000 to \$990,000 through August 2025; interest at 3.00% to 4.125%. (100% Utility Fund).	\$ 10,490,000	\$ 10,720,000
\$10,000,000 Certificates of Obligation, Series 2011 for General Improvements; paid in annual installments of \$245,000 to \$525,000 through 8/1/2032, with interest at 2.0% to 4.6% (53.8504% General Fund and 46.1496 % Utility Fund).	10,000,000	--
\$2,485,000 Certificates of Obligation Series 2002A for General Improvements; due in annual installments of \$125,000 to \$215,000 through February 1, 2023; interest at 4.25% to 4.7%.	1,505,000	1,720,000
\$3,960,000 Certificates of Obligation Series for General Improvements; paid final annual installment of \$695,000 on February 1, 2011; interest at 3.125% to 3.5%. (Split General Fund 84.80% and Utility Fund 15.20%).	--	695,000
\$1,200,000 Public Property Financial Contractual Obligation Series 2007 for General Improvements; due in annual installments of \$140,000 to \$150,000, through August 1, 2017; interest at 4.11%. (General Fund 71.667%, Utility Fund 35.83337%).	700,000	835,000

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
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\$4,270,000 Certificates of Obligation Series 2009 for Capital Outlay; due in annual installments of \$665,000 to \$700,000 through February 1, 2021; interest at 3.00% to 3.85%. (General Fund 15.831%, Utility Fund 84.169%).

3,740,000

4,025,000

\$1,890,000 General Obligation Refunding Series 2009; due in annual installments of \$205,000 to \$260,000 through February 1, 2018; interest at 2.25% to 3.75%. (100% General Fund).

1,625,000

1,825,000

Total Certificates of Obligation Payable

\$ 28,060,000

\$ 19,820,000

2. Debt Service Requirements

Debt service requirements on long-term debt at September 30, 2011, are as follows:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2012	\$ 657,041	\$ 428,255	\$ 1,085,296
2013	822,482	318,057	1,140,539
2014	849,241	294,090	1,143,331
2015	827,984	268,581	1,096,565
2016	857,052	243,646	1,100,698
2017-2021	2,558,799	854,254	3,413,053
2022-2026	1,389,709	502,339	1,892,048
2027-2031	1,311,257	236,088	1,547,345
2032	282,714	13,006	295,720
Totals	\$ 9,556,279	\$ 3,158,316	\$ 12,714,595

Year Ending September 30,	Business-type Activities				
	Certificates of Obligation		Revenue Bonds		Total
	Principal	Interest	Principal	Interest	
2012	\$ 1,292,959	\$ 800,380	\$ 190,000	\$ 11,020	\$ 2,294,359
2013	1,427,518	688,854	--	--	2,116,372
2014	1,470,759	644,851	--	--	2,115,610
2015	1,492,016	596,404	--	--	2,088,420
2016	1,547,948	540,998	--	--	2,088,946
2017-2021	5,356,201	1,967,648	--	--	7,323,849
2022-2026	4,740,291	843,222	--	--	5,583,513
2027-2031	1,123,743	202,326	--	--	1,326,069
2032	242,286	11,145	--	--	253,431
Totals	\$ 18,693,721	\$ 6,295,828	\$ 190,000	\$ 11,020	\$ 25,190,569

CITY OF KINGSVILLE
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3. Advance Refunding of Debt

In 2010, the City issued \$1,890,000 in bonds to refund the 1998 Bond Series and for bond issuance expense. As a result, the City defeased \$1,845,000 of the 1998 Series Bond Debt of \$1,845,000, 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, 2011, 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:

<u>Bond Issue</u>	<u>Original Amount</u>	<u>Defeased Balance as of 9/30/11</u>
Series 1998	\$ 3,000,000	\$ 1,510,000
Total	<u>\$ 3,000,000</u>	<u>\$ 1,510,000</u>

4. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of September 30, 2010, as follows:

<u>Year Ending September 30:</u>	
2012	\$ 30,734
2013	30,734
2014	30,734
2015	30,734
Total Minimum Rentals	<u>122,936</u>
Less: Amount representing interest	12,418
Present value of net minimum lease payments	<u>\$ 110,518</u>

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.

CITY OF KINGSVILLE
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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 2009	Plan Year 2010	Plan Year 2011
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)	\$ 1,332,105
Interest on Net Pension Obligation	38,706
Adjustment to the ARC	(32,083)
Annual Pension Cost (APC)	1,338,729
Contributions made	(1,059,765)
Increase (decrease) in net pension obligation	278,964
Net Pension Obligation/(Asset), Beginning of year	516,081
Net Pension Obligation/(Asset), End of year	\$ 795,045

The City fully funded the \$795,045 prior to 12/31/11. The general fund portion of this liability is therefore not reflected as a long-term obligation for governmental activities, and is reflected as a current liability on the general fund balance sheet as of 9/30/11. Additionally, the business-type activities portion is also reflected in current liabilities as of 9/30/11.

Three Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation/ (Asset)
2008	\$ 823,659	\$ 823,659	100%	\$ --
2009	\$ 1,139,595	\$ 938,237	82.33%	\$ 201,358
2010	1,356,688	1,041,964	77.00%	314,724
2011	1,332,105	1,059,765	79.55%	276,383

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The required contribution rates for fiscal year 2011 were determined as part of the December 31, 2008 and 2009 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2010, also follows:

1.	Valuation Date	12/31/08	12/31/09	12/31/10-prior to restructuring	12/31/10-restructured
2.	Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
3.	Amortization method	Level percent of payroll	Level percent of payroll	Level percent of payroll	Level percent of payroll
4.	Amortization period	29 years - closed period	28 years - closed period	27 years - closed period	27 years - closed period
5.	Asset valuation method	Amortized cost	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
6.	Amortization Period for New Gains/Losses	30 Years	30 Years	30 Years	30 Years
7.	Assumptions				
	Investment return *	7.5%	7.5%	7.5%	7.0%
	Projected salary increases *	Varies by age and service	Varies by age and service	Varies by age and service	Varies by age and service
	* Includes Inflation at	3.0%	3.0%	3.0%	3.0%
	Cost-of-living adjustments	2.1%	2.1%	2.1%	2.1%

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

The funded status as of December 31, 2010, 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
12/31/10(1)	\$ 23,582,343	\$ 32,887,316	71.7%	\$ 9,304,973	\$ 8,912,036	104.4%
12/31/10(2)	37,068,999	42,290,552	87.7%	5,221,553	8,912,036	58.6%

(1) Actuarial valuation performed under the original fund structure.

(1) Actuarial valuation performed under the new fund structure.

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

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

2. Texas Statewide Emergency Services Personnel Retirement Fund

Plan Description

The Fire Fighters' Pension Commissioner is the administrator of the Texas Emergency Services Retirement System (TESRS), a cost-sharing multiple employer pension system established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. The 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, 2011 there were 199 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, 2011, TESRS membership consisted of:

	State	City
Retirees and beneficiaries currently receiving benefits	2,167	13
Terminated members entitled to benefits but not yet receiving them	2,106	—
Active Participants (Vested and Nonvested)	4,371	6
Total	8,644	19

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 besting 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 originally 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 annual contributions up to a limited amount to make TESRS actuarially sound.

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Contributions Required and Contributions Made

The contribution requirement per active emergency personnel member per month is not actuarially determined. Rather, the minimum contribution provisions were set by board rule. For the fiscal year ending August 31, 2010, total contributions (dues and prior service) of \$2,875,103 were paid into TESRS by the political subdivisions served by the member volunteer emergency services personnel. The state did not appropriate any maximum state contribution for the fiscal years ending August 31, 2010 and 2011. Total contributions made were equal to the contributions required by the state statute and equal to the contributions required based on the revised August 31, 2008 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, 2010 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, 2010 (\$502,941 to pay for part of the System's administrative expenses) and with the assumed continuation of legislative appropriations of (1) the maximum state contribution amount in future years for up to 30 years as is necessary for the System to have a 30-year amortization period, and (2) approximately \$500,000 each year to pay for part of the System's administrative expenses. Expected contributions for the fiscal year ending August 31, 2011 are less than the contributions required because of the lag in time between an actuarial valuation that shows the need for maximum state contribution amounts and the appropriations process.

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 \$8,636.

Annual Required Contributions

The employer annual pension cost of \$8,636 for fiscal year ended August 31, 2011 was equal to the required and actual contributions. Three-year information is as follows:

	2009	2010	2011
Annual Required Contribution	\$ 12,937	\$ 8,458	\$ 8,636
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

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Required Supplementary Information

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

Valuation date	August 31, 2010
Actuarial cost method	Entry Age
Amortization method	Level dollar, open
Amortization period	30 years
Asset valuation method	Market value smoothed by a 5-year deferred recognition method with a 80% / 120% corridor on market value
Actuarial Assumptions:	
Investment rate of return *	7.75% per year, net of investment expenses
Projected salary increases	N/A
* Includes inflation at	3.50%
Cost-of-living adjustments	None

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, 2009 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, 2010, a total of 11 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.

CITY OF KINGSVILLE
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Annual OPEB Cost and Net OPEB Obligation

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

OPEB Cost for Fiscal Years Ending 2010 and 2011	FYE 2010	FYE 2011
Normal Cost	\$ 96,690	\$ 99,217
Minimum Amortization of UAL	100,221	102,841
Interest Adjustment to Year-end	7,876	8,082
Annual Required Contribution	204,787	210,140
ARC adjustment	(19,548)	(27,699)
Interest Adjustment to Net OPEB Obligation	21,894	28,995
OPEB Cost	207,133	211,436
Contributions Made	(29,596)	(67,744)
Increase in Net OPEB Obligation	177,537	143,692
Net OPEB Obligation - beginning of year	547,345	724,881
Net OPEB Obligation - end of year	\$ 724,881	\$ 868,573

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
09/30/09	\$346,144	25.80%	\$547,345
09/30/10	\$207,133	14.30%	\$724,881
09/30/11	\$211,436	32.00%	\$868,573

Funded Status and Funding Progress

The funded Status of the plan as of September 30, 2011, was as follows:

Actuarial Valuation Date	10/01/2009
Actuarial Value of Assets	\$ --
Actuarial Accrued Liability	\$ 2,806,136
Unfunded Actuarial Liability	\$ 2,806,136
Funded Ratio	0.0%
Annualized Covered Payroll	\$ 7,453,813
Ratio of Unfunded Actuarial Liability to Annual Covered Payroll	37.60%
Actuarial Cost Method	Entry-Age Normal

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the status of the plan and the annual required contributions of the City are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents 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.

CITY OF KINGSVILLE
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Actuarial Methods and Assumptions

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

Measurement Date	October 1, 2009
Actuarial Cost Method	Entry - Age Normal Method
Amortization Period	30 Years. Open
Amortization Method	Level Percent of Payroll
Discount Rate	4.00%
Inflation Rate	3.00%
Healthcare Cost Trend Rate	9.5% initial rate, 5.5% ultimate rate, 9 year grade in period.
Payroll Growth Rate	3.00% annually

K. Commitments and Contingencies

1. Contingencies

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

2. Litigation

No reportable litigation was pending against the City at September 30, 2011.

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, 2011 for the following funds:

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

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

\$1,065,914 addition to revenues and other financing sources comprised mainly of:

\$987,411 in City Sales Tax Revenue to adjust for \$382,137 in State Comptroller Audit Adjustments and a significant increase in City Sales Tax Revenue resulting from increase Oil and Gas related activity.

(\$27,622) in Building Permits Revenue remained relatively stagnant during the year, even though an increase in activity was initially projected. The increase in activity did start coming, but it came in the latter part of the fiscal year.

(\$21,531) in Building Permits Revenue remained relatively stagnant during the year, even though an increase in activity was initially projected. The increase in activity did start coming, but it came in the latter part of the fiscal year.

\$22,843 in Ambulance Revenue reimbursemen rates started coming in better than initially expected.

\$50,000 in Charges for Services - Other Services Revenue due to an inter-local agreement with TAMUK.

(\$42,527) in Sanitation Services - Garbage Fees Revenues that were anticipated to drop in volume.

\$21,294 in Sanitation Services - Landfill Fees Revenue due to changes in ordinances and marketing strategy.

(\$49,879) in Fines and Forfeiture - Municipal Court Fines due to part-time staffing.

\$30,823 in Special Assessments - Street Paving Fees Revenue due to the Commission declaring a moratorium on the interest owed on old outstanding paving liens, if paid in FY11.

\$82,662 in Auction Revenue generated from the sale of old vehicles and equipment.

\$844,177 addition to expenditures and other financing uses comprised mainly of:

\$637,468 in City Administration Department City Special - Personal Services Expenditures to pay off Net Pension Obligation owed to the Texas Municipal Retirement System at 9/30/11.

\$51,198 in City Administration Department City Special - Professional Services Expenditures for a consultant to assist in the search for a City Manager in the amount of \$20,760 and \$48,166 for reimbursement to Kleberg County for Golf Course utility expenditures and equipment repair.

\$40,882 in Community Appearance - Service Expenditures due to less hauling fees for the demolition of structures.

(\$54,000) in Community Appearance - Building Maintenance Expenditures to be scheduled for a later date.

\$39,896 in Police Department - Personal Services Expenditures for additional benefits costs.

(\$35,443) in Police Department - Building Maintenance Expenditures to be scheduled at a later date.

(\$64,280) in Fire Department - Personal Services Expenditures budget savings.

\$31,050 in Volunteer Fire Department Capital Outlay Expenditures due to building renovations.

\$35,035 in Sanitation Collection Department - Equipment Maintenance additional expenditures for aging fleet.

CITY OF KINGSVILLE
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\$26,990 in Landfill Department - Services Expenditures to comply with State mandates.

(\$64,280) in Recycle Center - Personal Service Expenditures budget savings.

\$48,620 in Other Expense - Ambulance Services and Sanitation Services Uncollectible Expenditures that were previously budgeted as net ambulance services revenue.

M. Compensated Absences

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

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

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

There is no limit on accumulated holiday hours to be paid at termination. As of September 30, 2011, the liability for accrued vacation leave and accrued sick leave is approximately \$982,383. The amount applicable to the General Fund and Enterprise Fund of \$915,766 and \$66,617, 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, extended to 2012

The South Texas Water Authority (STWA) was created in 1979 as a conservation and reclamation district to finance, construct and operate a regional water supply system which will supply treated water on a wholesale basis to the incorporated cities of Kingsville, Bishop, Driscoll, and Agua Dulce and to the unincorporated community of Banquete. Each of these cities is 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.

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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 adjusted annually, was \$0.353443 per thousand gallons of water delivered and was changed to \$0.426381 for the 2011 fiscal year.
- b. Each Contract Year the Authority may adjust the Handling Charge to cover reasonable increases in the Authority's expenses and to accumulate and maintain a reasonable amount of reserve funds, provided that the increase in any one Contract Year may not exceed 5% of the above stated initial Handling Charge and that the total reserve funds of the Authority reasonably projected at its maximum during any Fiscal Year shall not exceed \$1.171 million. If the actual or projected reserve exceeds \$1.171 million, the Handling Charge shall be reduced accordingly for the next Contract year.
- c. The adjustment in the Handling Charge may exceed an increase of 5% in any Contract Year if the Authority obtains prior written approval of Customers representing in the aggregate not less than 75% of the water purchased from the Authority during its preceding Fiscal Year.
- d. Notice of a change in Handling Charge shall be delivered to the City on or before the 10th day of August of each Contract Year. The notice shall state the amount of the new Charge and the reason and calculations for the adjustment. The new Handling Charge shall be effective commencing at the beginning of the next Contract Year.
- 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.

CITY OF KINGSVILLE
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3. Water Supply Contract Extension

The current contract expired on September 30, 2011, however the City has extended their Water Supply Contract with STWA for one year to allow adequate time to negotiate a new contract.

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 \$351,327 and \$350,828 in 2011 and 2010, respectively.

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.

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 \$255,491 at September 30, 2011, which is entirely due within one year, 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 2011 and 2010 were:

	Beginning-of Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2010	\$ 120,628	\$ 1,698,839	\$ 1,641,250	\$ 178,217
2011	178,217	1,939,689	1,862,415	255,491

The liability at year end is equal to three months of paid claims subsequent to 9/30/11 but that had been incurred prior to that date, and is considered a current liability for reporting purposes.

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NOTES TO THE FINANCIAL STATEMENTS
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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 business-type activities at September 30, 2011 is \$4,107,731 based on 89.76% usage (filled) of the landfill through September 30, 2011. It is estimated that an additional \$536,704 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 (2014). The estimated total current cost for the landfill closure and postclosure care of \$253,684 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, 2011. 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

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

S. Subsequent Event

Management has reviewed subsequent events and transactions that occurred after the balance sheet date through April 13, 2012 (the date of the audit report). The financial statements include all Type I events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management and those charged with governance have determined that there are no non-recognized Type II subsequent events that require additional disclosure.



CITY OF KINGSVILLE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2011

EXHIBIT B-1
Page 1 of 8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Taxes:				
General Property Taxes:				
Current Taxes	\$ 4,176,889	\$ 4,176,889	\$ 4,171,472	\$ (5,417)
Delinquent taxes	75,549	75,549	124,914	49,365
Penalty & Interest	29,030	29,030	50,500	21,470
Late Rendition Fee	3,033	3,033	4,834	1,801
In Lieu of Tax Payments	115,254	115,254	113,813	(1,441)
Total General Property Taxes	4,399,755	4,399,755	4,465,533	65,778
City Sales Tax	3,479,815	4,467,226	4,582,312	115,086
Mixed Drink Tax	43,220	43,220	41,238	(1,982)
Bingo Tax	3,460	3,460	5,143	1,683
Business Taxes:				
Electric Franchise Tax	633,410	633,410	705,852	72,442
Telephone Franchise Tax	142,020	142,020	125,400	(16,620)
Gas Franchise Tax	79,392	79,392	65,499	(13,893)
Cable T.V. Franchise Tax	85,390	85,390	84,419	(971)
Total Business Taxes	940,212	940,212	981,170	40,958
Total Taxes	8,866,462	9,853,873	10,075,396	221,523
Permits and Licenses:				
Plumbing Permits	10,360	4,360	4,758	398
Electric Permits	24,586	20,756	21,831	1,075
Building Permits	76,791	49,169	59,172	10,003
Moving Permits	735	735	1,230	495
Other Permits	52,377	30,846	40,500	9,654
Amusement Licenses	45	45	45	--
Beer & Mixed Drink Licenses	3,507	3,507	3,325	(182)
Electrical Licenses	3,740	3,740	2,835	(905)
Contractor Licenses	27,420	27,420	26,950	(470)
Food Handler Licenses	13,865	13,865	13,620	(245)
Other Licenses	1,140	1,140	1,120	(20)
Total Permits and Licenses	214,566	155,583	175,386	19,803
Charges for Services:				
General Service Fees:				
Zoning Fees	--	3,250	2,500	(750)
Platting Fees	--	775	1,032	257
Police Accident Reports	3,900	3,900	3,179	(721)
Arrest Fees	750	750	1,310	560
Fire Reports	50	50	28	(22)
Fire Services	9,420	9,420	--	(9,420)
Ambulance Service	472,765	495,608	489,314	(6,294)
Other Service Fees	22,878	72,922	73,456	534
Total General Service Fees	509,763	586,675	570,819	(15,856)
City/County Services:				
Weed Control	12,000	28,536	32,587	4,051

CITY OF KINGSVILLE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2011

EXHIBIT B-1
Page 2 of 8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Sanitation Services:				
Garbage Fees	3,042,277	2,999,750	3,052,183	52,433
Landfill Fees	474,143	495,437	552,546	57,109
Miscellaneous	84,042	84,892	37,322	(47,570)
Total Sanitation Services	3,600,462	3,580,079	3,642,051	61,972
Total Charges for Services	4,122,225	4,195,290	4,245,457	50,167
Fines and Forfeits:				
Court Fines	433,221	383,342	400,372	17,030
Minor Fines	169	169	183	14
Collection of State Taxes	14,380	12,950	12,949	(1)
Other Court Fines	14,596	13,616	14,211	595
Total Fines and Forfeits	462,366	410,077	427,715	17,638
Special Assessments	610	31,433	45,192	13,759
Interest and Miscellaneous:				
Interest from Investments	43,654	43,654	71,682	28,028
Auction Revenue	2,500	85,162	85,147	(15)
Sale of City Publications	2,423	2,423	898	(1,525)
Sale of Recycle Item	7,800	7,800	22,233	14,433
Miscellaneous	55,390	56,590	41,576	(15,014)
Total Interest and Miscellaneous	111,767	195,629	221,536	25,907
Gain or Loss on Sale of Property	568	568	--	(568)
Donations	--	2,025	--	(2,025)
Total Revenues	13,778,564	14,844,478	15,190,682	346,204
Expenditures:				
City Administration Department				
City Commission:				
Personal Services	61,892	61,316	60,529	787
Supplies	3,200	2,697	1,753	944
Services	41,600	45,600	41,274	4,326
Total City Commission	106,692	109,613	103,556	6,057
City Manager:				
Personal Services	205,640	201,440	178,031	23,409
Supplies	2,500	7,402	6,354	1,048
Services	16,020	21,420	20,976	444
Total City Manager	224,160	230,262	205,361	24,901

CITY OF KINGSVILLE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2011

EXHIBIT B-1
Page 3 of 8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Downtown Tourism/Development:				
Personal Services	29,104	29,104	28,742	362
Supplies	1,350	1,350	347	1,003
Services	8,750	8,750	4,303	4,447
Total Downtown Tourism/Development	39,204	39,204	33,392	5,812
Municipal Building:				
Supplies	4,600	3,000	673	2,327
Services	96,075	109,975	109,063	912
Equipment Maintenance	125	425	400	25
Building Maintenance	30,000	25,058	22,371	2,687
Lease Payments	10,800	9,142	8,665	477
Total Municipal Building	141,600	147,600	141,172	6,428
Risk Management:				
Personal Services	90,215	92,831	92,806	25
Supplies	6,950	6,105	5,987	118
Services	14,150	14,684	14,066	618
Total Risk Management	111,315	113,620	112,859	761
Emergency Management:				
Supplies	17,000	16,268	4,298	11,970
Services	6,600	7,332	6,461	871
Total Emergency Management	23,600	23,600	10,759	12,841
City Special:				
Personal Services	30,938	668,406	668,405	1
Supplies	100	761	711	50
Services	608,660	659,858	584,475	75,383
Total City Special	639,698	1,329,025	1,253,591	75,434
Total City Administration Department	1,286,269	1,992,924	1,860,690	132,234
Management Services Department				
Personnel:				
Personal Services	116,404	116,648	115,471	1,177
Supplies	3,500	4,135	3,400	735
Services	36,170	35,189	30,596	4,593
Total Personnel	156,074	155,972	149,467	6,505
Municipal Court:				
Personal Services	153,043	153,043	118,653	34,390
Supplies	1,500	1,685	1,649	36
Services	1,800	1,615	859	756
Equipment Maintenance	300	300	--	300
Total Municipal Court	156,643	156,643	121,161	35,482

CITY OF KINGSVILLE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2011

EXHIBIT B-1
Page 4 of 8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Finance:				
Personal Services	294,117	307,031	302,639	4,392
Supplies	10,300	16,117	15,323	794
Services	73,476	54,745	49,098	5,647
Total Finance	377,893	377,893	367,060	10,833
Purchasing:				
Personal Services	106,991	119,715	118,692	1,023
Supplies	4,700	4,713	4,302	411
Services	6,550	4,309	2,587	1,722
Equipment Maintenance	200	200	--	200
Total Purchasing	118,441	128,937	125,581	3,356
Computer Operations:				
Personal Services	56,564	44,863	42,722	2,141
Supplies	16,100	10,148	9,942	206
Services	47,052	51,652	50,373	1,279
Equipment Maintenance	300	300	--	300
Capital Outlay	--	13,833	13,833	--
Total Computer Operations	120,016	120,796	116,870	3,926
Total Management Services Department	929,067	940,241	880,139	60,102
Legal Department				
Personal Services	156,028	156,028	154,548	1,480
Supplies	2,400	3,605	3,315	290
Services	37,800	36,595	21,387	15,208
Total Legal Department	196,228	196,228	179,250	16,978
Urban Development Department				
Planning:				
Personal Services	108,713	107,739	89,263	18,476
Supplies	1,400	4,806	4,634	172
Services	4,700	14,568	14,054	514
Total Planning	114,813	127,113	107,951	19,162
Permits and Licenses:				
Personal Services	153,827	153,827	150,618	3,209
Supplies	3,960	5,800	4,987	813
Services	6,150	2,830	2,044	786
Equipment Maintenance	800	1,300	1,062	238
Total Permits and Licenses	164,737	163,757	158,711	5,046

CITY OF KINGSVILLE

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2011

EXHIBIT B-1

Page 5 of 8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Community Appearance:				
Personal Services	87,446	87,446	85,821	1,625
Supplies	9,050	10,848	9,375	1,473
Services	23,200	64,082	20,087	43,995
Equipment Maintenance	500	500	83	417
Building Maintenance	54,000	--	--	--
Total Community Appearance	174,196	162,876	115,366	47,510
Engineering:				
Personal Services	91,525	91,893	79,080	12,813
Supplies	2,141	2,353	1,646	707
Services	9,735	9,155	2,956	6,199
Equipment Maintenance	750	750	394	356
Total Engineering	104,151	104,151	84,076	20,075
Total Urban Development Department	557,897	557,897	466,104	91,793
Police Department				
Personal Services	3,601,342	3,641,238	3,518,114	123,124
Supplies	158,825	175,600	162,896	12,704
Services	354,808	357,888	317,529	40,359
Equipment Maintenance	68,924	67,377	53,694	13,683
Building Maintenance	71,898	36,455	26,736	9,719
Debt Service	23,800	22,160	10,885	11,275
Total Police Department	4,279,597	4,300,718	4,089,854	210,864
Fire Department				
Personal Services	2,285,993	2,221,713	2,129,353	92,360
Supplies	157,050	167,981	176,844	(8,863)
Services	177,767	174,683	163,123	11,560
Equipment Maintenance	18,570	29,570	28,216	1,354
Building Maintenance	37,350	36,163	36,162	1
Debt Service	30,735	30,735	30,734	1
Capital Outlay	--	5,885	5,885	--
Total Fire Department	2,707,465	2,666,730	2,570,317	96,413
Volunteer Fire Department				
Personal Services	9,300	7,683	9,631	(1,948)
Supplies	42	149	148	1
Services	72,339	76,382	81,004	(4,622)
Building Maintenance	9,000	8,267	8,266	1
Capital Outlay	--	31,050	31,050	--
Total Volunteer Fire Department	90,681	123,531	130,099	(6,568)

CITY OF KINGSVILLE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2011

EXHIBIT B-1
Page 6 of 8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Public Works Department				
Public Works Administration:				
Personal Services	58,661	58,682	57,744	938
Supplies	5,470	6,332	5,936	396
Services	41,604	42,750	40,218	2,532
Equipment Maintenance	900	3,840	3,832	8
Building Maintenance	9,500	15,400	14,931	469
Capital Outlay	--	6,131	5,783	348
Total Public Works Administration	116,135	133,135	128,444	4,691
Garage:				
Personal Services	302,219	301,963	288,105	13,858
Supplies	20,920	20,585	17,009	3,576
Services	5,500	6,091	4,761	1,330
Equipment Maintenance	2,300	2,300	1,872	428
Total Garage	330,939	330,939	311,747	19,192
Sanitation:				
Personal Services	744,444	724,981	705,499	19,482
Supplies	122,160	141,412	150,091	(8,679)
Services	8,110	24,036	19,457	4,579
Equipment Maintenance	62,000	97,035	94,054	2,981
Total Sanitation	936,714	987,464	969,101	18,363
Street:				
Personal Services	744,523	745,931	671,566	74,365
Supplies	76,068	79,093	80,590	(1,497)
Services	277,886	287,869	281,900	5,969
Equipment Maintenance	72,500	67,282	42,828	24,454
Building Maintenance	55,600	47,896	43,754	4,142
Capital Outlay	--	10,400	10,400	--
Total Street	1,226,577	1,238,471	1,131,038	107,433
Train Depot:				
Supplies	100	100	46	54
Services	20,563	24,500	28,837	(4,337)
Building Maintenance	4,000	4,063	4,062	1
Total Train Depot	24,663	28,663	32,945	(4,282)
Landfill:				
Personal Services	338,132	338,250	328,392	9,858
Supplies	103,757	121,274	123,527	(2,253)
Services	223,853	250,843	227,381	23,462
Equipment Maintenance	47,000	47,000	18,776	28,224
Building Maintenance	13,500	14,500	14,242	258
Total Landfill	726,242	771,867	712,318	59,549

CITY OF KINGSVILLE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2011

EXHIBIT B-1
Page 7 of 8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Recycling Center:				
Personal Services	97,951	31,184	29,106	2,078
Supplies	1,658	1,658	979	679
Services	15,667	17,657	13,840	3,817
Equipment Maintenance	2,000	2,000	1,486	514
Building Maintenance	2,500	2,500	2,082	418
Total Recycling Center	119,776	54,999	47,493	7,506
Total Public Works Department	3,481,046	3,545,538	3,333,086	212,452
Health Department				
Personal Services	250,096	250,096	240,861	9,235
Supplies	37,150	36,938	35,686	1,252
Services	22,250	21,069	17,859	3,210
Equipment Maintenance	11,450	11,278	9,557	1,721
Building Maintenance	10,000	11,565	11,565	--
Total Health Department	330,946	330,946	315,528	15,418
Parks and Recreation Department				
Services	200,000	200,000	200,000	--
Total Parks and Recreation Department	200,000	200,000	200,000	--
Library Department				
Personal Services	166,775	166,775	169,715	(2,940)
Supplies	33,559	33,063	28,662	4,401
Services	29,536	29,931	27,930	2,001
Equipment Maintenance	11,295	11,396	11,338	58
Building Maintenance	12,000	12,000	10,369	1,631
Total Library Department	253,165	253,165	248,014	5,151
Other Expenses				
Uncollectable Accounts	--	48,620	37,053	11,567
Total Other Expenses	--	48,620	37,053	11,567
Total Expenditures	14,312,361	15,156,538	14,310,134	846,404
Excess (deficiency) of revenues (under) expenditures	(533,797)	(312,060)	880,548	1,192,608
Other financing sources (uses):				
Operating transfers in	1,250,000	1,250,000	1,250,000	--
Operating transfers out	(423,936)	(423,936)	(432,936)	(9,000)
Total other financing sources (uses)	826,064	826,064	817,064	(9,000)

CITY OF KINGSVILLE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2011

EXHIBIT B-1
Page 8 of 8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Excess of revenues and other financing sources over (under) expenditures and other financing uses	292,267	514,004	1,697,612	1,183,608
Fund balances/equity, October 1	8,720,971	8,720,971	8,720,971	--
Fund balances/equity, September 30	<u>\$ 9,013,238</u>	<u>\$ 9,234,975</u>	<u>\$ 10,418,583</u>	<u>\$ 1,183,608</u>

CITY OF KINGSVILLE

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF FUNDING PROGRESS TEXAS MUNICIPAL RETIREMENT SYSTEM YEAR ENDED SEPTEMBER 30, 2011

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)
12/31/08	\$ 22,031,664	\$ 31,292,050	\$ 9,260,386	70.4%	\$ 8,480,015	109.2%
12/31/09	23,123,074	32,383,854	9,260,780	71.4%	8,665,138	106.9%
12/31/10(1)	23,582,343	32,887,316	9,304,973	71.7%	8,912,036	104.4%
12/31/10(2)	37,068,999	42,290,552	5,221,553	87.7%	8,912,036	58.6%

(1) Actuarial valuation performed under the original fund structure.

(1) Actuarial valuation performed under the new fund structure.

Other Post-employment Benefit Plan:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
10/01/07	--	3,946,830	3,946,830	--	7,219,268	54.7%
10/01/09	--	2,806,136	2,806,136	--	7,453,813	37.6%

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

CITY OF KINGSVILLE**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

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).





CITY OF KINGSVILLE
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2011

	Tourism Fund	Federal Grants
ASSETS		
Assets:		
Equity in pooled cash and cash equivalents	\$ --	\$ --
Receivables (net of allowances for uncollectibles):		
Accounts	40,429	--
Due from:		
Other funds	--	2,923
Other governments	--	314,445
Restricted assets:		
Cash and cash equivalents	91,595	--
Total Assets	\$ 132,024	\$ 317,368
LIABILITIES AND EQUITY		
Liabilities:		
Accounts payable	\$ --	\$ 26,516
Due to:		
Other funds	51,375	271,452
Other governments	79,490	18,410
Deferred revenues	--	933
Total Liabilities	130,865	317,311
Equity:		
Fund balances:		
Unassigned	1,159	57
Total equity	1,159	57
Total Liabilities and Equity	\$ 132,024	\$ 317,368

State Grants	Other Special Revenues	Total Nonmajor Special Revenue Funds (See Exhibit A-3)
\$ 23,909	\$ 7,004	\$ 30,913
--	--	40,429
--	--	2,923
426	--	314,871
--	--	91,595
<u>\$ 24,335</u>	<u>\$ 7,004</u>	<u>\$ 480,731</u>
\$ --	\$ --	\$ 26,516
--	--	322,827
--	--	97,900
<u>22,252</u>	--	<u>23,185</u>
<u>22,252</u>	<u>--</u>	<u>470,428</u>
<u>2,083</u>	<u>7,004</u>	<u>10,303</u>
<u>2,083</u>	<u>7,004</u>	<u>10,303</u>
<u>\$ 24,335</u>	<u>\$ 7,004</u>	<u>\$ 480,731</u>

CITY OF KINGSVILLE

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Tourism Fund	Federal Grants
Revenue:		
Taxes	\$ 483,424	\$ --
Fines and forfeitures	--	20,042
Interest and miscellaneous	--	--
Donations	--	--
Reimbursements-Interdepartmental Revenue	--	--
Federal and state grants	--	473,079
Total revenues	<u>483,424</u>	<u>493,121</u>
Expenditures:		
Current:		
General government and administration	--	603
Public Safety	--	492,926
Public works	--	195
Tourism	484,470	--
Total expenditures	<u>484,470</u>	<u>493,724</u>
Net change in fund balances	(1,046)	(603)
Fund balances/equity, October 1	2,205	660
Fund balances/equity, September 30	<u>\$ 1,159</u>	<u>\$ 57</u>

State Grants	Other Special Revenues	Total Nonmajor Special Revenue Funds (See Exhibit A-5)
\$ --	\$ --	\$ 483,424
--	--	20,042
--	3,294	3,294
--	220	220
426	--	426
32,134	--	505,213
<u>32,560</u>	<u>3,514</u>	<u>1,012,619</u>
30,604	1,797	33,004
1,956	803	495,685
--	--	195
--	--	484,470
<u>32,560</u>	<u>2,600</u>	<u>1,013,354</u>
--	914	(735)
2,083	6,090	11,038
<u>\$ 2,083</u>	<u>\$ 7,004</u>	<u>\$ 10,303</u>

CITY OF KINGSVILLE

EXHIBIT C-3

TOURISM FUND
 SPECIAL REVENUE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Hotel/Motel Property Tax	243,446	475,589	483,424	7,835
Total Revenues	243,446	475,589	483,424	7,835
Expenditures:				
Tourism Department				
Personal Services	29,104	28,742	28,742	--
Services	179,564	446,847	455,728	(8,881)
Total Tourism Department	208,668	475,589	484,470	(8,881)
Total Expenditures	208,668	475,589	484,470	(8,881)
Excess (deficiency) of revenues (under) expenditures	34,778	--	(1,046)	(1,046)
Fund balances/equity, October 1	2,205	2,205	2,205	--
Fund balances/equity, September 30	\$ 36,983	\$ 2,205	\$ 1,159	\$ (1,046)

CITY OF KINGSVILLE
FEDERAL GRANTS FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2011

EXHIBIT C-4

	Project Authorization	Prior Year	Current Year	Total To Date
Revenues:				
Fines and forfeitures	\$ --	\$ --	\$ 20,042	\$ 20,042
Federal and state grants	1,115,204	467,016	473,079	940,095
Total Revenues	1,115,204	467,016	493,121	960,137
Expenditures:				
General Government and Administration	335,725	335,122	603	335,725
Public Safety	779,284	133,894	492,926	626,820
Public Works	195	--	195	195
Total Expenditures	1,115,204	469,016	493,724	962,740
Excess (deficiency) of revenues (under) expenditures	\$ --	\$ (2,000)	(603)	\$ (2,603)
Fund balances/equity, October 1			660	
Fund balances/equity, September 30			\$ 57	

CITY OF KINGSVILLE

EXHIBIT C-5

STATE GRANT FUNDS

SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Project Authorization	Prior Years	Current Year	Total To Date
Revenues:				
Reimbursements-Interdepartmental Revenue	\$ --	\$ --	\$ 426	\$ 426
Federal and state grants	55,609	7,439	32,134	39,573
Total Revenues	55,609	7,439	32,560	39,999
Expenditures:				
General Government and Administration	31,400	796	30,604	31,400
Public Safety	24,209	6,643	1,956	8,599
Total Expenditures	55,609	7,439	32,560	39,999
Excess (deficiency) of revenues (under) expenditures	\$ --	\$ --	--	\$ --
Fund balances/equity, October 1			2,083	
Fund balances/equity, September 30			\$ 2,083	

CITY OF KINGSVILLE
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2011

EXHIBIT C-6

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
General Property Taxes	\$ 1,537,275	\$ 1,537,275	\$ 1,532,985	\$ (4,290)
Interest from Investments	2,200	2,200	1,578	(622)
Total Revenues	1,539,475	1,539,475	1,534,563	(4,912)
Expenditures:				
Principal retired	1,453,000	1,453,000	1,453,000	--
Interest	289,220	289,220	289,220	--
Paying agent fees	7,500	7,500	1,800	5,700
Total Expenditures	1,749,720	1,749,720	1,744,020	5,700
Excess (deficiency) of revenues (under) expenditures	(210,245)	(210,245)	(209,457)	788
Other financing sources (uses):				
Operating transfers in	423,936	423,936	432,936	9,000
Total other financing sources (uses)	423,936	423,936	432,936	9,000
Excess of revenues and other financing sources over (under) expenditures and other financing uses	213,691	213,691	223,479	9,788
Fund balances/equity, October 1	431,185	431,185	431,185	--
Fund balances/equity, September 30	\$ 644,876	\$ 644,876	\$ 654,664	\$ 9,788



CITY OF KINGSVILLE
CAPITAL IMPROVEMENTS FUND
CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2011

EXHIBIT C-7

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Interest from Investments	\$ --	\$ 5,894	\$ 5,894	\$ --
Reimbursements - Interdepartmental Revenue	--	25,916	25,916	--
Total Revenues	--	31,810	31,810	--
Expenditures:				
General Government	1,067,898	1,161,228	127,814	1,033,414
Public Safety	878,465	878,465	681,355	197,110
Public Works	3,965,440	3,965,440	991,066	2,974,374
City/County	55,562	55,562	50,449	5,113
Total Expenditures	5,967,365	6,060,695	1,850,684	4,210,011
Excess (deficiency) of revenues (under) expenditures	(5,967,365)	(6,028,885)	(1,818,874)	4,210,011
Other financing sources (uses):				
Gain on sale of assets	--	--	11,000	11,000
Bond issuance premium	--	--	80,361	80,361
Bond proceeds	--	5,430,915	5,385,040	(45,875)
Total other financing sources (uses)	--	5,430,915	5,476,401	45,486
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(5,967,365)	(597,970)	3,657,527	4,255,497
Fund balances/equity, October 1	691,939	691,939	691,939	--
Fund balances/equity, September 30	\$ (5,275,426)	\$ 93,969	\$ 4,349,466	\$ 4,255,497



CITY OF KINGSVILLE

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUNDS

SEPTEMBER 30, 2011

	1999 TX Capital Fund	Court Cash Bond Account	Total Agency Funds (See Exhibit A-10)
ASSETS			
Assets:			
Cash and cash equivalents	\$ --	\$ 25,680	\$ 25,680
Total Assets	\$ --	\$ 25,680	\$ 25,680
LIABILITIES AND EQUITY			
Liabilities:			
Payable from restricted assets:			
Customer deposits	\$ --	\$ 25,680	\$ 25,680
Total Liabilities	\$ --	\$ 25,680	\$ 25,680
Equity:			
Unassigned fund balances:	--	--	--
Total equity	--	--	--
Total Liabilities and Equity	\$ --	\$ 25,680	\$ 25,680

CITY OF KINGSVILLE

EXHIBIT C-9

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

ALL AGENCY FUNDS

YEAR ENDED SEPTEMBER 30, 2011

	Balance October 1, 2011	Additions	Deductions	Balance September 30, 2011
Corporation Court Cash Bond Account Fund				
ASSETS				
Cash & Investments	\$ 20,667	\$ 86,819	\$ 81,806	\$ 25,680
Total Assets	<u>\$ 20,667</u>	<u>\$ 86,819</u>	<u>\$ 81,806</u>	<u>\$ 25,680</u>
LIABILITIES				
Cash Bonds Held	\$ 20,667	\$ 86,819	\$ 81,806	\$ 25,680
Total Liabilities	<u>\$ 20,667</u>	<u>\$ 86,819</u>	<u>\$ 81,806</u>	<u>\$ 25,680</u>
1999 Texas Capital Fund				
ASSETS				
Equity in Pooled Cash and Cash Equivalents	\$ --	\$ 26,625	\$ 26,625	\$ --
Total Assets	<u>\$ --</u>	<u>\$ 26,625</u>	<u>\$ 26,625</u>	<u>\$ --</u>
LIABILITIES				
Accounts Payable	\$ --	\$ 26,625	\$ 26,625	\$ --
Total Liabilities	<u>\$ --</u>	<u>\$ 26,625</u>	<u>\$ 26,625</u>	<u>\$ --</u>
TOTAL AGENCY FUNDS:				
ASSETS				
Cash & Investments	\$ 20,667	\$ 86,819	\$ 81,806	\$ 25,680
Equity in Pooled Cash and Cash Equivalents	--	26,625	26,625	--
Total Assets	<u>\$ 20,667</u>	<u>\$ 113,444</u>	<u>\$ 108,431</u>	<u>\$ 25,680</u>
LIABILITIES				
Cash Bonds Held	\$ 20,667	\$ 86,819	\$ 81,806	\$ 25,680
Accounts Payable	--	26,625	26,625	--
Total Liabilities	<u>\$ 20,667</u>	<u>\$ 113,444</u>	<u>\$ 108,431</u>	<u>\$ 25,680</u>

CITY OF KINGSVILLE
CONVENTION & VISITORS BUREAU
DISCRETELY PRESENTED COMPONENT UNIT
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2011

EXHIBIT C-10
Page 1 of 5

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Contracted Services	338,590	338,590	385,181	46,591
Interest from Investments	--	--	60	60
Miscellaneous	--	--	2,331	2,331
Reimbursements - Intergovernmental	--	--	7,152	7,152
Total Revenues	338,590	338,590	394,724	56,134
Expenditures:				
Personal Services	183,423	183,423	180,527	2,896
Supplies	8,070	8,070	4,739	3,331
Services	141,497	141,497	160,755	(19,258)
Equipment Maintenance	1,000	1,000	508	492
Capital Outlay	4,600	4,600	4,249	351
Total Expenditures	338,590	338,590	350,778	(12,188)
Excess (deficiency) of revenues (under) expenditures	--	--	43,946	43,946
Fund balances/equity, October 1	335,264	335,264	335,264	--
Fund balances/equity, September 30	<u>\$ 335,264</u>	<u>\$ 335,264</u>	<u>\$ 379,210</u>	<u>\$ 43,946</u>



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.

<u>Contents</u>	<u>Page</u>
Financial Trends	
These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.	99-106
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.	107-115
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.	116-122
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.	123-124
Operating Information	
These schedules contain information about the city's operations and resources to help the reader understand how the city's financial information relates to the services the city provides and the activities it performs.	125-129

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 NINE FISCAL YEARS

	Fiscal Year				
	2011	2010	2009	2008	2007
Governmental activities					
Invested in capital assets, net of related debt	\$ 8,703,647	\$ 7,242,987	\$ 7,229,724	\$ 7,980,938	\$ 7,410,484
Restricted	682,867	911,541	2,946,915	2,727,155	2,649,969
Unrestricted	6,456,755	5,818,599	5,341,187	3,037,771	2,079,519
Total governmental activities net assets	<u>\$ 15,843,269</u>	<u>\$ 13,973,127</u>	<u>\$ 15,517,826</u>	<u>\$ 13,745,864</u>	<u>\$ 12,139,972</u>
Business-type activities					
Invested in capital assets, net of related debt	\$ 3,398,641	\$ 3,028,078	\$ 1,028,641	\$ 4,376,931	\$ 4,311,656
Restricted	1,403,545	2,225,545	1,704,129	3,056,231	2,496,143
Unrestricted	6,601,689	5,843,383	7,191,437	1,229,553	679,366
Total business-type activities net assets	<u>\$ 11,403,875</u>	<u>\$ 11,097,006</u>	<u>\$ 9,924,207</u>	<u>\$ 8,662,715</u>	<u>\$ 7,487,165</u>
Primary government					
Invested in capital assets, net of related debt	\$ 12,102,288	\$ 10,271,065	\$ 8,258,365	\$ 12,357,869	\$ 11,722,140
Restricted	2,086,412	3,137,086	4,651,044	5,783,386	5,146,112
Unrestricted	13,058,444	11,661,982	12,532,624	4,267,324	2,758,885
Total primary government net assets	<u>\$ 27,247,144</u>	<u>\$ 25,070,133</u>	<u>\$ 25,442,033</u>	<u>\$ 22,408,579</u>	<u>\$ 19,627,137</u>

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

SCHEDULE 1

Fiscal Year				
	2006	2005	2004	2003
\$	7,190,499	\$ 5,751,650	\$ 4,472,660	\$ 1,810,325
	2,314,775	2,325,562	2,804,822	4,954,300
	1,085,412	1,150,966	754,079	379,136
\$	<u>10,590,686</u>	<u>9,228,178</u>	<u>8,031,561</u>	<u>7,143,761</u>
\$	4,315,474	\$ 4,033,396	\$ 3,321,566	\$ 2,419,270
	2,174,298	2,528,455	2,293,034	3,934,520
	113,403	(1,908,572)	(1,117,171)	(549,286)
\$	<u>6,603,175</u>	<u>4,653,279</u>	<u>4,497,429</u>	<u>5,804,504</u>
\$	11,505,973	\$ 9,785,046	\$ 7,794,226	\$ 4,229,595
	4,489,073	4,854,017	5,097,856	8,888,820
	1,198,815	(757,606)	(363,092)	(170,150)
\$	<u>17,193,861</u>	<u>13,881,457</u>	<u>12,528,990</u>	<u>12,948,265</u>

CITY OF KINGSVILLE

CHANGES IN NET ASSETS, LAST NINE FISCAL YEARS

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

SCHEDULE 2

	Fiscal Year			
	2006	2005	2004	2003
\$	2,303,626	\$ 2,238,161	\$ 2,813,029	\$ 2,673,387
	6,787,270	6,787,640	6,432,401	6,748,452
	2,576,604	2,474,543	2,371,205	2,286,788
	648,270	673,849	682,565	621,925
	290,697	288,215	264,132	265,401
	300,163	328,631	357,424	483,697
	<u>12,906,630</u>	<u>12,791,039</u>	<u>12,920,756</u>	<u>13,079,650</u>
	3,495,064	3,542,762	3,341,572	3,270,337
	1,931,459	2,007,918	1,931,493	1,644,626
	1,334,749	1,372,391	1,367,139	1,074,319
	<u>6,761,272</u>	<u>6,923,071</u>	<u>6,640,204</u>	<u>5,989,282</u>
\$	<u>19,667,902</u>	<u>19,714,110</u>	<u>19,560,960</u>	<u>19,068,932</u>
\$	254,972	\$ 282,481	\$ 874,749	\$ 612,004
	2,191,585	1,452,667	1,097,017	1,493,803
	-	240	3,029	40,500
	6,776	3,525	4,183	2,483
	290,697	288,215	264,132	265,145
	177,828	473,600	885,712	997,389
	600,341	1,131,399	-	-
	<u>3,522,199</u>	<u>3,632,127</u>	<u>3,128,822</u>	<u>3,411,324</u>
	4,026,953	3,676,035	3,296,486	3,337,331
	2,825,020	2,799,958	2,747,268	2,470,948
	2,578,493	2,070,306	1,872,741	1,663,558
	28,441	24,230	299,718	-
	-	86,251	-	-
	<u>9,458,907</u>	<u>8,656,780</u>	<u>8,216,213</u>	<u>7,471,837</u>
\$	<u>12,981,106</u>	<u>12,288,907</u>	<u>11,345,035</u>	<u>10,883,161</u>

CITY OF KINGSVILLE

CHANGES IN NET ASSETS, LAST NINE FISCAL YEARS

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

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

SCHEDULE 2
(Continued)

	Fiscal Year			
	2006	2005	2004	2003
\$	(9,384,431)	\$ (9,158,912)	\$ (9,791,934)	\$ (9,668,326)
	<u>2,697,635</u>	<u>1,733,709</u>	<u>1,576,009</u>	<u>1,482,555</u>
\$	<u>(6,686,796)</u>	<u>(7,425,203)</u>	<u>(8,215,925)</u>	<u>(8,185,771)</u>
\$	4,012,188	\$ 3,733,214	\$ 3,536,180	\$ 3,732,215
	1,012,220	1,026,424	1,038,640	980,307
	3,795,341	3,390,122	3,032,676	2,899,006
	39,183	39,132	27,952	30,606
	100,000	100,000	100,000	100,000
	170,314	130,266	90,738	84,724
	(30,052)	119	(41,966)	26,204
	<u>1,961,699</u>	<u>1,936,252</u>	<u>1,371,639</u>	<u>1,000,000</u>
	<u>11,060,893</u>	<u>10,355,529</u>	<u>9,155,859</u>	<u>8,853,062</u>
	603,158	353,232	26,406	35,104
	30,775	5,161	18,433	-
	<u>(1,961,699)</u>	<u>(1,936,252)</u>	<u>(1,371,639)</u>	<u>(1,000,000)</u>
	<u>(1,327,766)</u>	<u>(1,577,859)</u>	<u>(1,326,800)</u>	<u>(964,896)</u>
\$	<u>9,733,127</u>	<u>8,777,670</u>	<u>7,829,059</u>	<u>7,888,166</u>
\$	1,676,642	\$ 1,196,617	\$ (636,075)	\$ (815,264)
	<u>1,369,869</u>	<u>155,850</u>	<u>249,209</u>	<u>517,659</u>
\$	<u>3,046,511</u>	<u>1,352,467</u>	<u>(386,866)</u>	<u>(297,605)</u>

CITY OF KINGSVILLE

FUND BALANCES, GOVERNMENTAL FUNDS, LAST TEN FISCAL YEARS

	Fiscal Year				
	2002	2003	2004	2005	2006
General Fund					
Reserved	\$ 422,840	\$ 3,380,142	\$ 2,226,519	\$ 1,589,496	\$ 1,035,938
Unreserved	2,006,541	2,324,845	2,972,504	4,032,056	5,936,909
Nonspendable					
Restricted					
Committed					
Unassigned					
Total general fund	\$ 2,429,381	\$ 5,704,987	\$ 5,199,023	\$ 5,621,552	\$ 6,972,847
All Other Governmental Funds					
Reserved	\$ -	\$ 48,188	\$ 7,844	\$ 8,699	\$ 9,331
Unreserved, reported in:					
Special revenue funds	609,999	651,579	33,559	41,016	332,879
Capital projects funds	772,264	487,518	626,779	379,116	343,697
Debt service funds	326,450	364,499	69,062	108,402	274,014
Restricted					
Debt service funds					
Special revenue funds					
Capital projects funds					
Unassigned, reported in:					
Special revenue funds					
Total all other governmental funds	\$ 1,708,713	\$ 1,551,784	\$ 737,244	\$ 537,233	\$ 959,921

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				
2007	2008	2009	2010	2011
\$ 2,167,647	\$ 1,553,672	\$ 445,405	\$ 279,242	\$
6,695,729	7,643,773	8,209,389	8,441,728	
				186,270
				124,067
				4,191,118
				5,917,128
<u>\$ 8,863,376</u>	<u>\$ 9,197,445</u>	<u>\$ 8,654,794</u>	<u>\$ 8,720,970</u>	<u>\$ 10,418,583</u>
\$ 66,454	\$ 28,416	\$ 8,301	\$ 483	\$
793,897	1,521,263	2,187,562	2,434,595	
363,062	353,284	3,064,926	702,976	
311,414	355,415	397,850	431,185	
				654,664
				10,303
				4,349,466
				2,509,776
<u>\$ 1,534,827</u>	<u>\$ 2,258,378</u>	<u>\$ 5,658,639</u>	<u>\$ 3,569,239</u>	<u>\$ 7,524,209</u>

CITY OF KINGSVILLE

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

	Fiscal Year				
	2002	2003	2004	2005	2006
Revenues					
Property Taxes	\$ 3,788,364	\$ 3,816,412	\$ 3,569,222	\$ 3,804,469	\$ 4,141,313
Taxes-other	4,301,650	4,175,064	4,463,397	4,743,894	5,137,441
Licenses, fees, and permits	179,355	592,442	803,815	226,716	172,814
Fines and penalties	707,762	1,167,684	803,192	1,163,398	1,844,000
Charges for services	2,852,929	2,840,098	3,080,519	3,128,451	3,211,482
Special assessment	172,419	40,500	3,029	240	-
Intergovernmental	419,203	968,461	709,566	455,182	174,136
Investment earnings/other	138,621	118,869	127,253	202,335	282,200
Donations	-	-	176,146	3,299	2,890
Total revenues	<u>12,560,303</u>	<u>13,719,530</u>	<u>13,736,139</u>	<u>13,727,984</u>	<u>14,966,276</u>
Expenditures					
General government	2,228,427	2,410,041	2,947,294	2,357,112	2,398,046
Public safety	6,077,785	7,409,439	6,265,404	6,644,503	6,703,918
Public works	3,096,539	4,738,879	4,113,344	3,472,610	3,561,348
City/county	721,590	687,404	674,392	672,019	655,411
Tourism	255,405	265,401	264,132	288,215	290,697
Other	2,616	71,161	248,936	60,258	2,532
Capital Outlay	1,822,528	-	-	-	-
Debt Service					
Interest	366,808	316,527	462,722	411,195	378,281
Principal	1,045,000	925,000	1,045,000	885,000	910,000
Total expenditures	<u>15,616,698</u>	<u>16,823,852</u>	<u>16,021,224</u>	<u>14,790,912</u>	<u>14,900,233</u>
Excess of revenues over (under) expenditures	<u>(3,056,395)</u>	<u>(3,104,322)</u>	<u>(2,285,085)</u>	<u>(1,062,928)</u>	<u>66,043</u>
Other Financing Sources (uses)					
Gain on Sale of Assets					
Lease Proceeds	-	-	-	-	-
Bonds issued	-	5,223,000	-	-	450,000
Bond Issuance Costs	-	-	-	-	-
Bond Issuance Premium	-	-	-	-	-
Refunding bonds issued	-	-	-	-	-
Transfers in	1,000,000	1,107,971	1,131,652	1,340,861	1,338,041
Transfers out	-	(107,971)	(134,786)	(56,280)	(88,041)
Total other financing sources (uses)	<u>1,000,000</u>	<u>6,223,000</u>	<u>996,866</u>	<u>1,284,581</u>	<u>1,700,000</u>
Net change in fund balances	<u>\$ (2,056,395)</u>	<u>\$ 3,118,678</u>	<u>\$ (1,288,219)</u>	<u>\$ 221,653</u>	<u>\$ 1,766,043</u>
Debt services as a percentage of noncapital expenditures	11.02%	7.38%	9.41%	8.76%	8.65%

SCHEDULE 4

Fiscal Year					
2007	2008	2009	2010	2011	
\$ 4,266,405	\$ 4,940,897	\$ 5,303,987	\$ 5,268,890	\$ 5,998,518	
5,126,365	5,359,785	5,354,064	5,448,277	6,093,287	
189,269	210,267	217,657	194,004	175,386	
2,230,194	2,519,475	2,521,442	1,990,136	1,975,760	
3,225,782	3,585,591	4,017,155	4,106,546	4,245,457	
3,966	-	-	19,910	45,192	
211,535	240,829	463,770	544,351	548,805	
511,883	628,723	314,091	209,382	273,989	
1,842	-	1,890	2,007	220	
<u>15,767,241</u>	<u>17,485,567</u>	<u>18,194,056</u>	<u>17,783,503</u>	<u>19,356,614</u>	
2,673,852	2,461,771	2,675,542	2,998,296	3,519,126	
7,411,077	8,848,662	8,176,498	8,251,125	9,470,845	
3,291,447	3,772,521	6,377,218	6,440,127	4,360,930	
686,184	710,931	859,333	750,783	813,991	
312,153	421,633	440,694	420,379	484,470	
-	-	53,376	37,237	37,053	
-	-	-	-	-	
362,456	374,201	1,760,000	1,590,000	291,020	
<u>975,000</u>	<u>1,270,000</u>	<u>2,156,860</u>	<u>428,796</u>	<u>1,453,000</u>	
<u>15,712,169</u>	<u>17,859,719</u>	<u>22,499,521</u>	<u>20,916,743</u>	<u>20,430,435</u>	
<u>55,072</u>	<u>(374,152)</u>	<u>(4,305,465)</u>	<u>(3,133,240)</u>	<u>(1,073,821)</u>	
-	181,772	-	-	11,000	
1,200,000	-	4,270,000	-	5,385,040	
-	-	(175,273)	-	-	
-	-	128,181	-	80,361	
-	-	1,890,000	-	-	
1,250,000	1,250,000	2,211,690	1,684,912	1,682,936	
<u>-</u>	<u>-</u>	<u>(957,037)</u>	<u>(574,890)</u>	<u>(432,936)</u>	
<u>2,450,000</u>	<u>1,431,772</u>	<u>7,367,561</u>	<u>1,110,022</u>	<u>6,726,401</u>	
\$ <u>2,505,072</u>	\$ <u>1,057,620</u>	\$ <u>3,062,096</u>	\$ <u>(2,023,218)</u>	\$ <u>5,652,580</u>	
8.51%	9.21%	17.41%	9.67%	9.08%	

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
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	0.70527	554,059,543
2004	483,998,442	21,427,249	58,866,750	61,340,271	502,952,170	0.68510	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	560,137,513	29,501,037	79,767,230	70,371,329	599,034,451	0.68544	669,405,780
2008	575,350,800	31,069,213	78,941,550	68,941,277	616,420,286	0.76780	685,361,563
2009	600,156,971	28,662,138	76,930,280	66,981,930	638,767,459	0.80187	705,749,389
2010	629,910,921	31,453,548	76,203,240	66,282,243	671,285,466	0.80187	737,567,709
2011	649,713,780	31,463,010	70,658,350	69,436,322	682,398,818	0.84220	751,835,140

Source: Kleberg County Tax Assessor Office

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

CITY OF KINGSVILLE**SCHEDULE 6**

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

Fiscal Year	City Direct Rates			Overlapping Rates		
	Basic Rate	General Obligation Debt Service	Total Direct Rate	School District	County	STWA
2002	0.43650	0.26495	0.70145	1.50000	0.69070	0.11500
2003	0.44399	0.26128	0.70527	1.62000	0.69070	0.11500
2004	0.42980	0.25530	0.68510	1.62637	0.63192	0.05543
2005	0.44924	0.25272	0.70196	1.59449	0.60779	0.05543
2006	0.45633	0.25367	0.71000	1.60032	0.60779	0.05516
2007	0.46453	0.22091	0.68544	1.45303	0.57100	0.05471
2008	0.50040	0.26740	0.76780	1.40529	0.64640	0.05688
2009	0.54154	0.26033	0.80187	1.33925	0.67530	0.05590
2010	0.56672	0.23515	0.80187	1.32165	0.67546	0.05731
2011	0.63752	0.20468	0.84220	1.35520	0.69546	0.06189

Source: Kleberg County Tax Assessor Office

CITY OF KINGSVILLE

PRINCIPAL PROPERTY TAX PAYERS,
CURRENT YEAR AND NINE YEARS AGO

SCHEDULE 7

Taxpayer	2011			2002		
	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	10,269,870	1	1.50%	6,940,510	2	1.44%
Wal-Mart Stores East LP	7,790,360	2	1.14%	12,577,371	1	2.60%
Kingsville Two	6,876,800	3	1.01%			
Eddie Yaklin Ford Lincoln Mercury Ltd.	6,836,240	4	1.00%	2,751,445	6	0.57%
HBC Holding LTD.	6,829,380	5	1.00%			
Collegiate Kingsville Partners L.P.	6,387,370	6	0.94%			
Wal-Mart Stores Inc.	5,555,450	7	0.81%			
HEB Grocery Inc	4,698,090	8	0.69%	5,144,911	4	1.06%
Lowe's Home Center, Inc.	4,296,710	9	0.63%			
Yaklin Eddie L	4,112,500	10	0.60%			
Southwestern Bell Telephone Co.				5,797,180	3	1.20%
Alpha Lake Ltd				4,083,265	5	0.84%
University Square Apartments				2,717,410	7	0.56%
Kingsville Bordeaux, Ltd.				2,406,600	8	0.51%
Apple Creek Apartments				2,402,740	9	0.49%
Gotcher Construction				2,365,220	10	0.49%
Total	\$ 63,652,770		9.33%	\$ 47,186,652		9.76%

Source: Kleberg County Appraisal District

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

SCHEDULE 8

Fiscal Year Ended September 30,	Taxes Levied for the Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2002	3,391,973	3,193,026	94.1%	182,367	3,375,393	99.51%
2003	3,429,931	3,237,999	94.4%	173,523	3,411,522	99.46%
2004	3,447,050	3,250,187	94.3%	173,316	3,423,503	99.32%
2005	3,653,715	3,455,881	94.6%	157,345	3,613,226	98.89%
2006	3,886,219	3,726,279	95.9%	128,122	3,854,401	99.18%
2007	4,136,029	3,911,104	94.6%	167,780	4,078,884	98.62%
2008	4,734,428	4,530,260	95.7%	128,371	4,658,631	98.40%
2009	5,207,851	4,990,889	95.8%	128,454	5,119,343	98.30%
2010	5,385,014	5,174,338	96.1%	99,297	5,273,635	97.93%
2011	5,759,638	5,557,746	96.5%	-	5,557,746	96.49%

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

CITY OF KINGSVILLE

TAXABLE SALES BY CATEGORY, LAST TEN CALENDAR YEARS

	Calendar Year				
	2002	2003	2004	2005	2006
Building materials, hardware, etc.	\$ 5,492	\$ 9,891	\$ 19,611	\$ 18,040	\$ 19,277
General merchandise	4,797	46,093	45,251	45,847	48,006
Food stores	579	11,039	11,074	11,832	12,052
Automotive dealers and gasoline	23,025	15,866	16,005	16,104	18,875
Apparel and accessory stores	14,472	3,738	3,698	4,388	4,597
Home furniture, furnishing, and equipment	16,668	3,944	3,982	3,993	3,223
Eating and drinking places	134,932	24,131	27,694	28,526	30,359
All other outlets	25,801	12,783	12,931	13,934	16,028
Total	\$ 225,766	\$ 127,485	\$ 140,246	\$ 142,664	\$ 152,417
City direct sales tax rate	1.5%	1.5%	1.5%	1.5%	1.5%

Source: Texas Comptroller of Public Accounts

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

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

SCHEDULE 9

Calendar Year									
2007		2008		2009		2010		2011*	
\$	20,422	\$	22,706	\$	21,737	\$	22,382	\$	12,245
	48,275		50,463		47,022		45,818		21,717
	13,915		15,702		16,560		16,567		8,408
	18,190		19,162		20,223		20,460		10,622
	4,207		3,775		4,570		4,620		2,547
	4,252		860		2,647		-		-
	32,427		36,009		35,430		37,059		19,921
	17,996		18,062		15,014		15,472		7,344
\$	<u>159,684</u>	\$	<u>166,739</u>	\$	<u>163,203</u>	\$	<u>162,378</u>	\$	<u>82,804</u>
	1.5%		1.5%		1.5%		1.5%		1.5%

CITY OF KINGSVILLE**SCHEDULE 10**

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

<u>Fiscal Years</u>	<u>City Property Tax Relief</u>	<u>City Sales Tax</u>	<u>Kleberg County Property Tax Relief</u>	<u>State Sales Tax</u>
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%
2010	1.00%	0.50%	0.50%	6.25%
2011	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
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
2010	5,335,990	-	135,299	370,000	14,484,007
2011	9,556,290	-	110,518	190,000	18,503,710

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>
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%	760.54
22,414,036	2.79%	797.79
20,325,296	3.08%	723.29
28,360,518	3.53%	1,076.99

CITY OF KINGSVILLE**SCHEDULE 12****RATIOS OF GENERAL BONDED DEBT OUTSTANDING,
LAST TEN FISCAL YEARS**

Fiscal Year	General Bonded Debt Outstanding	Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds		
2002	6,325,000	1.1500%	242.92
2003	10,903,000	1.9700%	414.07
2004	7,683,000	1.3600%	290.89
2005	7,408,000	1.2600%	279.77
2006	7,273,000	1.1900%	274.12
2007	7,403,000	1.1100%	276.72
2008	6,524,208	0.9500%	243.60
2009	6,293,192	0.8900%	234.72
2010	5,335,990	0.7200%	203.56
2011	9,556,290	1.3980%	362.90

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, 2011

SCHEDULE 13

	<u>Net Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Governmental Unit			
Debt repaid with property taxes			
Kingsville ISD	\$ 69,404,993	100%	\$ 69,404,993
Kleberg County	5,625,000	50%	2,812,500
South Texas Water Authority	-	0%	-
Subtotal, overlapping debt			72,217,493
City direct debt; Bonds			8,901,626
Capital leases			110,518
Total direct and overlapping debt			<u>\$ 63,205,349</u>

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

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

CITY OF KINGSVILLE

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

	Fiscal Year				
	2002	2003	2004	2005	2006
Debt limit	\$ 120,912,493	\$ 123,782,082	\$ 125,781,620	\$ 129,498,770	\$ 136,836,546
Total net debt applicable to limit	<u>6,868,550</u>	<u>11,118,807</u>	<u>10,378,938</u>	<u>9,454,598</u>	<u>9,315,986</u>
Legal debt margin	\$ <u>114,043,943</u>	\$ <u>112,663,275</u>	\$ <u>115,402,682</u>	\$ <u>120,044,172</u>	\$ <u>127,520,560</u>
Total net debt applicable to the limit as a percentage of debt limit	5.68%	8.98%	8.25%	7.30%	6.81%

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.

		Fiscal Year							
2007		2008		2009		2010		2011	
\$	150,649,270	\$	163,120,473	\$	162,365,819	\$	184,391,927	\$	187,958,785
<u>7,091,586</u>		<u>6,168,793</u>		<u>5,895,349</u>		<u>4,904,805</u>		<u>8,901,626</u>	
\$	<u><u>143,557,684</u></u>	\$	<u><u>156,951,680</u></u>	\$	<u><u>156,470,470</u></u>	\$	<u><u>179,487,122</u></u>	\$	<u><u>179,057,159</u></u>
4.71%		3.78%		3.63%		2.66%		4.74%	

Legal Debt Margin Calculation for Fiscal Year 2011

Assessed Value		\$	751,835,140
Debt limit (25% of assessed value)			<u>187,958,785</u>
Debt applicable to limit:			
General obligation bonds	\$	9,556,290	
Less: Amount set aside for repayment of general obligation debt		<u>(654,664)</u>	
Total net debt applicable to limit			<u>8,901,626</u>
Legal debt margin		\$	<u><u>179,057,159</u></u>

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

SCHEDULE 15

Waste Water Revenue Bonds and Certificates of Obligation Bonds (a)						
Fiscal Year	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
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
2010	6,500,945	4,012,820	2,488,125	475,000	503,192	2.54
2011	7,880,275	4,458,425	3,421,850	487,000	601,778	3.14

Sanitation C. O. Bonds Series 2001 (b), 2007, and 2009						
Fiscal Year	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
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	62,241	1.92
2010	3,572,534	2,408,876	1,163,658	632,801	163,422	1.46
2011	3,642,049	2,669,749	972,300	288,256	144,941	2.24

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

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

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

CITY OF KINGSVILLE**DEMOGRAPHIC AND ECONOMIC STATISTICS,
LAST TEN CALENDAR YEARS**

SCHEDULE 16

<u>Calendar Year</u>	<u>Population</u>	<u>Personal Income (thousands of dollars)</u>	<u>Per Capita Personal Income</u>	<u>Median Age</u>	<u>Education Level in Years of Schooling</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
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%
2010	26,213	626,305	28,101	27.9	N/A	3729	6.7%
2011	26,333	1,000,382 *	32,936	27.6	N/A	3533	6.5%

* Provided by Coastal Bend Council of Governments from U.S. Bureau of Statistics

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	2011			2002		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Naval Air Station (Military)	1,834	1	13.77%	1,781	1	6.84%
Texas A&M - Kingsville	1,160	2	11.27%	1,083	2	4.16%
Kingsville I.S.D	651	3	4.89%	727	3	2.79%
King Ranch	376	4	2.82%	325	8	1.25%
Wal-Mart	307	5	2.30%	361	7	1.39%
Spohn Kleberg Memorial Hospital	310	6	2.25%	392	6	1.51%
Border Patrol	300	7	2.25%			
Hoechst Celanese	290	8	2.18%	508	4	1.95%
City of Kingsville	264	9	2.07%			
Kleberg County	253	10	1.95%			
HEB Grocery				160	10	0.61%
Mundy Corporation				291	9	1.12%
Calling Solutions				400	5	1.54%
Total	5,745		45.75%	\$ 6,028		23.15%

Source: Chamber of Commerce

Reference the denominator for the % amount

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, 2011									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
City Commission	5	5	5	5	5	5	5	5	5	5
General Government	37	36	37	37	37	33	33	27	33	29
Fire	33	33	33	33	30	33	33	33	31	32
Health	12	12	12	12	12	11	12	12	12	12
Library	10	10	10	10	10	8	8	8	8	9
Police	63	67	67	67	67	63	60	63	62	64
Public Works	96	97	99	98	99	97	96	97	94	95
Task Force	15	12	13	13	12	11	12	10	10	12
Total	<u>271</u>	<u>272</u>	<u>276</u>	<u>275</u>	<u>272</u>	<u>261</u>	<u>259</u>	<u>255</u>	<u>255</u>	<u>258</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				
	2002	2003	2004	2005	2006
General government					
Building permits issued	N/A	2063	2186	2821	2523
Building inspections conducted	N/A	N/A	N/A	N/A	1337
Police					
Physical arrest	2653	2433	1838	1902	1791
Parking violations	76	37	29	16	70
Traffic violations	4967	3947	2829	2449	4334
Fire					
Emergency responses	2028	2113	1980	1883	1973
Fire extinguishers	405	359	338	363	424
Inspections	0	189	374	376	234
Refuse Collections					
Refuse collected (tons per day; 365)	59.03	68.28	79.74	97.13	76.03
Recyclables collected (tons per day; 365)	1.13	1.02	0.39	1.05	
Other public works					
Street resurfacing (miles)	N/A	N/A	3.52	4.43	3.20
Potholes repaired	N/A	N/A	2100	2200	2000
Parks and recreation					
Athletic field permits issued					
Community center admissions					
Library					
Volumes in collection	60205	58300	59973	61648	63066
Total volumes borrowed	47690	48306	51784	51791	53209
Health					
Environmental Health			16861	16298	17670
Consumer Health			2329	1984	1854
Weed Control			2964	2533	3224
Animal Control			6516	7406	7925
Water					
New connections	48	38	80	45	45
Water main breaks	439	377	334	415	537
Average daily consumption (thousands of gallons)	4047	3412	3184	3184	3579
Peak daily consumption (thousands of gallons)	5753	4615	4420	4987	4955
Wastewater					
Average daily sewer treatment (thousands of gallons)	2000	2000	2000	2000	2000

Sources: various city departments

SCHEDULE 19

Fiscal Year				
2007	2008	2009	2010	2011
2355	2301	2349	1997	1964
1477	1934	1575	1324	1654
2208	1829	1955	1999	2590
158	111	78	39	47
5561	3796	3066	3416	4611
2108	2159	2831	2990	2214
438	521	546	600	398
300	409	412	480	383
75.52	81.94	82.00	127.26	70.07
1.12	0.70	1.00	0.66	0.60
6.00	3.60	3.49	2.50	2.50
1900	2900	4900	4900	5000
65306	66015	64749	65013	59245
56446	50526	48643	49012	45420
17153	5028	1770	1742	1763
2222	2440	2519	2464	2348
2575	2527	2401	2569	2915
7484	10956	8535	6748	8681
99	50	31	25	28
780	445	608	556	339
3059	3447	3836	3076	3818
4462	4778	5300	5451	5633
2000	1700	2100	2200	1800

CITY OF KINGSVILLE

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM LAST TEN FISCAL YEARS

Function/Program	Fiscal Year				
	2002	2003	2004	2005	2006
Police					
Stations	1	1	1	1	1
Patrol units	51	63	63	54	53
Fire stations	2	2	2	2	2
Refuse collections					
Collection trucks	12	15	18	18	18
Other public works					
Street (miles)	104	104	104	105.25	105.52
Highway (miles)					
Streetlights	N/A	N/A	N/A	546	554
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	114.72	115.72
Fire hydrants	667	674	681	686	692
Storage capacity (thousands of gallons)	9,594	9,594	9,594	9,594	9,679
Wastewater					
Sanitary sewers (miles)	90.9	90.9	91.11	92.4	94.6
Storm sewers (miles)	15.5	15.5	15.5	15.77	15.98
Treatment capacity (thousand of gallons)	4,000	4,000	4,000	4,000	4,000

Sources: Various city departments

SCHEDULE 20

Fiscal Year				
<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
1	1	1	1	1
45	43	47	48	55
2	2	2	2	2
18	18	20	16	13
105.52	105.52	112.69	120.5	121
554	554	569	569	584
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
115.72	115.94	116.14	117.02	123
692	696	705	801	812
9,679	9,764	9,764	9,764	9,764
94.6	96.1	96.3	96.7	97.0
15.98	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

JOHN L. WOMACK, CPA

JOHN R. WOMACK, CPA
MARGARET KELLY, CPA

Independent Auditor's Report

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

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, 2011, which collectively comprise the City of Kingsville's basic financial statements and have issued our report thereon dated April 13, 2012. 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.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as item(s) 2011-1, that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

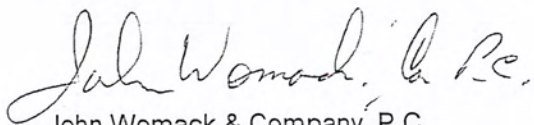


Compliance and Other Matters

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*.

This report is intended solely for the information and use of management, others within the entity and the Board of Trustees 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.
April 13, 2012

CITY OF KINGSVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

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 X No

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

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

A Single Audit was not required in the current year.

B. Financial Statement Findings

2011-1 Internal Control - Reconciliaton 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 timely and all related journal entries made on a timely basis.

Cause:

The City experienced staffing changes and turnover in the accounting department in 2009 and 2010, and are continuing to train 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.

Client Response/Corrective Action:

The City concurs with this finding, and has made improvements in this area. Further, in April, 2011, the City hired a full-time temporary person to assist with Special Revenue Funds reporting along with asset and liability account reconciliations. This additional staffing should assist in continuing to improve this aspect of our business.

CITY OF KINGSVILLE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED SEPTEMBER 30, 2011

C. Federal Award Findings and Questioned Costs

NONE

CITY OF KINGSVILLE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED SEPTEMBER 30, 2011

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
2010-1 Internal Control - Reconciliation 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.	Partially Implemented	The City of Kingsville has made improvements in this area. In addition, in April, 2011, the City hired a full-time temporary person to assist with Special Revenue Funds reporting along with asset and liability account reconciliations. This additional staffing should assist in continuing to improve in this aspect of our business.

CITY OF KINGSVILLE
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2011

2011-1

The City has continued to make improvements in this area. Further, in April, 2011, the City hired a full-time temporary person to assist with Special Revenue Funds reporting along with asset and liability account reconciliations. This additional staffing should assist in continuing to improve this aspect of our business.

