

City of Kingsville, Texas

Comprehensive Annual
Financial Report

For Year Ended September 30, 2007



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Comprehensive Annual Financial Report

September 30, 2007

CITY OF KINGSVILLE, TEXAS

City Commission

(for the fiscal year ended September 30, 2007)

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

City Manager

Carlos R. Yerena

Prepared By:

Department of Finance

Mark Rushing - Director of Finance
Caron S. Vela - Accounting Manager
Petra Alfaro - Assistant Accountant II
Vilma Castillo - Collections Manager
Sally Saenz - Assistant Accountant I
Amelia Davila - Assistant Accountant I
Raymond Marcotte - Information System Technician

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For The Year Ended September 30, 2007

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INTRODUCTORY SECTION

CITY OF KINGSVILLE

P. O. BOX 1458 – KINGSVILLE, TEXAS 78364



March 31, 2008

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, 2007, 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, Patrick L. Moore, CPA. 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 Patrick L. Moore, CPA was to provide reasonable assurance that the financial statements of the City of Kingsville for fiscal year ended September 30, 2007, 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, 2007, 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 is in the process of formulating a Storm Water Drainage Plan to comply with proposed Texas Commission on Environmental Quality, TCEQ, regulations. The City is in the process of updating its comprehensive master plan to set consistent design standards for the City.

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 94.6 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 phase two of automated garbage collection using specialized equipment initiated in 1995 and City households are now using the garbage rollouts. The City, with its automated garbage collection program, provides for twice a week garbage pick-up with a savings of more than \$100,000 a year. The City owns and operates a regional waste disposal facility, also accepting waste from outside of the City and from commercial garbage haulers. Other public works operations of the City include drainage and street maintenance, street lighting and traffic signalization/engineering. The City also provides engineering services to support all public works departments as well as the planning department. It also provides the City with engineering design for City construction projects.

Community enrichment and culture services are also major programs of the City. The City and Kleberg County own and operate a library with over 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 1 of the financial statements.

Annual Budget Process

State laws and the City Charter require the preparation and filing of a balanced annual operating budget. Following a City Manager and department head meeting in May, departments are required to submit requests to the Finance Department by the first week of June for the development of the annual operating budget. Under the direction of the City Manager, the Director of Finance uses these requests to develop a proposed balanced operating budget for presentation to the City Commission by the beginning of August. Following a month of budget discussions and deliberations with City Commission, a public hearing is scheduled for the first week of September and adoption of the budget

Employment

Although the local unemployment rate increased slightly to 4.4% over the last fiscal year, the number of jobs in the community decreased from 13,762 to 13,490. During the same period, personal income rose from \$21,809 to \$24,761 or 13.6%.

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.

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

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

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

Transportation

A primary component of the City's transportation system is the 2,428-acre Corpus Christi International Airport, which is only 45 minutes from the City. Currently, the Airport is served by a total of 30 daily flights from four major domestic carriers that use the Airport's 7,500 and 6,080 foot lighted runways. The Airport is completed the finishing touches on its new terminal building and a new covered parking lot and concession area in 2006. 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 connect 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. 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.

Other residential projects include: (1) the development of Kingwood Estates, a 249 unit single-family residential subdivision with three phases is under review; (2) the development of General Cavazos Subdivision, which has five commercial lots.

In 2007, a total of 40 new housing permits were issued.

Tourism

The City of Kingsville continues to be a favorite stop-over for vacationers, tourists, hunters and outdoorsman with the historic King Ranch, the City's historic downtown area, two museums, various bays that are ideal for fishing and numerous hunting leases that surround the city.

Financing of Major Capital Projects

During the 2007 fiscal year, the City continued to utilize the two bond issues from the previous fiscal year 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.

Cash Management

The Public Funds Investment Act (PFLA) 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 PFLA 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 5.41% and the total interest earned was \$950,955 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

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; Petra Alfaro, Assistant Accountant II; Sally Saenz, Assistant Accountant I; Amelia Davila, Assistant Accountant I; Vilma Castillo, Collections Manager; Yolanda Vasquez, Municipal Court Manager; and Ray Marcotte, Information Systems Technician. Special thanks must be given to the City Manager for his continued guidance and support.

Credit must also be given to the Mayor and the City Commission for their unfailing support 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

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, 2006

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.



Chloe S. Cox

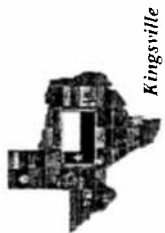
President

Jeffrey R. Enen

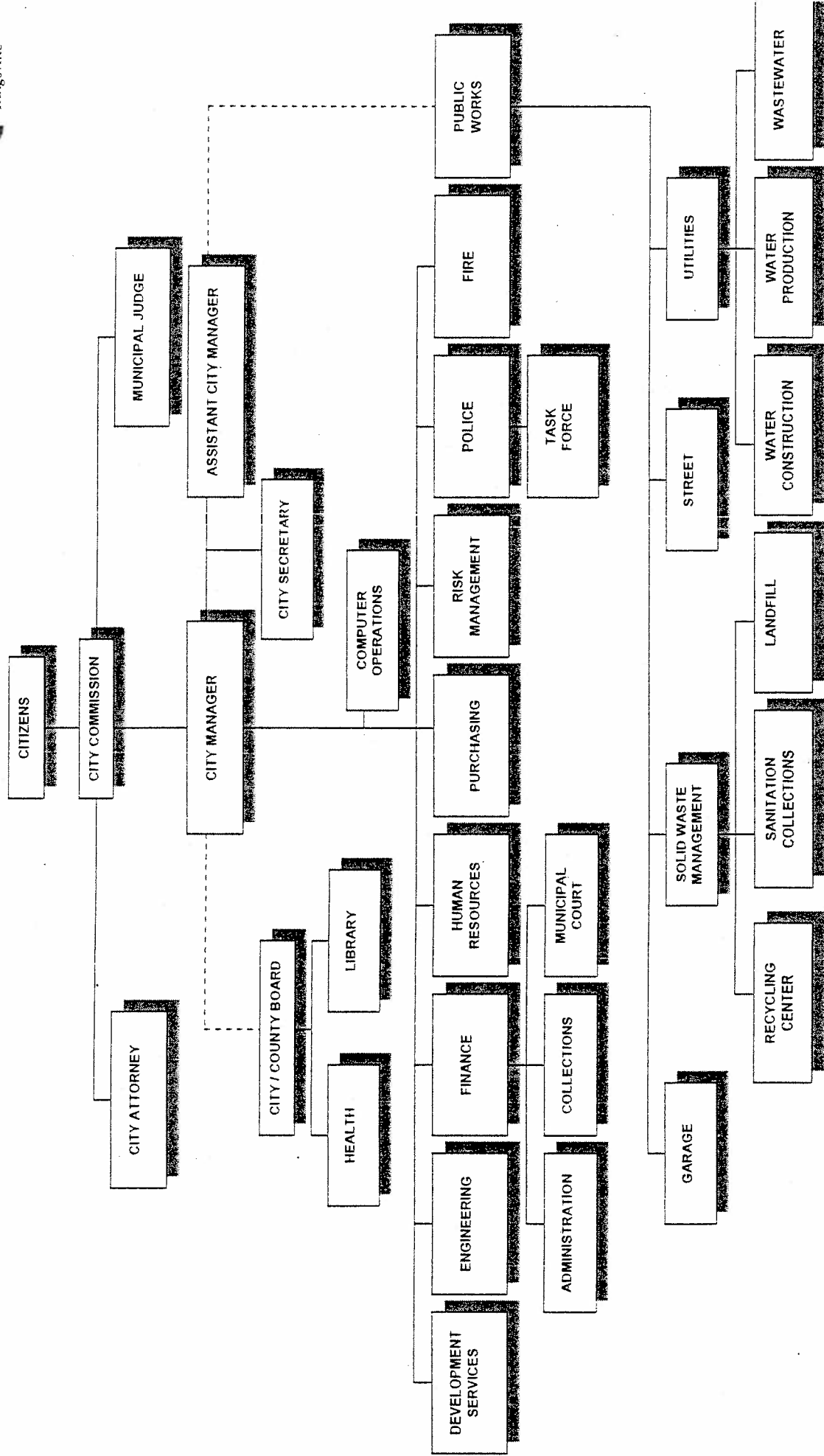
Executive Director



City of Kingsville Organizational Chart



Kingsville



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

JOHN L. WOMACK, CPA

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Independent Auditor's Report on Financial Statements

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

Members of the City Commission:

I 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, 2007, 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. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my 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, 2007, 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*, I have also issued my report dated March 28, 2008, on my consideration of City of Kingsville's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

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



PRIVATE COMPANIES PRACTICE SECTION, AICPA DIVISION FOR CPA FIRMS

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, 2007. 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 \$ 19.6 million.
- The fund balance of the General Fund increased from \$7.0 million to \$8.9 million. This represents a 27% increase over the prior year's fund balance, and furthermore, represents 71% of the \$12.6 million in expenditures. The General Fund's undesignated and unreserved fund balance was \$4.25 million, or 34% of expenditures.
- Total assets, excluding component units, were \$56 million; total liabilities, excluding component units, were \$36 million.
- The ratio of total assets to total liabilities for governmental activities was 1.74 times; for business-type activities the ratio was 1.38 times.
- The quick ratio (current assets to current liabilities) was 1.75 times for governmental activities and 3.52 times for business-type activities.
- Total net assets were \$19.6 million, which was an increase from \$17.0 million for the prior year (after a prior period adjustment), or 15%. Governmental activities' net assets increased by 16%, while business-type activities net assets increased by 13%.

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.

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

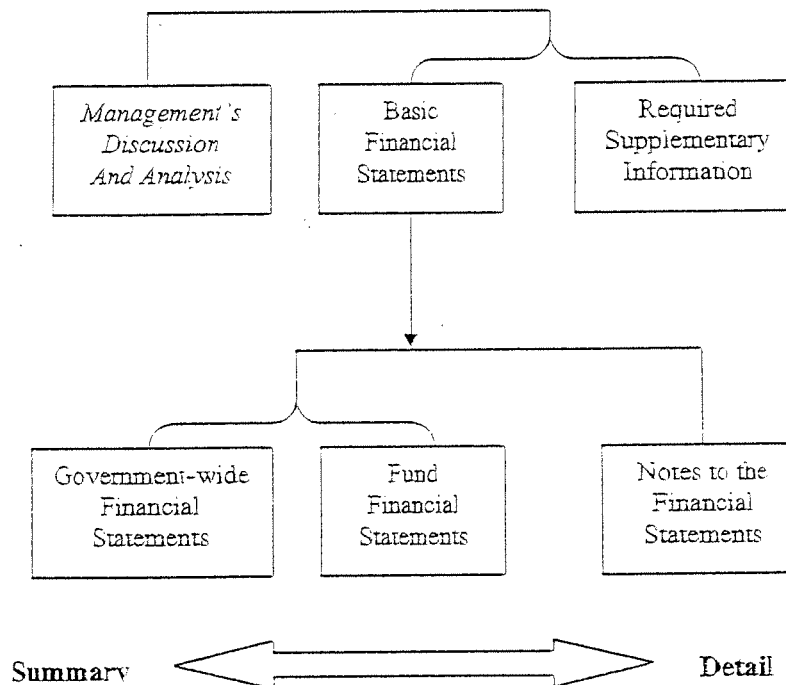


Figure A-1 shows how the required parts of this annual financial report are arranged and relate to one another. In addition to these required elements, a section with combining statements that provides details about the non-major governmental funds and internal service funds is included.

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*.

Table A-1: Net Assets for Governmental and Business-type Activities
at September 30, 2007 and 2006 (in thousands of dollars)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Current & other assets	\$ 15,980	\$ 11,555	\$ 11,128	\$ 13,842	\$ 27,108	\$ 25,397
Capital assets	<u>12,526</u>	<u>12,885</u>	<u>16,212</u>	<u>11,750</u>	<u>28,738</u>	<u>24,635</u>
Total assets	<u>28,506</u>	<u>24,440</u>	<u>27,340</u>	<u>25,592</u>	<u>55,846</u>	<u>50,032</u>
Long-term liabilities	7,230	7,424	16,734	16,871	23,964	24,295
Other liabilities	<u>9,136</u>	<u>6,425</u>	<u>3,119</u>	<u>2,118</u>	<u>12,255</u>	<u>8,543</u>
Total liabilities	<u>16,366</u>	<u>13,849</u>	<u>19,853</u>	<u>18,989</u>	<u>36,219</u>	<u>32,838</u>
Net assets	<u>\$ 12,140</u>	<u>\$ 10,591</u>	<u>\$ 7,487</u>	<u>\$ 6,603</u>	<u>\$ 19,627</u>	<u>\$ 17,194</u>
Net assets						
Invested in capital assets						
net of related debt	7,410	7,191	4,312	4,315	11,722	11,506
Restricted	<u>2,650</u>	<u>2,315</u>	<u>2,496</u>	<u>2,174</u>	<u>5,146</u>	<u>4,489</u>
Unrestricted	<u>2,080</u>	<u>1,085</u>	<u>679</u>	<u>114</u>	<u>2,759</u>	<u>1,199</u>
Total net assets	<u>\$ 12,140</u>	<u>\$ 10,591</u>	<u>\$ 7,487</u>	<u>\$ 6,603</u>	<u>\$ 19,627</u>	<u>\$ 17,194</u>

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 \$7.5 million, which is 38% of total net assets and is \$1.1 million more than the prior year. The Combined Utility System contributed all of total unrestricted business-type net assets.

Governmental Activities

As shown in Table A-2, revenues were split between governmental activities and business-type activities 57% and 43%, respectively, with expenses for each at 67% and 33%. Net assets increased 15% from the prior period for governmental activities (net of a negative \$151 thousand prior period adjustment), increased 13% for business-type activities, and increased 14% overall.

- The cost of all *governmental* activities for the fiscal year 2007 was \$13.5 million.
- However, the amount that taxpayers paid for these services through City taxes and business fees was \$9 million.

Some of the cost was paid by:

- Those who directly benefited from the programs (\$3.2 million), and
- Other governments and organizations that subsidized certain programs with grants and contributions (\$224 thousand).
- Charges for services comprised 25% of governmental activities revenues and 94% of business-type activities' revenues.
- Taxes contributed 70% of governmental activities revenues. Investment earnings, with interest rates slowly climbing from historic lows, generated 3.0% and 5.8% of governmental activities revenues and business-type activities, respectively.
- Public Safety (including Police, Fire, Emergency Management, Municipal Court, and Inspections) expenses accounted for 54% of governmental activities expenses and 17% of total expenses were for public works.
- Public Safety required the largest net amount of public funds after deducting program revenue, grants, and contributions. The total subsidy was \$4.5 million.
- General government comprises 19% of all governmental activities' expenses.

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

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

The Combined Utilities System accounted for 69% of the expenses generated for business-type activities, with solid waste accounting for an additional 31%. It had operating revenues of \$6.4 million, operating income of \$2.3 million, and income before transfers of \$2.4 million, with income after transfers of \$1.1 million for the fiscal year. Compared to the 2006 fiscal year, the System's operating revenues were down by \$259 thousand, the operating income was down by only \$59 thousand, but net income after transfers was actually \$2 thousand higher. The major causes of these results were:

- Decreased operating revenues are largely the result of an unusually wet spring and summer during 2007, which caused water revenues to decline by \$192 thousand, or 5% over the preceding year.
- The operating expenses declined by over \$200 thousand, primarily due to lower supplies costs and service expenses.
- Wastewater fund revenue was down by \$59 thousand, also due to lower water sales, to which wastewater revenue is tied.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds

- Total assets of the General Fund increased from \$10.3 million to \$12.9 million between 2006 and 2007.
- Total liabilities of the General Fund rose by \$700 thousand to approximately \$4.0 million, a 21% increase. This brings the quick ratio (current assets to current liabilities) to 3.21 times in 2007 from 3.11 times in 2006.
- General Fund revenues are \$87 thousand above the final budget.
- General Fund expenditures are \$1.6 million below the final budget.
- The General Fund's unreserved and undesignated fund balance increased \$846 thousand to \$4.3 million from fiscal 2006.
- The fund balance of the Debt Service Fund increased from \$274 thousand to \$311 thousand. This fund balance is structured to minimize the balance being carried to no more than required for the cash flow necessary to service the City's debt.

Budgetary Results of the General Fund

General fund taxes and business fees were slightly over \$7.9 million, which was \$43 thousand below the final budget. Charges for services, including zoning fees, solid waste fees, health service fees, and other fees were higher than the final budget by \$23 thousand. Overall, General Fund revenues were only \$87 thousand more than the final budget.

Other than the \$261 thousand increase in the landfill closure cost liability and the \$87 thousand decrease in the compensated absence liability, the overall decrease in long-term debt can be attributed to \$1.5 million in reductions in certificates of obligation bonds and revenue bonds (Combined Utility System) through scheduled principal payments, and \$1.2 million in new debt issued during the current year ended 2007.

The 2006-2007 tax rate was \$0.46453 for the General Fund and \$0.220910 for the Debt Service Fund, totaling \$0.685440 per \$100 of assessed value. Therefore, the City's tax margin of \$1.81456 per \$100 of assessed value could increase taxes \$10.9 million each year based on the assessed value of \$599,034,451. 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 B, Item #3b of the Financial Statements.

Table A-4: Long-Term Liabilities at September 30, 2007 and 2006
(in thousands of dollars)

	Governmental Activities		Business Activities		Total		% Change
	2007	2006	2007	2006	2007	2006	06-07
Combined tax & revenue certificates of obligation	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	N/A
Certificates of obligation	7,403	7,273	13,612	13,897	21,015	21,170	-0.73%
Capital Leases	0	0	0	0	0	0	N/A
Revenue bonds payable	0	0	845	990	845	990	-14.65%
Total debt	7,403	7,273	14,457	14,887	21,860	22,160	-1.35%
Compensated absences	880	965	83	85	963	1,050	-8.29%
Landfill closure cost	0	0	3,020	2,759	3,020	2,759	9.46%
Total long-term debt	\$ 8,283	\$ 8,238	\$ 17,560	\$ 17,731	\$ 25,843	\$ 25,969	-0.49%

Bond Ratings

The City received a general obligation bond rating of Aaa based on a municipal bond insurance policy issued by MBLA (Moody's), with an underlying rate of A3.

The Utility System revenue bonds were rated in June 1994 as Baa 1 by Moody's, and BBB + by Standard & Poor's.

BASIC FINANCIAL STATEMENTS

CITY OF KINGSVILLE
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2007

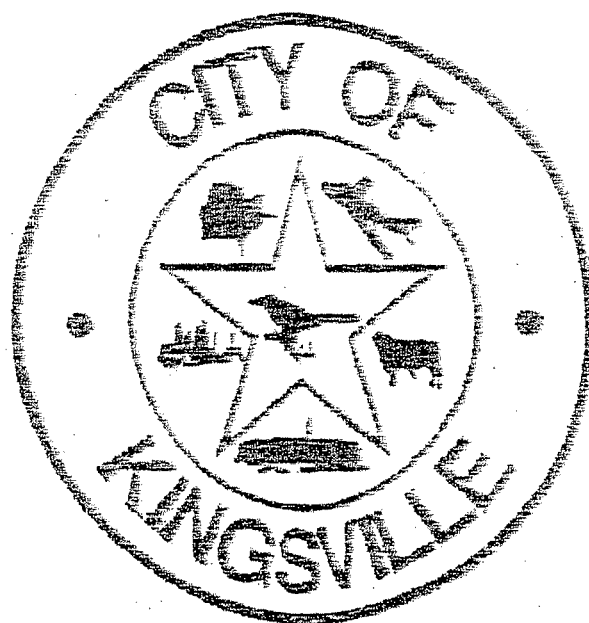
	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 5,380,712	\$ 50	\$ 5,380,762	\$ 75,570
Equity in pooled cash and cash equivalents	3,569,867	2,899,553	6,469,420	--
Receivables (net of allowances for uncollectibles):				
Taxes	1,265,038	--	1,265,038	--
Accounts	54,469	1,217,630	1,272,099	426
Internal Balances	(143,434)	143,435	1	--
Due from other governments	193,438	--	193,438	47,742
Inventory, at cost	186,271	136,990	323,261	--
Restricted assets:				
Cash and cash equivalents	5,388,819	4,408,811	9,797,630	--
Equity in pooled cash and cash equivalents	64,843	2,079,825	2,144,668	--
Accounts	6,608	81,309	87,917	--
Long-term assets:				
Bond issuance costs	13,799	159,694	173,493	--
Capital Assets	12,525,734	16,212,459	28,738,193	--
Total Assets	28,506,164	27,339,756	55,845,920	123,738
LIABILITIES				
Accounts payable	1,559,150	1,427,171	2,986,321	2,566
Bank overdraft	3,439,900	--	3,439,900	--
Accrued wages payable	187,074	49,089	236,163	--
Payable from restricted assets:				
Bank overdraft	1,500,478	--	1,500,478	--
Accrued interest payable	58,155	120,452	178,607	--
Revenue bonds	--	826,208	826,208	--
Customer deposits	899,136	649,344	1,548,480	--
Due to:				
Other governments	414,595	46,885	461,480	--
Others	14,993	--	14,993	--
Unearned revenues	9,465	--	9,465	--
Liabilities due within one year:				
Accumulated unpaid compensated absences	173,816	--	173,816	--
Revenue bonds payable	878,792	--	878,792	--
Liabilities due beyond one year:				
Accumulated unpaid compensated absences	706,430	83,324	789,754	--
Contractual obligations payable	6,524,208	1,533,792	8,058,000	--
Revenue bonds payable	--	12,097,000	12,097,000	--
Landfill closure costs	--	3,019,326	3,019,326	--
Total Liabilities	16,366,192	19,852,591	36,218,783	2,566
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	7,410,484	4,311,656	11,722,140	--
Restricted For:				
Debt Service	1,371,181	92,031	1,463,212	--
Capital Projects	1,252,913	--	1,252,913	--
Municipal Court Technology	25,875	--	25,875	--
Landfill Closure	--	2,404,112	2,404,112	--
Unrestricted	2,079,519	679,366	2,758,885	121,172
Total Net Assets	\$ 12,139,972	\$ 7,487,165	\$ 19,627,137	\$ 121,172

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Component Unit</u>
\$ (2,238,386)		\$ (2,238,386)	
(4,485,358)		(4,485,358)	
(2,340,083)		(2,340,083)	
(682,507)		(682,507)	
--		--	
(300,810)		(300,810)	
<u>(10,047,144)</u>		<u>(10,047,144)</u>	
--	\$ 1,401,557	1,401,557	
--	728,957	728,957	
--	487,717	487,717	
--	2,618,231	2,618,231	
<u>(10,047,144)</u>	<u>2,618,231</u>	<u>(7,428,913)</u>	
		\$ <u>16,835</u>	
4,247,121	--	4,247,121	--
3,784,310	--	3,784,310	--
985,016	--	985,016	--
3,569	--	3,569	--
41,317	--	41,317	--
391,675	559,280	950,955	--
42	--	42	--
651	--	651	--
2,293,521	(2,293,522)	(1)	--
<u>11,747,222</u>	<u>(1,734,242)</u>	<u>10,012,980</u>	--
1,700,078	883,989	2,584,067	16,835
10,590,685	6,603,176	17,193,861	104,337
(150,791)	--	(150,791)	--
<u>\$ 12,139,972</u>	<u>\$ 7,487,165</u>	<u>\$ 19,627,137</u>	<u>\$ 121,172</u>

Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ --	\$ --	\$ 4,284,359
--	21,347	3,614,812
34,857	27,729	1,265,038
--	--	507,161
--	--	152,647
--	--	328,953
45,009	--	314,836
--	111,929	193,438
--	--	186,271
425,837	528,947	7,398,996
--	--	494,256
--	--	79,389
<u>\$ 505,703</u>	<u>\$ 689,952</u>	<u>\$ 18,820,156</u>
\$ --	\$ 10,154	\$ 1,323,020
127,356	--	2,666,039
--	--	187,074
--	--	1,500,478
--	--	768,399
32,077	157,885	667,270
--	140,662	414,595
--	--	14,993
34,856	9,465	880,085
<u>194,289</u>	<u>318,166</u>	<u>8,421,953</u>
--	--	186,270
--	--	2,444,870
311,414	--	311,414
--	363,062	2,288,323
--	--	56,116
--	--	10,338
--	--	5,100,872
--	--	4,250,859
--	8,724	850,013
<u>311,414</u>	<u>371,786</u>	<u>10,398,203</u>
<u>\$ 505,703</u>	<u>\$ 689,952</u>	<u>\$ 18,820,156</u>



Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ 1,337,701	\$ 312,153	\$ 9,392,770
--	--	189,269
--	--	3,225,782
--	8,802	2,230,194
--	--	3,966
37,155	27,365	511,883
--	--	42
--	--	1,800
--	211,535	211,535
<u>1,374,856</u>	<u>559,855</u>	<u>15,767,241</u>
--	105,577	2,673,852
--	114,960	7,411,077
--	8,000	3,291,447
--	--	686,184
--	312,153	312,153
975,000	--	975,000
358,706	--	358,706
3,750	--	3,750
<u>1,337,456</u>	<u>540,690</u>	<u>15,712,169</u>
37,400	19,165	55,072
--	--	1,250,000
--	--	1,200,000
<u>--</u>	<u>--</u>	<u>2,450,000</u>
37,400	19,165	2,505,072
274,014	352,621	7,924,824
--	--	(31,693)
<u>\$ 311,414</u>	<u>\$ 371,786</u>	<u>\$ 10,398,203</u>

CITY OF KINGSVILLE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2007

	Enterprise Fund Water Improvement Fund	Nonmajor Internal Service Fund Insurance Fund
ASSETS		
Current assets:		
Cash and cash equivalents	\$ --	\$ 1,096,402
Equity in pooled cash and cash equivalents	2,856,347	--
Receivables (net of allowances for uncollectibles):		
Accounts	800,329	--
Due from:		
Other funds:	238,670	208,999
Inventory, at cost	136,990	--
Restricted assets - noncurrent:		
Cash and cash equivalents	2,398,634	--
Equity in pooled cash and cash equivalents	1,650,412	--
Total current assets	<u>8,081,382</u>	<u>1,305,401</u>
Noncurrent assets:		
Bond issuance costs	159,694	--
Capital assets:		
Land	132,354	--
Utility plant	24,212,472	--
Equipment	1,214,928	--
Furniture and fixtures	8,300	--
Vehicles	1,602,560	--
Construction in progress	9,759,029	--
Total capital assets	36,929,643	--
Less accumulated depreciation	(22,671,409)	--
Net capital assets	14,258,234	--
Total noncurrent assets	14,417,928	--
Total Assets	<u>\$ 22,499,310</u>	<u>\$ 1,305,401</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 1,419,171	\$ 244,130
Bank overdraft	--	773,861
Accrued wages payable	49,089	--
Due to:		
Other funds	95,235	--
Other governments	46,885	--
Accumulated unpaid compensated absences	83,324	--
Current liabilities payable from restricted assets:		
Accrued interest payable	102,853	--
Revenue bonds	435,000	--
Customer deposits	649,344	130,737
Total current liabilities	<u>2,880,901</u>	<u>1,148,728</u>
Long-term liabilities, net of current portion		
Revenue bonds payable	12,097,000	--
Total long-term liabilities, net of current portion	<u>12,097,000</u>	<u>--</u>
Total Liabilities	<u>14,977,901</u>	<u>1,148,728</u>
Net Assets:		
Invested in capital assets, net of related debt	1,565,772	--
Restricted for:		
Debt service	208,321	--
Self insurance	--	156,673
Unrestricted	5,747,316	--
Total net assets	<u>7,521,409</u>	<u>156,673</u>
Total Liabilities and Net Assets	<u>\$ 22,499,310</u>	<u>\$ 1,305,401</u>

The accompanying notes are an integral part of this statement.

The accompanying notes are an integral part of this statement.

CITY OF KINGSVILLE

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Enterprise Fund	Nonmajor Internal Service Fund
	Utility Fund	Insurance Fund
OPERATING REVENUES:		
<i>Water</i>	\$ 3,834,915	\$ --
<i>Wastewater</i>	2,519,463	--
<i>Insurance premiums</i>	--	1,697,823
<i>Federal Revenue</i>	21,031	--
Total Operating Revenues	<u>6,375,409</u>	<u>1,697,823</u>
OPERATING EXPENSES:		
<i>Personal services</i>	1,565,052	--
<i>Supplies</i>	162,114	--
<i>Services</i>	930,817	1,773,810
<i>Maintenance</i>	311,467	--
<i>Water supply contract</i>	351,061	--
<i>Uncollectable accounts</i>	8,933	--
<i>Depreciation and amortization</i>	757,766	--
Total Operating Expenses	<u>4,087,210</u>	<u>1,773,810</u>
Operating Income (Loss)	<u>2,288,199</u>	<u>(75,987)</u>
NON-OPERATING REVENUES (EXPENSES):		
<i>Interest</i>	468,217	47,773
<i>Interest and fiscal agent charge</i>	(398,925)	--
Total Non-operating Revenues (Expenses)	<u>69,292</u>	<u>47,773</u>
Net Income (Loss) before Transfers	<u>2,357,491</u>	<u>(28,214)</u>
TRANSFERS IN (OUT):		
<i>To General Fund</i>	(1,250,000)	--
Total Transfers In (Out)	<u>(1,250,000)</u>	<u>--</u>
Net income (loss)	1,107,491	(28,214)
Net assets, October 1	6,413,918	303,985
Prior period adjustment	--	(119,098)
Net assets, September 30	<u>\$ 7,521,409</u>	<u>\$ 156,673</u>

The accompanying notes are an integral part of this statement.

CITY OF KINGSVILLE

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Enterprise Utility Fund	Nonmajor Internal Service Insurance Funds
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 6,765,992	\$ --
Cash Receipts (Payments) for Interfund Services Provided and Used	--	1,687,321
Cash Payments to Employees for Services	(1,544,913)	--
Cash Payments to Other Suppliers for Goods and Services	(1,772,142)	--
Cash Payments for Claims	--	(1,806,150)
Net Cash Provided (Used) by Operating Activities	<u>3,448,937</u>	<u>(118,829)</u>
Cash Flows from Non-capital Financing Activities:		
Transfers From (To) Other Funds	(1,250,000)	--
Net Cash Provided (Used) by Non-capital Financing Activities	<u>(1,250,000)</u>	<u>--</u>
Cash Flows from Capital and Related Financing Activities:		
Principal and Interest Paid	(933,368)	--
Acquisition or Construction of Capital Assets	(4,452,354)	--
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>(5,385,722)</u>	<u>--</u>
Cash Flows from Investing Activities:		
Interest and Dividends on Investments	468,217	47,773
Net Cash Provided (Used) for Investing Activities	<u>468,217</u>	<u>47,773</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(2,718,568)	(71,056)
Cash and Cash Equivalents at Beginning of Year	9,623,960	393,597
Cash and Cash Equivalents at End of Year	<u>\$ 6,905,392</u>	<u>\$ 322,541</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ 2,288,199	\$ (75,987)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation and Amortization	757,766	--
Provision for Uncollectible Accounts	8,933	--
Change in Assets and Liabilities:		
Decrease (Increase) in Receivables	137,843	--
Decrease (Increase) in Due from Other Governments	191,664	--
Decrease (Increase) in Due from Other Funds	--	(4,173)
Decrease (Increase) in Inventories	(16,683)	--
Increase (Decrease) in Accounts Payable	--	(32,340)
Increase (Decrease) in Accrued Wages Payable	22,250	--
Increase (Decrease) in Accumulated Compensated Absences	(2,111)	--
Increase (Decrease) in Due to Other Governments	45,108	--
Increase (Decrease) in Customer Deposits	15,968	(6,329)
Total Adjustments	<u>1,160,738</u>	<u>(42,842)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 3,448,937</u>	<u>\$ (118,829)</u>

The accompanying notes are an integral part of this statement.

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

A. Summary of Significant Accounting Policies

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

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of these Notes. The remainder of the Notes is organized to provide explanations, including required disclosures, on the City's financial activities for the fiscal year ended September 30, 2007.

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, 2007.

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, 2007

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

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

3. Financial Statement Amounts

a. Equity in Pooled Cash and Cash Equivalents

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

b. Property Taxes

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

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

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

In order to obtain approval of its general obligation bonds by the Attorney General of the State, a satisfactory showing of adequate taxing power must be made. As a general rule the Attorney General will not approve new bonds if this will make the net debt exceed twenty-five percent of the assessed value. The 2006 tax rate was \$.68544 of which \$.46453 was distributed to the General Fund and \$.22091 was applied to the Debt Service Fund. Using the twenty-five percent rule, the City's legal margin is \$143,557,684.

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.

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

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

h. Pension Plans

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

i. Fund Equity

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

j. Accumulated Unpaid Compensated Absences

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

k. Interfund Activity

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

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

CITY OF KINGSVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2007

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

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

Investment	Reported Amount	Fair Value	Maturity
MBIA (Rated @ AAA/V1+)	\$ 18,503,607	\$ 18,503,607	3 Month Avg.
	<u>\$ 18,503,607</u>	<u>\$ 18,503,607</u>	

Analysis of Specific Deposit and Investment Risks:

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

1. Credit Risks

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

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. This type of transaction is not addressed by the City's investment policy, and, therefore, is not an investment option for the City at this time.

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 had a significant concentration of investments in MBIA as described above.

4. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the City's investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than 365 days. At the end of the period, the City was not significantly exposed to interest rate risk.

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 352,354	\$ --	\$ --	\$ 352,354
Construction in progress	4,358,703	5,400,325	--	9,759,028
Total capital assets not being depreciated	4,711,057	5,400,325	--	10,111,382
<i>Capital assets being depreciated:</i>				
Buildings and improvements	25,035,275	--	--	25,035,275
Equipment	2,587,522	5,600	--	2,593,122
Vehicles	3,118,112	16,931	--	3,135,043
Total capital assets being depreciated	30,740,909	22,531	--	30,763,440
Less accumulated depreciation for:				
Buildings and improvements	(19,976,679)	(628,442)	--	(20,605,121)
Equipment	(1,635,666)	(141,775)	--	(1,777,441)
Vehicles	(2,089,460)	(190,341)	--	(2,279,801)
Total accumulated depreciation	(23,701,805)	(960,558)	--	(24,662,363)
Total capital assets being depreciated, net	7,039,104	(938,027)	--	6,101,077
Business-type activities capital assets, net	\$ 11,750,161	\$ 4,462,298	\$ --	\$ 16,212,459
Depreciation was charged to functions as follows:				
General Government	\$ 38,150			
Public Safety	376,208			
Public Works	434,523			
City/County	2,194			
	\$ 851,075			

F. Interfund Balances and Activity

1. Due To and From Other Funds

Balances due to and due from other funds at September 30, 2007, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Other Governmental Funds	\$ 236,820	Short-term loans
General Fund	Debt Service Fund	29,880	Short-term loans
Utility Fund	General Fund	232,001	Short-term loans
Utility Fund	Utility Fund	4,472	Short-term loans
Other Governmental Funds	Other Governmental Funds	208,999	Short-term loans
Debt Service Fund	Utility Fund	45,009	Short-term loans
Utility Fund	Debt Service Fund	2,197	Short-term loans
Total		\$ 759,378	

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

CITY OF KINGSVILLE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2007

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

Liability	Activity Type		
Compensated absences	Governmental activities		
Compensated absences	Business-type activities		
Revenue bonds payable:		<u>2007</u>	<u>2006</u>
\$2,000,000 Utility System Revenue Bonds Series 1995; due in annual installments of \$150,000 to \$190,000 through April 1, 2012; interest at 3.95% to 5.8%.		\$ 845,000	\$ 990,000
Total Revenue Bonds Payable		<u>\$ 845,000</u>	<u>\$ 990,000</u>
Certificates of obligation payable:		<u>2007</u>	<u>2006</u>
\$11,780,000 Certificates of Obligation Series 2005, due in annual installments of \$210,000 to \$990,000 through August 2025; interest at 3.00% to 4.125%. (100% Utility Fund).		\$ 11,375,000	\$ 11,580,000
\$3,305,000 Certificates of Obligation, Series 2001; due in annual installments of \$350,000 to \$400,000 through August 1, 2011; interest at 4.3% to 5.7%. (100% Utility Fund).		1,495,000	1,830,000
\$3,000,000 Certificates of Obligation Series 1998; due in annual installments of \$145,000 to \$255,000 through February 1, 2018; interest at 4% to 5%.		2,145,000	2,285,000
\$2,485,000 Certificates of Obligation Series 2002A; due in annual installments of \$120,000 to \$215,000 through August 1, 2023; interest at 3.0% to 4.7%.		2,160,000	2,270,000
\$3,960,000 Certificates of Obligation Series 2002; due in annual installments of \$540,000 to \$695,000 through August 1, 2011; interest at 3.125% to 3.5%. (split General Fund 84.80% and Utility Fund 15.20%).		2,640,000	3,205,000
\$1,200,000 Public Property Financial Contractual Obligation Series 2007. Due in annual installments of \$115,000 to \$90,000 through August 1, 2017 interest at 4.11% (General Fund 71.667% Utility Fund 35.83337%).		1,200,000	—
Total Certificates of Obligation Payable		<u>\$ 21,015,000</u>	<u>\$ 21,170,000</u>

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes. Plan provisions for the City were as follows (as of 4/7/07):

Deposit Rate:	7.0%
Matching Ratio (City to Employee):	1 1/2-1
A member is vested after	5 yrs
Members can retire at certain ages, based on the years of service with the City.	
The Service Retirement Eligibilities for the city are:	5 yrs/age 60, 20 yrs/any age

Contributions

Under the state law governing TMRS, the actuary annually determines the City's contribution rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. The unit credit actuarial cost method is used for determining the City contribution 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 is the basis for the rate and the calendar year when the rate goes into effect (i.e. December 31, 2006 valuation is effective for rates beginning January 2008).

Contributions for the fiscal year are as follows:

City	\$ 728,435
Employee	<u>550,111</u>
Total Contribution	<u>\$ 1,278,546</u>

Annual Pension Cost and Net Pension Obligation

The City's annual pension cost of \$728,435 for fiscal year ended September 30, 2007 was equal to the City's required and actual contributions. Three-year information is as follows:

	<u>2005</u>	<u>2006</u>	<u>2007</u>
City's Annual Pension Cost	\$ 734,243	\$ 729,018	\$ 728,435
Percentage of APC contributed	100%	100%	100%
Net Pension Obligation	--	--	--

The latest actuarial valuation for City employees was completed as of December 31, 2006.

CITY OF KINGSVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2007

2. Texas Statewide Emergency Services Personnel Retirement Fund

Plan Description

The Fire Fighters' Pension Commissioner is the administrator of the Texas Statewide Emergency Services Personnel Retirement Fund, a cost-sharing multiple employer pension system established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without monetary remuneration. The Texas Statewide Emergency Services Personnel Retirement Fund is considered a component unit of the State of Texas financial reporting entity and is included in the State's financial reports as a pension trust fund. At August 31, 2007 there were 8061 member departments participating in the pension system.

The table below summarizes the pension system membership of the City as of August 31, 2007:

Retirees and beneficiaries currently receiving benefits	15
Terminated members entitled to benefits but not yet receiving them	N/A *
Current active members (vested and nonvested)	14

* N/A "Not Available"

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

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

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

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

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

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

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

K. Commitments and Contingencies

1. Contingencies

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

2. Litigation

No reportable litigation was pending against the City at September 30, 2007.

L. Budgetary Data

Budget amendments approved during the year included the following:

\$208,522 total amendments to the General Fund. This was comprised primarily of a \$73,083 increase in City Special-Services, a \$58,844 increase in Police Department-Services, a \$46,482 increase in Public Works-Services, a \$49,146 increase in Streets-Buildings, and a \$27,000 decrease in Sanitation-Personal Services.

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*
Hourly (after completion of probation)	120	720*
Police Department	240	720
Fire Department	250	1200
Fire Marshall	166	800

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. 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, 2007, the liability for accrued vacation leave and accrued sick leave is approximately \$949,865. The amount applicable to the General Fund and Enterprise Fund of \$880,246 and \$69,619, respectively, and have been recorded in its respective fund.

N. Contracts With South Texas Water Authority

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

The South Texas Water Authority (STWA) was created in 1979 as a conservation and reclamation district to finance, construct and operate a regional water supply system which will supply treated water on a wholesale basis to the incorporated cities of Kingsville, Bishop, Driscoll, and Agua Dulce and to the unincorporated community of Banquete. Each of these cities was totally reliant on ground water from the Goliad Formation, an aquifer which underlies Nueces, Kleberg and several adjacent counties. Withdrawal of water from the Goliad Formation created numerous zones of depression or declines in the water table. Additionally, some locations in the area as well as a number of individual wells were producing water of marginal quality particularly in regard to dissolved solids and

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

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

GUARANTEED PURCHASE

(A) The City shall purchase a minimum volume of water not to exceed \$350,000 annually unless additional purchases are necessary to supplement the City of Kingsville water requirements and additional money is made available in the budget for the additional volumes.

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 \$244,130 at September 30, 2007 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 2007 and 2006 were:

	Beginning-of Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2007	\$ 157,372	\$ 1,605,127	\$ 1,518,369	\$ 244,130
2006	136,440	1,386,096	1,365,164	157,372

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

U. Prior Period Adjustment

The City posted prior period adjustments totalling \$150,791 as follows:

Internal Service Fund:

To record expenditures in the proper period	\$	119,098
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Police Forfeiture Fund:

To correct fund balance for amounts previously recognized as revenue that should have been payable to other governments		<u>31,693</u>
	\$	<u><u>150,791</u></u>



CITY OF KINGSVILLE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2007

EXHIBIT B-1
Page 2 of 7

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Sanitation Services:				
Garbage Fees	2,538,000	2,538,000	2,333,103	(204,897)
Landfill Fees	300,000	300,000	434,914	134,914
Miscellaneous	9,000	9,000	4,962	(4,038)
Total Sanitation Services	2,847,000	2,847,000	2,772,979	(74,021)
Total Charges for Services	3,203,225	3,203,225	3,225,782	22,557
Fines and Forfeits:				
Court Fines	357,700	357,700	472,669	114,969
Confiscated Revenue	--	--	5,000	5,000
Minor Fines	1,000	1,000	419	(581)
Collection of State Taxes	19,900	19,900	15,050	(4,850)
Other Court Fines	15,600	15,600	15,664	64
Total Fines and Forfeits	394,200	394,200	508,802	114,602
Special Assessments	--	--	3,966	3,966
Interest and Miscellaneous:				
Interest from Investments	173,400	291,806	288,974	(2,832)
Auction Revenue	15,000	15,000	6,322	(8,678)
Sale of City Publications	1,150	1,150	593	(557)
Sale of Recycle Item	16,000	16,000	22,230	6,230
Miscellaneous	22,000	22,000	17,506	(4,494)
Total Interest and Miscellaneous	227,550	345,956	335,625	(10,331)
Gain or Loss on Sale of Property	200	200	42	(158)
Donations	--	1,800	1,800	--
Total Revenues	11,792,914	11,920,780	12,008,202	87,422
Expenditures:				
City Administration Department				
City Commission:				
Personal Services	51,961	52,004	48,342	3,662
Supplies	7,885	8,285	7,650	635
Services	45,400	44,957	34,719	10,238
Capital Outlay	70	70	--	70
Total City Commission	105,316	105,316	90,711	14,605
City Manager:				
Personal Services	157,855	161,130	160,855	275
Supplies	4,000	6,707	6,224	483
Services	16,375	14,993	14,633	360
Total City Manager	178,230	182,830	181,712	1,118

CITY OF KINGSVILLE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2007

EXHIBIT B-1
Page 4 of 7

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Purchasing:				
<i>Personal Services</i>	92,796	92,364	87,713	4,651
<i>Supplies</i>	11,087	11,087	9,397	1,690
<i>Services</i>	9,125	9,557	3,976	5,581
<i>Maintenance</i>	200	200	—	200
<i>Capital Outlay</i>	54	54	—	54
Total Purchasing	113,262	113,262	101,086	12,176
Computer Operations:				
<i>Personal Services</i>	37,043	38,633	38,253	380
<i>Supplies</i>	6,617	5,999	5,948	51
<i>Services</i>	41,059	40,736	40,734	2
<i>Maintenance</i>	2,260	1,460	1,449	11
Total Computer Operations	86,979	86,828	86,384	444
Total Management Services Department	770,873	770,873	746,417	24,456
Legal Department				
<i>Personal Services</i>	122,049	122,259	121,740	519
<i>Supplies</i>	2,000	3,162	3,116	46
<i>Services</i>	43,350	47,978	46,473	1,505
Total Legal Department	167,399	173,399	171,329	2,070
Urban Development Department				
Planning:				
<i>Personal Services</i>	85,772	55,772	43,553	12,219
<i>Supplies</i>	5,450	5,450	2,071	3,379
<i>Services</i>	9,050	9,050	3,750	5,300
Total Planning	100,272	70,272	49,374	20,898
Permits and Licenses:				
<i>Personal Services</i>	128,390	126,715	118,769	7,946
<i>Supplies</i>	5,834	9,349	9,131	218
<i>Services</i>	3,840	3,200	2,502	698
<i>Maintenance</i>	1,500	1,500	688	812
Total Permits and Licenses	139,564	140,764	131,090	9,674
Litter Abatement:				
<i>Personal Services</i>	36,519	39,053	34,762	4,271
<i>Supplies</i>	6,285	8,951	5,797	3,154
<i>Services</i>	14,225	13,225	6,354	6,871
<i>Maintenance</i>	1,000	1,000	478	522
<i>Building</i>	35,000	29,600	13,993	15,607
Total Litter Abatement	93,029	91,829	61,404	30,425

CITY OF KINGSVILLE

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2007

EXHIBIT B-1

Page 6 of 7

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Garage:				
<i>Personal Services</i>	315,125	314,809	297,555	17,254
<i>Supplies</i>	15,764	15,780	15,780	--
<i>Services</i>	5,200	5,300	3,504	1,796
<i>Maintenance</i>	4,750	4,950	3,348	1,602
<i>Capital Outlay</i>	6,500	6,500	--	6,500
Total Garage	347,339	347,339	320,187	27,152
Sanitation:				
<i>Personal Services</i>	689,065	661,785	647,533	14,252
<i>Supplies</i>	182,259	168,857	101,750	67,107
<i>Services</i>	7,630	6,267	5,863	404
<i>Maintenance</i>	116,000	152,965	130,883	22,082
<i>Capital Outlay</i>	15,227	15,227	--	15,227
Total Sanitation	1,010,181	1,005,101	886,029	119,072
Street:				
<i>Personal Services</i>	668,386	653,386	577,587	75,799
<i>Supplies</i>	86,070	76,779	64,576	12,203
<i>Services</i>	309,216	302,704	255,701	47,003
<i>Maintenance</i>	57,000	68,803	68,761	42
<i>Fixed Asset Maintenance</i>	975,243	1,024,389	415,077	609,312
<i>Capital Outlay</i>	4,819	4,819	--	4,819
Total Street	2,100,734	2,130,880	1,381,702	749,178
Train Depot:				
<i>Supplies</i>	500	500	9	491
<i>Services</i>	19,000	18,400	15,458	2,942
<i>Building</i>	3,500	4,100	3,871	229
Total Train Depot	23,000	23,000	19,338	3,662
Landfill:				
<i>Personal Services</i>	260,238	261,837	258,503	3,334
<i>Supplies</i>	89,780	85,397	81,741	3,656
<i>Services</i>	104,393	107,377	94,997	12,380
<i>Maintenance</i>	45,500	46,500	45,308	1,192
<i>Building</i>	4,000	4,000	3,728	272
<i>Capital Outlay</i>	15,732	15,732	--	15,732
Total Landfill	519,643	520,843	484,277	36,566

CITY OF KINGSVILLE

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF FUNDING PROGRESS TEXAS MUNICIPAL RETIREMENT SYSTEM YEAR ENDED SEPTEMBER 30, 2007

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit Cost Method (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/04	\$ 20,101,029	\$ 23,978,374	\$ 3,877,345	83.8%	\$ 7,748,043	50.0%
12/31/05	19,340,981	23,590,386	4,249,405	82.0%	7,445,582	57.1%
12/31/06	21,200,009	26,116,397	4,916,388	81.2%	7,324,224	67.1%

COMBINING STATEMENTS & BUDGETARY COMPARISON SCHEDULES



CITY OF KINGSVILLE

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenue:			
Taxes	\$ 312,153	\$ --	\$ 312,153
Fines and forfeitures	8,802	--	8,802
Interest and miscellaneous	--	27,365	27,365
Federal and state grants	211,535	--	211,535
Total revenues	<u>532,490</u>	<u>27,365</u>	<u>559,855</u>
Expenditures:			
Current:			
General government and administration	105,577	--	105,577
Public Safety	114,960	--	114,960
Public works	--	8,000	8,000
Tourism	312,153	--	312,153
Total expenditures	<u>532,690</u>	<u>8,000</u>	<u>540,690</u>
Net change in fund balances	(200)	19,365	19,165
Fund balances/equity, October 1	8,924	343,697	352,621
Fund balances/equity, September 30	<u>\$ 8,724</u>	<u>\$ 363,062</u>	<u>\$ 371,786</u>

SPECIAL REVENUE FUNDS



<u>State Grants</u>	<u>Other Special Revenues</u>	<u>Total Nonmajor Special Revenue Funds (See Exhibit C-1)</u>
\$ 9,185	\$ 2,365	\$ 21,347
--	--	27,729
--	--	111,929
<u>\$ 9,185</u>	<u>\$ 2,365</u>	<u>\$ 161,005</u>
\$ 2,154	\$ --	\$ 2,154
2,805	--	140,662
2,153	--	9,465
<u>7,112</u>	<u>--</u>	<u>152,281</u>
2,073	2,365	8,724
<u>2,073</u>	<u>2,365</u>	<u>8,724</u>
<u>\$ 9,185</u>	<u>\$ 2,365</u>	<u>\$ 161,005</u>

State Grants	Other Special Revenues	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
\$ -- -- 51,916 <u>51,916</u>	\$ -- -- -- <u>--</u>	\$ 312,153 8,802 211,535 <u>532,490</u>
33,997 17,919 -- <u>51,916</u>	-- -- -- <u>--</u>	105,577 114,960 312,153 <u>532,690</u>
--	--	(200)
2,073 <u>2,073</u>	2,365 <u>2,365</u>	8,924 <u>8,724</u>

CITY OF KINGSVILLE

EXHIBIT C-6

SOUTH TEXAS CRIME AND NARCOTICS TASK FORCE FY00

SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Project Authorization	Prior Years	Current Year	Total To Date
Revenues:				
<i>Fines and forfeitures</i>	--	--	8,802	8,802
<i>Federal grants</i>	421,289	95,409	159,619	255,028
Total Revenues	421,289	95,409	168,421	263,830
Expenditures:				
Current:				
<i>General government and administration</i>	134,486	--	71,580	71,580
<i>Public safety</i>	286,803	95,409	97,041	192,450
Total Expenditures	421,289	95,409	168,621	264,030
Excess (deficiency) of revenues (under) expenditures	--	--	(200)	(200)
Fund balances/equity, October 1			4,486	
Fund balances/equity, September 30			\$ 4,286	

DEBT
SERVICE
FUND

CITY OF KINGSVILLE

EXHIBIT C-8

DEBT SERVICE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
<i>Ad Valorem Taxes</i>	\$ 1,310,342	\$ 1,401,342	\$ 1,337,701	\$ (63,641)
<i>Interest from Investments</i>	38,000	38,000	37,155	(845)
Total Revenues	1,348,342	1,439,342	1,374,856	(64,486)
Expenditures:				
<i>Principal retired</i>	975,000	975,000	975,000	--
<i>Interest</i>	344,342	344,342	358,706	(14,364)
<i>Paying agent fees</i>	4,000	4,000	3,750	250
Total Expenditures	1,323,342	1,323,342	1,337,456	(14,114)
Excess (deficiency) of revenues (under) expenditures	25,000	116,000	37,400	(78,600)
Fund balances/equity, October 1	274,014	274,014	274,014	--
Fund balances/equity, September 30	\$ 299,014	\$ 390,014	\$ 311,414	\$ (78,600)

CITY OF KINGSVILLE

EXHIBIT C-9

C. O. SERIES 2001

CAPITAL PROJECTS FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Project Authorization	Prior Years	Current Year	Total To Date
Revenues:				
Interest from Investments	\$ --	\$ 98,589	\$ 27,365	\$ 125,954
Total Revenues	--	98,589	27,365	125,954
Expenditures:				
Public Works	3,305,000	3,059,892	8,000	3,067,892
Total Expenditures	3,305,000	3,059,892	8,000	3,067,892
Excess (deficiency) of revenues (under) expenditures	(3,305,000)	(2,961,303)	19,365	(2,941,938)
Other financing sources (uses):				
Bond Proceeds	3,305,000	3,305,000	--	3,305,000
Total other financing sources (uses)	3,305,000	3,305,000	--	3,305,000
Excess of revenues and other financing sources over (under) expenditures and other financing uses	\$ --	\$ 343,697	19,365	\$ 363,062
Fund balances/equity, October 1			343,697	
Fund balances/equity, September 30			\$ 363,062	

TRUST AND AGENCY FUNDS

CITY OF KINGSVILLE

EXHIBIT C-10

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

ALL AGENCY FUNDS

YEAR ENDED SEPTEMBER 30, 2007

	Balance October 1, 2006	Additions	Deductions	Balance September 30, 2007
Corporation Court Cash Bond Account Fund				
ASSETS				
Cash & Investments	\$ 25,907	\$ 164,502	\$ 176,416	\$ 13,993
Total Assets	<u>\$ 25,907</u>	<u>\$ 164,502</u>	<u>\$ 176,416</u>	<u>\$ 13,993</u>
LIABILITIES				
Cash Bonds Held	\$ 25,907	\$ 164,502	\$ 176,416	\$ 13,993
Total Liabilities	<u>\$ 25,907</u>	<u>\$ 164,502</u>	<u>\$ 176,416</u>	<u>\$ 13,993</u>
TOTAL AGENCY FUNDS:				
ASSETS				
Cash & Investments	\$ 25,907	\$ 164,502	\$ 176,416	\$ 13,993
Total Assets	<u>\$ 25,907</u>	<u>\$ 164,502</u>	<u>\$ 176,416</u>	<u>\$ 13,993</u>
LIABILITIES				
Cash Bonds Held	\$ 25,907	\$ 164,502	\$ 176,416	\$ 13,993
Total Liabilities	<u>\$ 25,907</u>	<u>\$ 164,502</u>	<u>\$ 176,416</u>	<u>\$ 13,993</u>

CITY OF KINGSVILLE

EXHIBIT C-11

CONVENTION & VISITORS BUREAU
 DISCRETELY PRESENTED COMPONENT UNIT
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
<i>Contracted Services</i>	\$ 265,200	\$ 265,200	\$ 267,738	\$ 2,538
<i>Interest from Investments</i>	--	--	586	586
<i>Miscellaneous</i>	--	--	1,660	1,660
Total Revenues	265,200	265,200	269,984	4,784
Expenditures:				
<i>Personal Services</i>	122,536	122,536	113,938	8,598
<i>Supplies</i>	11,550	11,550	11,764	(214)
<i>Services</i>	130,114	130,114	126,453	3,661
<i>Maintenance</i>	1,000	1,000	994	6
Total Expenditures	265,200	265,200	253,149	12,051
Excess (deficiency) of revenues (under) expenditures	--	--	16,835	16,835
Fund balances/equity, October 1	104,337	104,337	104,337	--
Fund balances/equity, September 30	\$ 104,337	\$ 104,337	\$ 121,172	\$ 16,835

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

JOHN L. WOMACK, CPA

JOHN R. WOMACK, CPA
MARGARET KELLY, CPA
CRYSTAL SOLOMON, CPA

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Independent Auditor's Report

Report on Internal Control over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

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

Members of the City Commission:

I 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, 2007, which collectively comprise the City of Kingsville's basic financial statements and have issued my report thereon dated March 28, 2008. I conducted my 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 my audit, I considered City of Kingsville's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my 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, I do not express an opinion on the effectiveness of the City of Kingsville's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Kingsville's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Kingsville's financial statements that is more than inconsequential will not be prevented by the City of Kingsville's internal control. I consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 07-2 and 07-3 to be significant deficiencies in internal control over financial reporting.

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



PRIVATE COMPANIES PRACTICE SECTION, AICPA DIVISION FOR CPA FIRMS

CITY OF KINGSVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

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

07-1 State Compliance - Budget

The General Fund Budgetary Comparison contains excess expenditures over appropriations. The adopted budget should be amended as necessary throughout the year. Our recommendation is that the City review budgeting procedures in order to insure that necessary amendments are made in a timely manner.

07-2 Internal Control - Task Force

The City had a significant deficiency in internal control over certain areas of Task Force operations during the year. First, there was a lack of control over cash in the imprest fund. Second, there was a lack of controls over credit card purchases, including the inability to support expenditures with proper documentation. We recommend that the City implement policies and procedures over the reimbursement of the imprest fund, as well as over credit card purchases, to ensure the safeguarding of City assets and the proper control, documentation, and recording of City expenditures.

07-3 Internal Control - Prior Period Adjustments

The City had a significant deficiency in internal control over reporting resulting in prior period adjustments for expenditures not recorded in the internal service fund in the prior year, as well as a correction of amounts previously reported as revenue in the Police Forfeiture Funds. We recommend that reconciliations be made on a timely basis to ensure that all expenditures are recorded in the proper period, and further review of interim financial statements be established to reduce risk of material misstatement.

C. Federal Award Findings and Questioned Costs

NONE

CITY OF KINGSVILLE
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2007

07-1 State Compliance - Budget

The City will stress the importance of the budgeting process, and strive to improve procedures to insure that the budget will be amended in a timely manner. Mark Rushing, Finance Director, will work toward these goals in the 2008 Fiscal Year.

07-2 Internal Control - Task Force

The City has already established new policies and procedures for the controls over imprest fund cash. Controls over the credit card purchases have been strengthened. The City will continue to improve these controls as deemed necessary. Mark Rushing, Finance Director, will coordinate these efforts.

07-3 Internal Control - Prior Period Adjustment

The City will perform necessary reconciliations to ensure that all revenues and expenditures are posted in the proper period. Mark Rushing, Finance Director, will coordinate these efforts.

STATISTICAL SECTION

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	89-93
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.	94-102
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	103-109
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.	110-111
Operating Information	
These schedules contain information about the city's operations and resources to help to reader understand how the city's financial information relates to the services the city provides and the activities it performs.	112-116

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.

SCHEDULE 1
CITY OF KINGSVILLE
NET ASSETS BY COMPONENT,
LAST FIVE FISCAL YEARS

	Fiscal Year				
	2007	2006	2005	2004	2003
Governmental activities					
Invested in capital assets, net of related debt	\$ 7,410,484	\$ 7,176,613	\$ 5,751,650	\$ 4,472,660	\$ 1,810,325
Restricted	2,649,969	5,317,775	2,325,562	2,804,822	4,954,300
Unrestricted	2,079,519	1,093,351	1,150,966	754,079	379,136
Total governmental activities net assets	\$ 12,139,972	\$ 13,587,739	\$ 9,228,178	\$ 8,031,561	\$ 7,143,761
Business-type activities					
Invested in capital assets, net of related debt	\$ 4,311,656	\$ 4,315,474	\$ (8,284,270) *	\$ 3,321,566	\$ 2,419,270
Restricted	2,496,143	2,174,298	14,846,121	2,293,034	3,934,520
Unrestricted	679,366	113,403	(1,908,572)	(1,117,171)	(549,286)
Total business-type activities net assets	\$ 7,487,165	\$ 6,603,175	\$ 4,653,279	\$ 4,497,429	\$ 5,804,504
Primary government					
Invested in capital assets, net of related debt	\$ 11,722,140	\$ 11,492,087	\$ (2,532,620)	\$ 7,794,226	\$ 4,229,595
Restricted	5,146,112	4,489,073	17,171,663	5,097,856	8,888,820
Unrestricted	2,758,885	1,206,754	(757,606)	(363,092)	(170,150)
Total primary government net assets	\$ 19,627,137	\$ 17,187,914	\$ 13,881,457	\$ 12,528,990	\$ 12,948,265

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

* The aggregate balance came from a new bond issue of which \$11,163,439 had not been spent. Resulting in restricted reserve to increase by \$12,553,087 by year end.

SCHEDULE 2 (Continued)
CITY OF KINGSVILLE
CHANGES IN NET ASSETS, LAST FIVE FISCAL YEARS

	Fiscal Year				
	2007	2006	2005	2004	2003
Net (Expense)/Revenue					
Governmental activities	\$ (10,047,144)	\$ (9,390,378)	\$ (9,158,912)	\$ (9,791,934)	\$ (9,668,326)
Business-type activities	2,618,231	2,700,651	1,733,709	1,576,009	1,482,555
Total primary government net expenses	\$ <u>(7,428,913)</u>	\$ <u>(6,689,727)</u>	\$ <u>(7,425,203)</u>	\$ <u>(8,215,925)</u>	\$ <u>(8,185,771)</u>
General Revenues and Other Changes in Net Assets					
Governmental activities					
Taxes					
Property taxes	\$ 4,147,121	\$ 4,012,188	\$ 3,733,214	\$ 3,536,180	\$ 3,732,215
Franchise taxes	985,016	1,012,220	1,026,424	1,038,640	980,307
Sales taxes	3,764,310	3,795,341	3,390,122	3,032,676	2,899,006
Other taxes	44,886	39,183	39,132	27,952	30,606
Unrestricted grants and contributions	-	-	-	-	-
Payment in lieu of taxes	100,000	100,000	100,000	100,000	100,000
Investment earnings	391,675	170,314	130,266	90,738	84,724
Miscellaneous (loss)	693	(30,052)	119	(41,966)	26,204
Transfers	2,293,521	1,961,699	1,936,252	1,371,639	1,000,000
Total governmental activities	<u>11,747,222</u>	<u>11,060,893</u>	<u>10,355,529</u>	<u>9,155,859</u>	<u>8,853,062</u>
Business-type activities					
Investment earnings	559,280	600,142	353,232	26,406	35,104
Other	-	30,775	5,161	18,433	-
Transfers	(2,293,522)	(1,961,699)	(1,936,252)	(1,371,639)	(1,000,000)
Total business-type activities	<u>(1,734,242)</u>	<u>(1,330,782)</u>	<u>(1,577,859)</u>	<u>(1,326,800)</u>	<u>(964,896)</u>
Total primary government	\$ <u>10,012,980</u>	\$ <u>9,730,111</u>	\$ <u>8,777,670</u>	\$ <u>7,829,059</u>	\$ <u>7,888,166</u>
Changes in Net Assets					
Governmental activities (loss)	\$ 1,700,078	\$ 1,670,515	\$ 1,196,617	\$ (636,075)	\$ (815,264)
Business-type activities	883,989	1,369,869	155,850	249,209	517,659
Total primary government (loss)	\$ <u>2,584,067</u>	\$ <u>3,040,384</u>	\$ <u>1,352,467</u>	\$ <u>(386,866)</u>	\$ <u>(297,605)</u>

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

SCHEDULE 3

Fiscal Year					
<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
\$ 422,840	\$ 3,380,142	\$ 2,226,519	\$ 1,589,496	\$ 1,035,938	\$ 2,167,647
<u>2,006,541</u>	<u>2,324,845</u>	<u>2,972,504</u>	<u>4,032,056</u>	<u>5,936,909</u>	<u>6,695,729</u>
\$ <u>2,429,381</u>	\$ <u>5,704,987</u>	\$ <u>5,199,023</u>	\$ <u>5,621,552</u>	\$ <u>6,972,847</u>	\$ <u>8,863,376</u>
\$ -	\$ 48,188	\$ 7,844	\$ 8,699	\$ 9,331	\$ 66,454
609,999	651,579	33,559	41,016	332,679	793,897
772,264	487,518	626,779	379,116	343,697	363,062
<u>326,450</u>	<u>364,499</u>	<u>69,062</u>	<u>108,402</u>	<u>274,014</u>	<u>311,414</u>
\$ <u><u>1,708,713</u></u>	\$ <u><u>1,551,784</u></u>	\$ <u><u>737,244</u></u>	\$ <u><u>537,233</u></u>	\$ <u><u>959,921</u></u>	\$ <u><u>1,534,827</u></u>

SCHEDULE 4

Fiscal Year					
2002	2003	2004	2005	2006	2007
\$ 3,788,364	\$ 3,816,412	\$ 3,569,222	\$ 3,804,469	\$ 4,141,313	\$ 4,160,635
4,301,650	4,175,064	4,463,397	4,743,894	5,137,441	5,232,135
179,355	592,442	803,815	226,716	172,814	189,269
707,762	1,167,684	803,192	1,163,398	1,844,000	2,230,194
2,852,929	2,840,098	3,080,519	3,128,451	3,211,482	3,225,782
172,419	40,500	3,029	240	-	3,966
419,203	968,461	709,566	455,162	174,136	211,535
138,621	118,869	127,253	202,335	262,200	511,863
-	-	176,146	3,299	2,890	1,842
<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>	<u>15,767,241</u>
2,228,427	2,410,041	2,947,294	2,357,112	2,398,046	2,673,852
6,077,785	7,409,439	6,265,404	6,644,503	6,703,918	7,411,077
3,096,539	4,738,879	4,113,344	3,472,610	3,553,409	3,291,447
721,590	687,404	674,392	672,019	655,411	686,184
255,405	265,401	264,132	288,215	290,697	312,153
-	-	-	-	-	-
2,616	71,161	248,936	60,258	2,532	-
1,822,528	-	-	-	-	-
366,808	316,527	462,722	411,195	378,281	362,456
1,045,000	925,000	1,045,000	885,000	910,000	975,000
<u>15,616,698</u>	<u>16,823,852</u>	<u>16,021,224</u>	<u>14,790,912</u>	<u>14,892,294</u>	<u>15,712,169</u>
<u>(3,056,395)</u>	<u>(3,104,322)</u>	<u>(2,285,085)</u>	<u>(1,062,928)</u>	<u>73,982</u>	<u>55,072</u>
-	-	-	-	-	-
-	5,223,000	-	-	450,000	1,200,000
-	-	-	-	-	-
1,000,000	1,107,971	1,131,652	1,340,861	1,338,041	1,250,000
-	(107,971)	(134,786)	(56,280)	(88,041)	-
<u>1,000,000</u>	<u>6,223,000</u>	<u>996,866</u>	<u>1,284,581</u>	<u>1,700,000</u>	<u>2,450,000</u>
\$ <u>(2,056,395)</u>	\$ <u>3,118,678</u>	\$ <u>(1,288,219)</u>	\$ <u>221,653</u>	\$ <u>1,773,982</u>	\$ <u>2,505,072</u>

4.102% 7.38% 9.41% 8.76% 8.65% 8.51%

SCHEDULE 6

CITY OF KINGSVILLE

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
1998	\$ 0.35310	\$ 0.37690	\$ 0.73000	\$ 1.50	\$ 0.67	\$ 0.14
1999	0.37419	0.32588	0.70007	1.50	0.68	0.14
2000	0.35939	0.32206	0.68145	1.50	0.72	0.13
2001	0.35193	0.34952	0.70145	1.50	0.69	0.12
2002	0.43650	0.26495	0.70145	1.62	0.69	0.12
2003	0.44399	0.25128	0.69527	1.63	0.63	0.06
2004	0.42980	0.25128	0.69527	1.59	0.61	0.06
2005	0.44924	0.25272	0.70196	1.60	0.61	0.06
2006	0.45633	0.25367	0.71000	1.45	0.61	0.06
2007	0.50040	0.26741	0.76781	1.41	0.65	0.06

SCHEDULE 8

CITY OF KINGSVILLE

PROPERTY TAX LEVIES AND COLLECTIONS,
LAST TEN FISCAL YEARS

Fiscal Year Ended September 30,	Taxes Levied for the Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years (1)	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
1998	\$ 2,850,450	\$ 2,720,721	95.45%	\$ 116,227	\$ 2,836,948	99.53%
1999	2,830,648	2,672,191	94.40%	145,541	2,817,732	99.54%
2000	3,003,723	2,825,009	94.05%	160,836	2,985,845	99.40%
2001	3,249,432	3,060,005	94.17%	169,415	3,229,420	99.38%
2002	3,391,973	3,193,026	94.13%	175,917	3,368,943	99.32%
2003	3,429,931	3,237,999	94.40%	162,373	3,400,372	99.14%
2004	3,447,050	3,250,187	94.29%	152,562	3,402,749	98.71%
2005	3,653,715	3,455,881	94.59%	126,240	3,582,121	98.04%
2006	3,901,561	3,726,279	95.51%	71,678	3,797,957	97.34%
2007	4,136,029	3,911,104	94.56%	-	3,911,104	94.56%

Source: Kleberg County Appraisal District and Kleberg County Tax Assessor Collector.

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

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

SCHEDULE 9

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
\$	1,147	\$ 748	\$ 358	\$ 888	\$ 256
	-	-	299	-	-
	1,910	92	352	68	-
	20,717	8,846	13,726	7,331	7,455
	12,110	7,537	8,028	2,802	17,227
	16,456	15,054	23,744	187	440
	124,134	137,082	124,437	129,820	119,718
	<u>19,350</u>	<u>19,257</u>	<u>13,723</u>	<u>15,611</u>	<u>22,459</u>
\$	<u>195,824</u>	\$ <u>188,616</u>	\$ <u>184,667</u>	\$ <u>156,707</u>	\$ <u>167,555</u>
	1.50%	1.50%	1.50%	1.50%	1.50%



SCHEDULE 11

	<u>Total Primary Government</u>	<u>Percentage of Personal Income</u>	<u>Per Capital</u>
\$	8,655,000	2.04%	\$ 321.09
	7,495,000	1.85%	296.53
	7,650,000	1.71%	299.12
	9,967,657	2.06%	368.91
	8,735,118	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

SCHEDULE 13

CITY OF KINGSVILLE

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF SEPTEMBER 30, 2007

	<u>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	\$ 42,914,993	100%	\$ 42,914,993
Kleberg County	730,000	50%	365,000
South Texas Water Authority	-	N/A	365,000
Subtotal, overlapping debt			<u>43,644,993</u>
City direct debt			<u>9,103,000</u>
Total direct and overlapping debt			<u>\$ 52,747,993</u>

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

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

SCHEDULE 14

2002	2003	2004	2005	2006	2007
\$ 120,912,493	\$ 123,782,082	\$ 125,781,620	\$ 129,498,770	\$ 136,836,546	\$ 136,466,098
6,868,550	11,118,807	10,378,938	9,454,598	9,315,986	7,091,586
\$ 114,043,943	\$ 112,663,275	\$ 115,402,682	\$ 120,044,172	\$ 127,520,560	\$ 129,374,512
6.02%	9.87%	8.99%	7.88%	7.31%	5.48%

Legal Debt Margin Calculation for Fiscal Year 2007

Assessed Value	\$ 602,597,079
Debt limit (25% of assessed value)	150,649,270
Debt applicable to limit:	
General obligation bonds	\$ 7,403,000
Less: Amount set aside for repayment of general obligation debt	(311,414)
Total net debt applicable to limit	7,091,586
Legal debt margin	\$ 143,557,684

SCHEDULE 16

CITY OF KINGSVILLE

DEMOGRAPHIC AND ECONOMIC STATISTICS,
LAST TEN CALENDAR YEARS

Calendar Year	Population	Personal Income (thousands of dollars)	Per Capita Personal Income	Median Age	Education Level in Years of Schooling	School Enrollment	Unemployment Rate
1998	26,955	424,757	15,758	28.9	N/A	5057	6.8%
1999	25,276	405,831	16,056	27.5	N/A	4996	6.6%
2000	25,575	446,207	17,447	26.0	12.3	4819	5.9%
2001	25,631	483,965	18,882	29.2	N/A	4760	6.5%
2002	26,037	529,072	20,320	28.4	N/A	4644	6.2%
2003	26,331	546,289	20,747	28.3	N/A	4620	6.2%
2004	26,412	554,705	21,002	28.3	N/A	4541	6.0%
2005	26,479	572,794	21,632	28.3	N/A	4339	5.0%
2006	26,532	578,636	21,809	28.4	N/A	4246	4.2%
2007	26,753	619,025	24,761	27.9	N/A	4156	4.4%

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.

N/A = not available

SCHEDULE 18

CITY OF KINGSVILLE

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

	Full-Time Equivalent Employees as of September 30,									
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
City Commission	5	5	5	5	5	5	5	5	5	5
General Government	33	33	34	37	37	36	37	37	37	33
Fire	33	35	33	33	33	33	33	33	30	33
Health	12	12	12	12	12	12	12	12	12	11
Library	10	10	10	10	10	10	10	10	10	8
Police	63	63	64	64	63	67	67	67	67	63
Public Works	97	96	98	110	96	97	99	98	99	97
Task Force	11	12	12	16	15	12	13	13	12	11
Total	<u>264</u>	<u>266</u>	<u>268</u>	<u>287</u>	<u>271</u>	<u>272</u>	<u>276</u>	<u>275</u>	<u>272</u>	<u>261</u>

Source: City of Kingsville Human Resources Department

Note: 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.

SCHEDULE 19

<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
2063	2186	2821	2,523	2,355
N/A	N/A	N/A	1,337	1,477
2433	1838	1902	1,791	2,208
37	29	16	70	158
3947	2829	2449	4,334	5,561
2113	1980	1883	1,973	2,108
359	338	363	424	436
189	374	376	234	300
68.28	79.74	97.13	76.03	75.62
1.02	0.39	1.05		1.12
N/A	3.52	4.43	3.2	6.0
N/A	21000	22000	20,000	19,000
58300	59973	61648	63,086	65,306
48306	51784	51791	53,209	56,446
N/A	16,861	16,298	17,670	17,153
N/A	2,329	1,984	1,854	2,222
N/A	2,964	2,533	3,224	2,575
N/A	6,516	7,406	7,925	7,484
38	80	45	45	99
377	334	415	537	780
3412	3184	3184	3,579	3,059
4615	4420	4987	4,955	4,462
2000	2000	2000	2,000	2,000

SCHEDULE 20

<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
1	1	1	1
63	54	53	45
2	2	2	2
18	18	18	18
104	105.25	105.52	105.52
		0	0
N/A	546	554	554
4	4	4	4
195	195	195	195
9	9	9	9
12	12	12	12
12	12	12	12
2	2	2	2
113	114.72	115.72	115.72
681	686	692	692
9594	9594	9,679	9,679
91.11	92.4	94.6	94.6
15.5	15.77	15.98	15.98
4000	4000	4,000	4,000