

City of Kingsville, Texas

Comprehensive Annual Financial Report

For the Year Ended September 30, 2013

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Comprehensive Annual Financial Report

September 30, 2013

CITY OF KINGSVILLE, TEXAS

City Commission

(for the fiscal year ended September 30, 2013)

Sam R. Fugate	Mayor
Alfonso Garcia	Mayor Pro-Tem
Arturo Pecos	Commissioner
Noel Pena	Commissioner
Diane Leubert	Commissioner

City Manager

Vincent J. Capell

Prepared By:

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Introductory Section

CITY OF KINGSVILLE



P. O. BOX 1458 – KINGSVILLE, TEXAS 78364

May 31, 2014

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, 2013, is submitted herewith. As required by the TEX. LOCAL GOV'T CODE ANN. § 103.001 et seq., the report includes financial statements which have been audited by an independent firm of certified public accountants, John Womack & Co. PC. The financial statements are presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and are audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the presentation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The goal of the independent audit, conducted by John Womack & Co. PC was to provide reasonable assurance that the financial statements of the City of Kingsville for fiscal year ended September 30, 2013, 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, 2013, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Kingsville's MD&A can be found immediately following the report of the independent auditor.

THE CITY AND ITS ORGANIZATION

Population and Location

Based on the reviewed 2010 Census of Kingsville, the City now has a population of 27,195; this represents a 6.33 percent increase over the 2000 Census of 25,575. The City of Kingsville's standard metropolitan statistical area consists of Kleberg County which has a population of 32,061 according to the 2010 Census. The geographic location of the City is on U. S. Highway 77 which has been proposed to be the new Interstate 69 which will facilitate travel from Mexico, Central and South America to the U.S. and Canada. The City is also home to a major military installation, NAS Kingsville, and tourist attraction, the King Ranch.

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

Form of Government and City Services

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

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

The City is a full service municipality, providing a full range of services. The City's public safety services include police protection, fire protection, building inspection, and a specialized emergency management operation. Law enforcement is provided through the Police Department with 65 employees, which includes 48 police officers and 17 support personnel. The City's Fire Department operates two fire stations, and includes an emergency medical service comprised of two staffed ambulances, with a third ambulance available if needed. Fire protection and emergency medical services are provided with 33 employees, which include 32 fire fighters and 1 support personnel. Of the 32 fire fighters, 9 have their Paramedic or Emergency Medical Technician certification.

The City has a combined utility system (System) comprised of water and wastewater. The City's water system, consisting of 123.0 miles of waterlines, serves all residents of the City, as well as several other customers and industries within Kleberg County and a 2 mile radius of the City. The City's water supply is primarily provided by seven water wells. The second water supply source is with STWA which maintains a 42" water line

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

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

In addition to operating the combined utility system, the City also provides garbage collection and disposal. Garbage collection is primarily limited to residential service, with automated garbage collection using specialized equipment initiated in 2009 and City households are now using the garbage rollouts with automated inventory bar codes and GPS tracking. The City, with its automated garbage collection program, provides garbage pick-up twice a week which results in a savings of more than \$100,000 a year. The commercial garbage collection is also automated and is collected up to six days a week. The City's recycling center collects approximately 150 tons a year. The City owns and operates a regional waste disposal facility, also accepting waste from outside of the City and from commercial garbage haulers. Other public works operations of the City include drainage and street maintenance, street lighting and traffic signalization and engineering. The City provides engineering services to support all public works departments as well as the planning department. It also provides the City with engineering design for City construction projects.

Community enrichment and culture services are also major programs of the City. The City and Kleberg County own and operate a library with over 65,000 volumes. The City and Kleberg County also own and maintain extensive recreational facilities, which include 195 acres of parks and playgrounds, one swimming pool, 12 baseball and softball diamonds, 12 soccer fields, and 2 recreational centers.

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

At the July 9th, 2012 Commissioner's meeting, the City of Kingsville presented the development and resolutions for Commission action to enable a transition from having a separate Convention and Visitor's Bureau to the implementation of a City Tourism Service Department. The action allowed for the continuity of tourism services and recordkeeping, as well as, additional effectiveness and efficiencies. The result reflects with the addition of the Tourism Fund being incorporated into the City's Financials.

Annual Budget Process

State laws and the City Charter require the preparation and filing of a balanced annual operating budget. Departments are required to submit requests to the Finance Department by the last week of May for the development of the annual operating budget. Under the direction of the City Manager, the Director of Finance uses these requests to develop a proposed balanced operating budget for presentation to the City Commission

by the beginning of August. Following a month of budget discussions and deliberations with City Commission, a public hearing is scheduled for the first week of September and adoption of the budget ordinance and supporting fee schedules occur no later than September 30th. The operating budget is prepared by fund, department, function, and organizational unit or project levels.

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

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

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

FINANCIAL CONDITION

Local Economy

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

Major Revenues

The City's major sources of revenue are property, sales and other taxes, and business fees. The September 30, 2013, period showed the following changes in these sources from the prior year: (1) an increase in property tax receipts due to an increase in the property values, (2) a slight increase in sales tax, and (3) an increase in building permit fees. This illustrates the resilience of the local economy despite negative revenue trends for other state and local governments in the nation. Real property tax collections as a percent of levy collected has remained stable. Current fiscal year collected taxes to date, as a percent of the net current tax levy, have increased slightly.

Employment

The local unemployment rate stood at 5.8% for September, 2013. Future Job growth for the City outpaced the National average and was projected at 32.78% for this same time

period. Estimated Household income for the City also outpaced the National average as well.

Diversification of Economy

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

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

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

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

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

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

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

Transportation

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

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

Major Initiatives

During Fiscal Year 2013, the citizens and elected officials of Kingsville cooperated in the planning and implementation of several major projects and capital asset acquisitions.

The City created a Beautification Board made up of internal staff members to coordinate and plan community appearance activities. In Fiscal Year 2013 the city continued to make a substantial investment in corridor planning and beautification as well as additional infrastructure improvements.

The Planning & Development Services Department continued its dangerous building initiative, wherein the Community Appearance Division and the Building Services Division collectively identified and razed several dangerous buildings in Kingsville in Fiscal Year 2013. This program will continue in Fiscal Year 2014, with a goal of razing 25 additional dangerous buildings.

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

The HM King High School renovation and adaptive re-use has made tremendous progress in Fiscal Year 2013. Additional funding was awarded via a grant and the City has pledged additional funds toward its completion. The exterior of the structure was completed in Fiscal Year 2013. Additional work will commence in Fiscal Year 2014

which will bring the interior to 90% completion. Anticipated completion is January 2015.

Economic Development

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

The City also continues to support our local economic partners most notably the University and NASK. The City in partnership with the EDC continues to monitor and support the missions of our important industries. In conjunction with this we continually work to bring diverse industry that can relate and or equally capitalize on the current industries/services that are currently located in Kingsville.

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

Current Construction Projects

- New HMK High School project Phase I complete, Phase II which includes site work and a new auditorium & gym facilities begins in May.
- Wildwood trails, a 184-lot subdivision infrastructure 80% complete with final road surfacing scheduled for May 2014. Anticipating the sell and construction of homes on these lots to begin in the summer 2014. The 184-lot subdivision will have multiple lot sizes that are expected to contain a mix of home prices. "The Grand" will be on 36-100x150' lots with home prices ranging from \$250 - \$400k homes. "The Las Villas" will be on 54-60x120' lots with home prices ranging from \$150-\$225k. "The Park" will be on 94-50x100' lots with home prices ranging from \$110-\$140k.
- 192-unit apartment complex situated on 10-acres of property within the City limits and known as Oak Tree Apartments. Clubhouse to be complete in September 2014, 1st apartments to start leasing in November 2014.

- 19-unit, 2-bedroom apartments, situated on 1 acre of property within the City limits and known as Ranch View Apartments.
- Adaptive Reuse of the Historic HMK to convert it to the City's New City Hall is ongoing. External building construction such as the roof and windows, designated as Phase I, is complete and plans have been developed to begin Phase II: the construction of the interior walls of the building. We anticipate Phase II to begin this summer and ready to move in by May 2015. A \$6.8 Million dollar project.
- At the present time, The City's portion of this project cost totals \$2,717,000 with the remainder of \$4.1 million (\$6.8-\$2.7 = \$4.1 million) being derived from private fundraising. The City's portion will come from \$1 million in FY2011 CO bond proceeds and \$1.7 million from excess accumulations (due to an error by the firm hired in 1999 to perform the landfill rate and post closure care study) in the City's post closure care reserve fund. A determination has not been made as to whether the \$1.7 million will need to be paid back.
- Local physician, Dr. Morales, is constructing a 4000-SF clinic facility on 14th & Shelton St.
- Ferenius Corp, is constructing a 4500-SF dialysis clinic on Brahma Blvd.
- Border Patrol building completed on Sen. Carlos Truan Blvd. The City has recently seen an influx of additional agents to the area. The Kingsville Border Patrol Station has already hired 65 new agents in November 2013 and an additional 50 agents in January 2014. A nearby small town Falfurrias Station added 50 jobs in November 2013. Most of the agents assigned to the Falfurrias station would like to live in Kingsville. There are expected to be 320 agents and support staff at Kingsville & Falfurrias Border Patrol Stations. Furthermore, all new agents assigned to Corpus Christi, Falfurrias and Kingsville will be trained in Kingsville for approximately six months.

Future Construction Projects

- La Quinta Inn and Suites is considering construction on US77, they are working to plat the land. The City is unsure when they will begin construction.
- Eagle Ford Shale Research Center partnership between City & TAMUK.
- Lakeview Villa, a 20 townhome subdivision is scheduled to begin construction in June 2014, this project should take 10 months to complete.
- Legends of Kingsville Apartments, is constructing a 198-unit, 504-bed, student-housing-marketed housing development on 21-acres of land next to TAMUK, groundbreaking is scheduled for May 20th 2014.
- KISD will be constructing a 5,000-SF Central Warehouse for its school food storage. Plans are under review and expected to begin construction in May 2014.
- Celanese Corp. announced its intent to explore plans to construct a methanol production unit at the nearby facility. Celanese is preparing to apply for the necessary environmental construction permits for a methanol

unit with an expected annual capacity of 1.3 million tons at the company's Bishop Facility. This will be an \$800 million dollar construction project here with additional full-time employees following construction. This plant is also working on plans for a compounding unit a separate \$80 million dollar project.

- I-69 highway improvement project

Tourism

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

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

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

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

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

Financing of Major Capital Projects

During the 2013 fiscal year, the City continued to utilize bond issues from the previous fiscal years to fund projects and capital assets planned and approved during the past fiscal year. These are major initiatives that represent a significant long term commitment to revitalization strategies that support commercial and industrial growth and improved quality of life for current residents.

CAFR Program

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Kingsville for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2012 continuing to confirm compliance with both GAAP and legal requirements. This was the twenty-fifth consecutive year that the City has received this prestigious award. A Certificate of Achievement is valid for a period of one year only. We believe that this

CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility certification.

ACKNOWLEDGEMENTS

The preparation of this report is possible only because of the dedication of the staff members in the Department of Finance, including James Bryson, Accounting Manager; Stacie Pena, Accounting Supervisor; Sally Saenz, Assistant Accountant II; Norma Cavazos, Assistant Accountant II. Special thanks must be given to Vincent J. Capell, City Manager for his continued guidance and support.

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

Respectfully submitted,

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

Deborah Balli, C.P.A.
Director of Finance



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
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**City of Kingsville
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

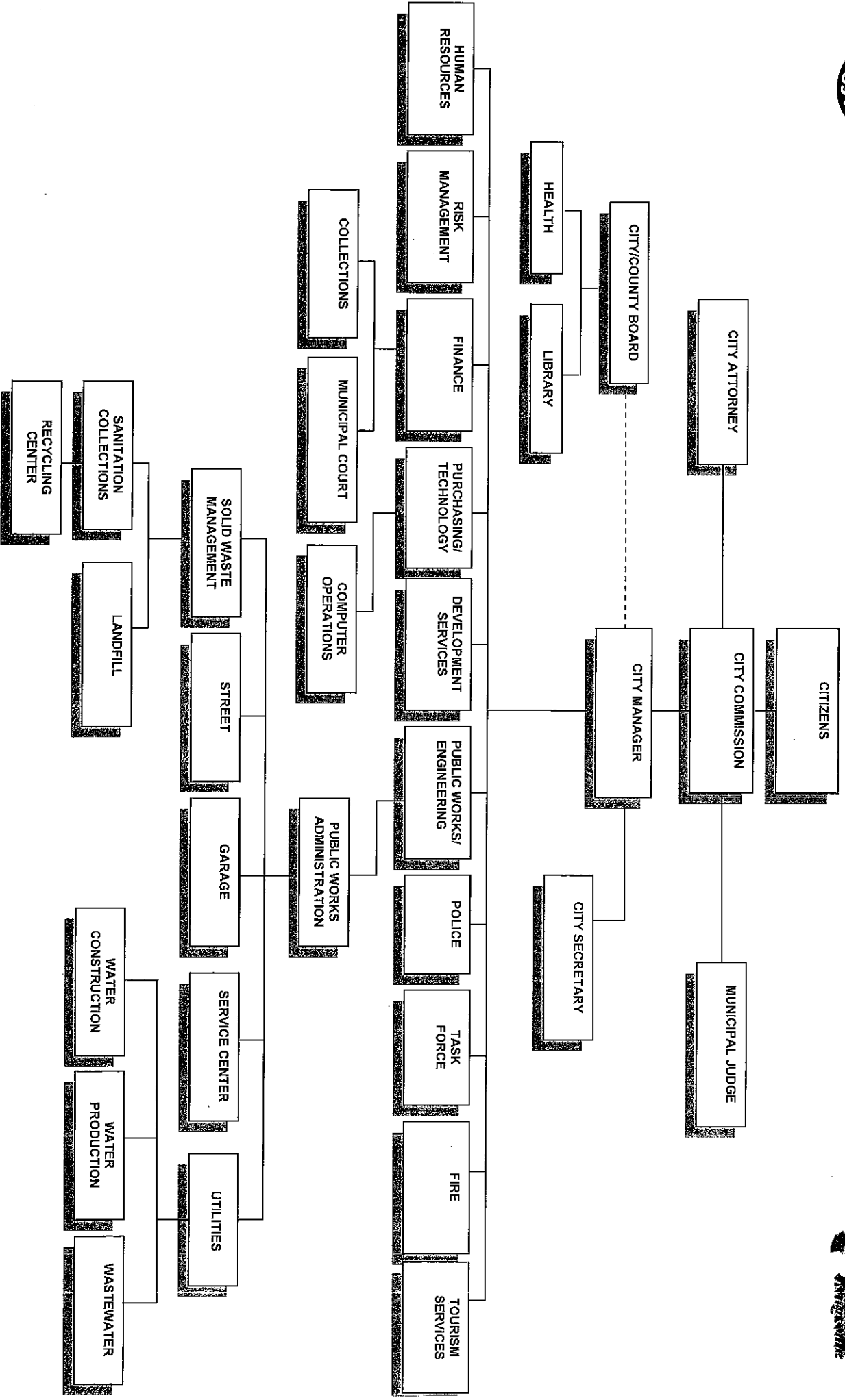
September 30, 2012



Executive Director/CEO



CITY OF KINGSVILLE ORGANIZATIONAL CHART



Financial Section

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Independent Auditor's Report

To the City Council
City of Kingsville
P.O. Box 1458
Kingsville, Texas 78364

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Kingsville ("the City") as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Kingsville as of September 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Emphasis of Matter

As described in Note A to the financial statements, in 2013, City of Kingsville adopted new accounting guidance, Government Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Our opinion is not modified with respect to this matter.

As described in Note A to the financial statements, in 2013, City of Kingsville adopted new accounting guidance, Government Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

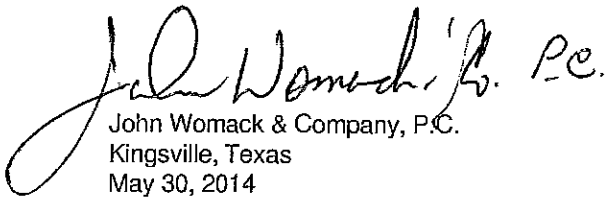
The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2014 on our consideration of City of Kingsville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Kingsville's internal control over financial reporting and compliance.

Respectfully submitted,



John Womack & Company, P.C.
Kingsville, Texas
May 30, 2014



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, 2013. The MD&A should be read in conjunction with the transmittal letter found in the Introductory Section of this report and the City's Financial Statements which follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities by \$30.9 million.
- The fund balance of the General Fund increased from \$10.7 million to \$11.1 million. This represents a 2.94% increase over the prior year's fund balance, and furthermore, represents 66.3% of the \$16.6 million in expenditures. The General Fund's Unassigned Fund Balance was \$4.9 million, or 29.6% of general fund expenditures.
- Total assets, were \$73.7 million; total liabilities were \$42.8 million.
- The ratio of total assets to total liabilities for governmental activities was 2.06 times; for business-type activities the ratio was 1.54 times.
- The quick ratio (current assets to current liabilities) was 3.49 times for governmental activities and 3.92 times for business-type activities.
- Total net position was \$30.9 million, which was an increase from \$29.8 million for the prior year, or about 3.7%. Governmental activities' net position decreased by .05%, while business-type activities' net position increased by 8.0%.

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 position* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.
 - The *statement of activities* presents information to show how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

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

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

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

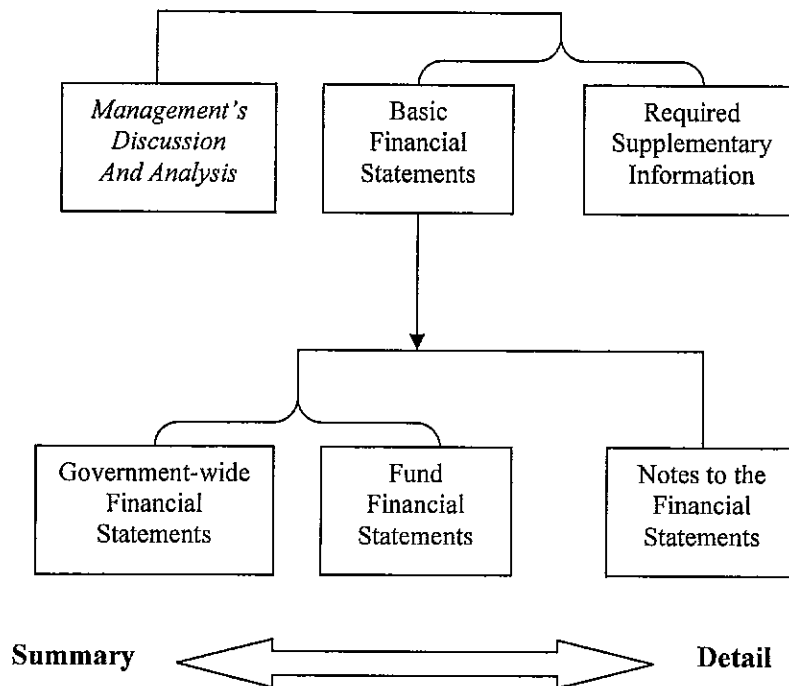


Figure A-1 shows how the required parts of this annual financial report are arranged and relate to one another. In addition to these required elements, a section with combining statements that provides details about the non-major governmental funds and internal service funds is included.

More about the City's Fund Financial Statements:

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

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

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

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

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

More about the City's Proprietary Funds:

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

Net position serves over time as a useful indicator of the City's financial position. At September 30, 2013, the net position totaled \$30.9 million, \$1.1 million more than the prior year. The composition of this net position is \$16.0 million for governmental activities and \$14.9 million for business-type activities, which is comprised primarily of the Combined Utility System.

A large portion of the City's net position, 32.2%, are invested in capital assets (e.g., land, infrastructure, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities, and the City has over 2.7% of its net position set aside for the retirement of debt. Approximately 17.8% of the City's governmental activities' net position is unrestricted in their use for City activities.

Table A-1: Net Position for Governmental and Business-type Activities
September 30, 2013 and 2012 (in thousands of dollars)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Current & other assets	\$ 18,128	\$ 16,149	\$ 23,497	\$ 19,999	\$ 41,625	\$ 36,148
Capital assets	13,044	13,521	19,094	17,202	32,138	30,723
Total assets	<u>31,172</u>	<u>29,670</u>	<u>42,591</u>	<u>37,201</u>	<u>73,763</u>	<u>66,871</u>
Long-term liabilities	9,966	9,920	21,661	18,311	31,627	28,231
Other liabilities	5,200	3,747	5,999	5,064	11,199	8,811
Total liabilities	<u>15,166</u>	<u>13,667</u>	<u>27,660</u>	<u>23,375</u>	<u>42,826</u>	<u>37,042</u>
Deferred Inflows of Resources	<u>10</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10</u>	<u>-</u>
Net position						
Investment in capital assets						
net of related debt	7,197	8,642	2,766	4,049	9,963	12,691
Restricted	5,952	3,140	540	1,086	6,492	4,226
Unrestricted	2,847	4,222	11,625	8,690	14,472	12,912
Total net position	<u>\$ 15,996</u>	<u>\$ 16,004</u>	<u>\$ 14,931</u>	<u>\$ 13,825</u>	<u>\$ 30,927</u>	<u>\$ 29,829</u>

TABLE A-1 Governmental-Type Activities

Current & Other Assets increased \$2.0 million from \$16.1 million in FY12 to \$18.1 million in FY13 or 10.92%. The majority of this increase is due to the City's higher cash balances and end of year inventory. The City set aside \$1.5 million to finance one-time purchases for infrastructure, community appearance, software enhancements and capital outlays. Capital assets, net of accumulated depreciation, decreased \$477 thousand from \$13.5 million in FY12 to \$13.0 million in FY13 or 3.53%. Other liabilities increased \$1.4 million from \$3.7 million in FY12 to \$5.2 million in FY13 or 38.8%. This was due to increased customer deposits and accounts payable.

As a result of more accurately reflecting the restriction on fund balance, Restricted Net Position increased by \$2.9 million from \$3.1 million in FY12 to \$6.0 million in FY13 as follows:

\$34,258	increased	Federal and State programs
\$117,386	increased	Debt Service
\$2,492,359	increased	Capital projects
(\$2,208)	decreased	Municipal Court Building Security funds
\$ 1,933,396	increased	Law Enforcement
(\$2,241)	decreased	Municipal Court Technology fund
\$119,243	increased	Tourism funds (previously a component unit)
\$56,000	increased	Other purposes

For this same reason, Unrestricted Net Position decreased \$1.4 million from \$4.2 million in FY12 to \$2.8 million in FY13 or 32.56%.

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

The Combined Utility System's net position was \$14.9 million, which is 48.3% of total net position and is \$1.1 million more than the prior year. The Combined Utility System contributed all of the total unrestricted business-type net position.

Current & Other Assets increased \$3.5 million from \$20.0 million in FY12 to \$23.5 million in FY13 or 17.49%. Restricted Cash is up from \$7.9 million to \$9.6 million due to the issuance of new debt. Capital assets net of accumulated depreciation increased \$1.9 million from \$17.2 million in FY12 to \$19.1 million in FY13 or 11.0% due to additional equipment purchases net of equipment and vehicle retirements, auction sales and annual straight-line depreciation costs.

Long-term liabilities increased \$3.4 million from \$18.3 million in FY12 to \$21.7 million in FY13 or 18.3%. Investment in capital assets net of related debt decreased \$1.2 million from \$4.0 in FY12 to \$2.8 million in FY13 or 31.69% due to FY14 retirements.

Restricted net position decreased \$546 thousand from \$1.1 million in FY12 to \$540 thousand in FY13 or 50.28%. Debt service decreased \$12 thousand from \$261 thousand in FY12 to \$249 thousand in FY13 or 4.59%. Capital projects decreased \$534 thousand from \$825 thousand in FY12 to \$291 thousand in FY13 or 64.75%.

Unrestricted net position increased \$2.9 million from \$8.7 million in FY12 to \$11.6 million in FY13 or 33.77%.

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

Changes in Net Position

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

Table A-2: Changes in Net Position at September 30, 2013 and 2012
(in thousands of dollars)

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenue:						
Program revenue:						
Charges for services	\$ 4,166	\$ 2,829	\$ 12,145	\$ 12,210	\$ 16,311	\$ 15,039
Operating grants and contributions	404	308	-	-	404	308
Capital grants and contributions	3	20	-	-	3	20
General revenues:						
Property taxes	6,056	5,992	-	-	6,056	5,992
Sales taxes	4,338	4,204	-	-	4,338	4,204
Other taxes	1,021	1,023	-	-	1,021	1,023
Investment earnings	212	84	38	137	250	221
Other	-	296	-	-	-	296
Total revenues	16,200	14,756	12,183	12,347	28,383	27,103
Expenses:						
General government	3,958	3,286	-	-	3,958	3,286
Public safety	9,100	9,476	-	-	9,100	9,476
Public works	3,343	2,824	-	-	3,343	2,824
Health & other public svcs.	755	812	-	-	755	812
Tourism	405	389	-	-	405	389
Interest on long-term debt	362	335	-	-	362	335
Water and wastewater	-	-	6,520	7,021	6,520	7,021
Solid waste	-	-	2,542	2,417	2,542	2,417
Total expenses	17,923	17,122	9,062	9,438	26,985	26,560
Increase in net position before transfers	(1,723)	(2,366)	3,121	2,909	1,397	543
Transfers	1,850	2,663	(1,850)	(2,663)	-	-
Increase (decrease) in net position	126	297	1271	246	1397	543
Net position, beginning	16,004	15,844	13,825	11,403	29,829	27,247
Prior period adjustment	(134)	(138)	(165)	2,177	(299)	2,039
Net position, ending	\$ 15,996	\$ 16,003	\$ 14,931	\$ 13,826	\$ 30,927	\$ 29,829

Governmental Activities

As shown in Table A-2, revenues were split between governmental activities and business-type activities 57.1% and 42.9%, respectively, with expenses for each at 66.4% and 33.6%. Net position decreased .04% from the prior period for governmental activities, increased 7.99% for business-type activities, and increased 3.68% overall.

- The cost of all *governmental* activities for the fiscal year 2013 was \$17.9 million.
- However, the amount that taxpayers paid for these services through City taxes and business fees was \$11.4 million.

Some of the cost was paid by:

- Those who directly benefited from the programs (\$4.1 million), and
- Other governments and organizations that subsidized certain programs with grants and contributions (\$431 thousand).
- Charges for services comprised 25.68% of governmental activities revenues including transfers and 99.69% of business-type activities' revenues including transfers.
- Taxes contributed 70.36% of governmental activities revenues including transfers. Investment earnings, with interest rates, generated 1.31% and .31% of governmental activities revenues and business-type activities, respectively.
- Public Safety (including Police, Fire, Emergency Management, Municipal Court, and Inspections) expenses accounted for 50.77% of governmental activities expenses and 18.65% 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 \$8.33 million.
- General government comprises 22.08% of all governmental activities' expenses.

TABLE A-2 Governmental Activities

Charges for services revenue increased \$1.4 million from \$2.8 million in FY12 to \$4.2 in FY13 or 47.26%. General revenue sales tax increased \$134 thousand from \$4.2 million in FY12 to \$4.3 million in FY13 or 3.19%. In FY12, the City received an additional \$16 thousand in one-time comptroller audit adjustments. In FY13, the City received an additional \$66 thousand in one-time comptroller audit adjustments.

General Revenues for Other Revenues decreased from \$296 in FY12 to \$0 in FY13. Generally, revenues in this category came from the Kingsville Convention Visitors Bureau (KCVB) which was a component unit of the City. In FY12 all activities of the KCVB was transferred to the City of Kingsville. All tourism activities are now handled in house.

General government expenses increased \$672 thousand from \$3.3 million in FY12 to \$4.0 million in FY13 or 20.45%. Public Safety expenses decreased \$376 thousand from \$9.5 million in FY12 to \$9.1 million in FY13 or 3.97%. In FY13, Fire and Police Department personnel received \$118,325 in scheduled salary step increases along with a 1.5% Cost of Living (COLA) salary increase. Public Works expenses increased \$519 thousand from \$2.8 million in FY12 to \$3.3 million in FY13 or 18.38%

The change in net position before transfers increased \$643 thousand from \$2.4 million in FY12 to \$1.7 million in FY13. Transfers decreased \$813 thousand from \$2.7 million in FY12 to \$1.9 million in FY13 or 30.53%. Fund Balance is being utilized to finance one-time purchases and this draw down was less in FY13.

TABLE A-2 Business-Type Activities

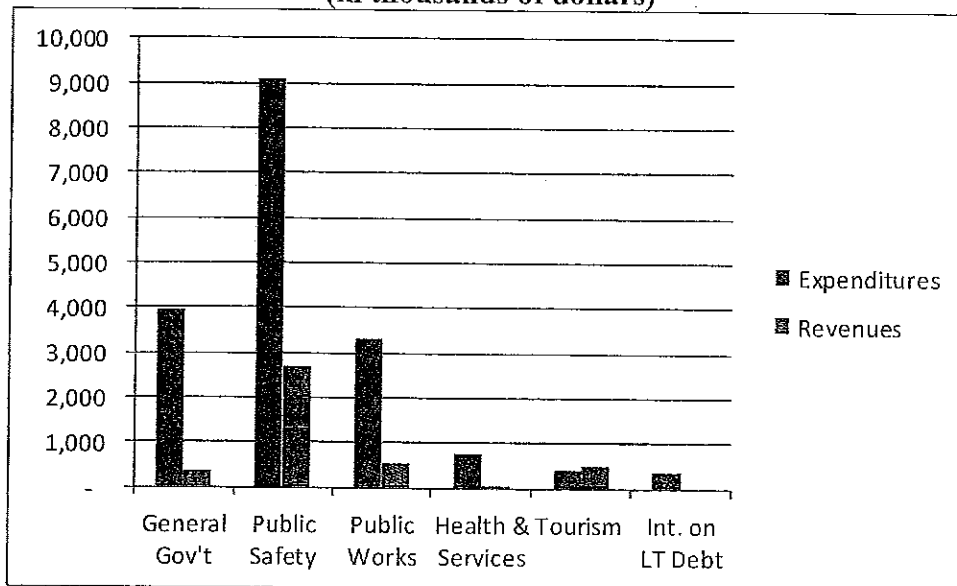
Charges for services revenue decreased \$65 thousand from \$12.2 million in FY12 to \$12.1 million in FY13 or .53%. Water and Waste Water sales stabilized due to an increase in much needed rains. Water and Wastewater rates remained at FY12 rates.

The change in net position before transfers increased \$212 thousand from \$2.9 million in FY12 to \$3.1 in FY13 or 7.29%. Transfers Out decreased \$813 thousand from \$2.7 million in FY12 to \$1.9 million in FY13 or 30.53%. Fund balance is being used as designed in the Water and Waste Water Rate Model, but the use of fund balance was less than in FY12. The City has built up about 14 months of operating funds over the years. As a result, a study was performed, a model was built and rates adopted in a planned pull down of the excess months over the 3 to 4 months of operating expense in fund balance, which is the benchmark in the industry. The model is designed to implement smaller rate increases over a 5 year period to offset the increased infrastructure replacement and enhancement needs while pulling down the Fund Balance. FY13 is in the third year of the 5 year rate model that gradually increases those rates with an annual average rate increase of 1 to 2% for water and little over 3% annual average rate increase for waste water over the 5 years period. Even though the rate model calls for a gradual increase in rates, the City chose not to increase water and wastewater rates in FY13.

Solid Waste expenses increased \$125 thousand from \$2.4 million in FY12 to \$2.5 million in FY13. Water and waste water expenses decreased \$501 thousand from \$7.0 million in FY12 to \$6.5 million in FY13 or 7.14%.

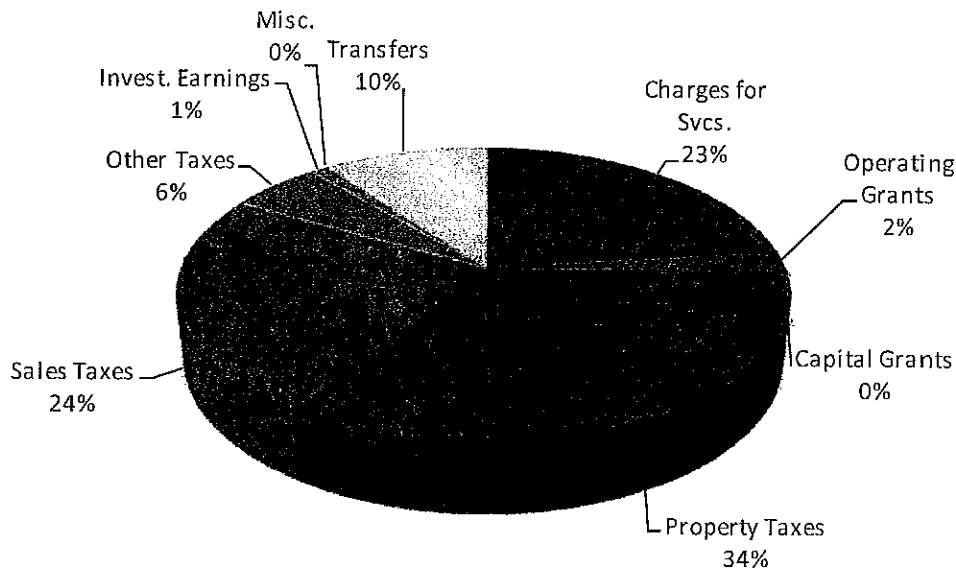
Graph 1 presents the cost of each of the City's major governmental functions, as well as the associated program revenues.

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



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

Graph 2: Revenue by Source – Governmental Activities



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

The Combined Utilities System of water and wastewater accounted for 71.95% of the expenses generated for business-type activities, with solid waste accounting for an additional 28.05%. It had operating revenues of \$8.6 million, operating income of \$2.1 million, and income before transfers of about \$2.1 million, with a profit after transfers of \$1.3 million for the fiscal year. Compared to the 2012 fiscal year, the System's operating revenues were up by \$203 thousand, the operating income was up by \$707 thousand and net income after transfers was \$663 thousand higher. The major causes of these results were:

- Increased operating revenues are the result of an unusually dry spring and summer during 2013 over the previous year, which caused water revenues to increase by \$174 thousand, or 3.44% more than the preceding year.
- Wastewater fund revenue was up by \$29 thousand, also due to an increase in water sales, to which wastewater revenue is tied.
- The operating expenses decreased by \$531 thousand, primarily due to decreased maintenance along with decreased depreciation and amortization costs.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds

- Total assets of the General Fund decreased \$251 thousand from \$13.4 million to \$13.2 million between FY12 and FY13. Most of this overall decrease in total assets is an increase in Equity in Pooled Cash and Cash Equivalents of \$229 thousand, a decrease in Cash and Cash Equivalents of \$3.3 million, an increase in Due From Other Funds of \$2.3 million, an \$81 thousand decrease in Accounts Receivable, and an increase in Restricted Cash and Cash equivalents of \$650 thousand over FY12.
- For FY13, Deferred Revenues are shown as a separate section under Liabilities and not included in the Total Liabilities. For discussion here and comparison to last year, the deferred revenue will be added to the Total Liabilities. Total liabilities of the General Fund decreased by \$566 thousand to approximately \$2.1 million, a 20.88% decrease. The majority of the decrease is attributed to a \$144 thousand increase in Current Accounts Payable, and a \$944 thousand decrease in Due to Other Funds, a \$27 thousand increase in Due to Other Governments, and a \$207 thousand increase in Deferred Revenue for FY13 over FY12. This brings the ratio of total assets to total liabilities to 6.15 times in 2013 which is up from the same 4.96 ratio in 2012.
- See on page 27 the Budgetary Results of the General Fund section below for more details on the General Fund revenues and expenditures resulting in General Fund Excess of revenue over expenditures before other financing sources.
- The General Fund Unassigned Fund balance decreased \$696 thousand in FY13 to \$4.9 million from \$5.6 million in Fiscal Year 2011-12. The Committed Fund Balance for Landfill Closure /Post Closure increased by \$260 thousand and \$755 thousand for Capital Outlay. Overall Fund Balance increased \$316 thousand from \$10.7 million in FY12 to \$11.1 million in FY13.

Police Forfeiture Funds

- Total assets of the Police Forfeiture Fund increased \$1.2 million from \$5.1 million to about \$6.3 million between FY12 and FY13. Most of this overall increase in total assets is from an increase in the net of Equity in Pooled Cash and Cash Equivalents of \$2.0 million, and decrease in Restricted Cash and Cash Equivalents of \$803 thousand as compared to the previous FY12.
- Total liabilities of the Police Forfeiture Fund increased by \$1.2 million from \$3.4 million in FY12 to approximately \$4.6 million in FY13. This brings the quick ratio (current assets to current liabilities) to 1.38 times in FY13 from 1.49 times in FY12. This is because they still had \$1.8 million in unsettled seizures pending up \$978 thousand and an increase in Due to Other Funds and Governments which was up \$124 thousand at September 30, 2013.
- The Police Forfeiture Fund revenues increased \$874 thousand or 77.32% from \$871 thousand in FY12 to \$1.5 million in FY13. Chapter 59 seizure and resulting awards were up as prior revenues seized are being settled. The police units are making concerted efforts to improve their strategy of stopping the flow of money moving through the Interstate 77 corridor. This strategy includes becoming more concentrated with federal, state and local law enforcement agency presence. The Police Forfeiture Fund expenditures saw a decrease of \$70 thousand from \$1.6 million in FY12 to \$1.5 million in FY13.

- The Police Forfeiture Fund Restricted Fund Balance increased by \$54 thousand from approximately \$1.6 million in FY12 to \$1.7 million in FY13.

Debt Service Fund

- The Debt Service Fund decreased \$108 thousand from \$734 thousand in FY12 to \$626 thousand in FY13. This was a decrease of 14.7% from FY12 to FY13. The City structures the Debt Service Fund Balance to minimize the balance being carried to no more than required for the cash flow necessary to service the City's debt.

Capital Improvement Fund

- Total assets of the Capital Improvement Fund increased \$819 thousand from \$3.7 million to \$4.5 million between FY12 and FY13. Most of this overall increase in total assets is the result of an increase of \$500 thousand in Cash and Cash Equivalents and the Restricted Cash and Cash Equivalents increasing \$318 thousand from \$3.7 million in FY12 to \$4.0 million in FY13 paying for capital project construction.
- Total liabilities of the Capital Improvements Fund increased by \$388 thousand to approximately \$1.0 million, a 58.67% increase. The majority of the increase is attributed to a \$9 thousand increase in Current Accounts Payable, and a \$379 thousand increase in Due to Other Funds in FY13 over FY12. This brings the ratio of total assets to total liabilities to 4.33 times in FY13.
- The Capital Improvement Fund Restricted Fund Balance increased by \$431 thousand.
- For more details on the Certificate of Obligations see Note H on page 64.

Other Governmental Funds

- Total assets of the Other Governmental Funds increased \$337 thousand from \$727 thousand to \$1.0 million between FY12 and FY13. Equity in Pooled Cash and Cash equivalents was \$64 thousand less with Restricted Cash and Cash equivalents increasing \$141 thousand. Accounts Receivable increased \$11 thousand and Due From Other Funds and Governments increased \$250 thousand between FY12 and FY13.
- Total liabilities of the Other Governmental Funds increased by \$208 thousand to approximately \$484 thousand, a 75.44% increase. The majority of the increase is attributed to a \$210 thousand increase in Due to Other Funds and Governments.

Budgetary Results of the General Fund

General Fund taxes and business fee revenues were \$10.1 million, which was \$83 thousand or .81% below the final budget. Ad Valorem Delinquent and Penalty revenues were \$11 thousand or 8.68% below budget and \$13 thousand or 14.81% above budget respectively. The City usually budgets these estimated revenues very low to adjust for possible anomalies that might occur in the collection process. Sales Tax Revenue was \$23 thousand or .52% below budget. Electric Franchise revenue was \$4 thousand or .50% higher than the final budget. These variances are the result of conservative budgeting and changes in the local economy resulting from activity in the Oil and Gas industry.

Fines and Forfeitures revenue was greater than the Final Budget for FY13 by \$2 thousand or .36%. In FY13, there was \$2 thousand less budgeted for Municipal Court Fines than in FY12.

This original budget was adjusted by \$50 thousand due to over projections of revenue to be brought in by the new warrant officer. The original budget was adjusted downward to reflect the anticipated slower revenue expectations.

Total Charges for Sanitation Services revenues were \$29 thousand or .77% more than the final budget. Sanitation Services Garbage Fees revenue were higher than the final budget by \$63 thousand or about 2.01% of the Final Budget for FY13. Sanitation Services Landfill Fees revenue were less than the final budget by \$12 thousand or about 2.02% of the Final Budget for FY13. This resulted from budgeting conservatively, updating sanitation revenue ordinances, and adjusting marketing strategies throughout the fiscal year.

City Special Services expenditures were higher than the final budget by \$50 thousand. This unfavorable budget variance is mainly the result of higher expenditures for services than anticipated.

Community Appearance Services expenditures were lower than the final budget by \$46 thousand. This reason for less than budgeted expenditures was due to several projects that were not completed by year end for Keep Kingsville Beautiful. Sign removals and demolition expenditures were less than anticipated.

Fire Department Total expenditures were lower than the final budget by \$112 thousand. Of this amount, \$93 thousand is related to Personal Services for the Fire Department or about 3.86% of the Fire Department Personal Services final budget. Police Department total expenditures were also lower than the final budget by \$260 thousand. Of this amount, \$146 thousand is related to Personal Services for the Police Department or about 3.75% of the Police Department Personal Services final budget. In FY12, both of these departments Personal Services were budgeted conservatively. The City budgets at 100% of the City of Kingsville Compensation Plan. In both departments, employee turnover is offset by retirement pay-off (that cannot always be planned in advance). The final result was a positive variance for this fiscal year. The other expenditures in these departments were also conservatively budgeted with managerial oversight contributing to the positive variances.

Street Department total expenditures were lower than the final budget by \$374 thousand or 20.19%. The majority of this came from maintenance expenditures. Of this amount, \$341 thousand is from Maintenance for the Street Department or about 60.37% of the Street Department Building Maintenance final budget. This positive variance is due to the inability to complete street maintenance as anticipated due to equipment failure. These projects are scheduled to be completed in FY14.

Landfill Department Total expenditures were lower than the final budget by \$154 thousand or 11.35%. The majority of this came from a \$53 thousand variance in Personal Services and a \$59 thousand variance in Services expenditures.

General Fund total revenues came in \$108 thousand or 11.35% below the final budget. The General Fund expenditures came in at \$1.4 million, or 7.98% below the final budget. The net favorable variance combined (excluding the \$23 thousand Other Financing Sources Gain on the Disposal of an Asset) for a net favorable variable of \$2.1 million. Actual Expenditures exceeded Revenues by \$930 thousand.

Budget Amendments of the General Fund

Solid Waste Field Equipment was amended up \$414 thousand due to the purchase requirement of a Landfill Compactor. Lease Proceeds revenue budget was also amended to reflect the financing for this piece of equipment. When the original budget was adopted, the department had not anticipated the current compactor needing major repairs that would take it past its useful life. Remanufacturing the current equipment would not have been cost effective in comparison to purchasing a new compactor.

General Fund Intergovernmental Revenue was amended up \$10 thousand for the participation payment from Santa Gertrudis Independent School District for the drainage and street improvement project in front of the school. This project improved the overall drainage situation in the area including the discharge from the detention pond.

The Street Vehicle and Machinery maintenance was amended up by \$71 thousand for increased expenditures. The revenue to cover these unanticipated expenditures came from increased auction revenues.

The Parks Capital Project budget was amended up by \$55 thousand for improvements to the downtown pavilion. Revenues of \$38 thousand for this amendment came from increased demolition recovery revenues with an additional \$11 thousand from increased noxious matter abatement revenues and \$6 thousand from vacant lot clearance revenues. The project was not funded during the regular budget process.

In Lieu of Tax revenue was amended up by \$100 thousand for a payment from Celanese that was not originally budgeted to be received in this fiscal year. This additional revenue helped offset the revenue shortfall for Sales Taxes and Municipal Court Fine revenues.

The City Manager's Personnel expenditures were amended up by \$10 thousand for the new contract that was agreed to and unanticipated during the budget process.

Community Appearance Capital Outlay expenditure budget was amended up by \$37 thousand for equipment, benches and litter/recycling receptacles for the downtown area.

Community Appearance Corridor Landscaping Grounds and Permanent Fixtures were amended up by \$41 thousand for the purchase and installation of trees for the West Santa Gertrudis Corridor Landscape Project. This project was not budgeted during the regular budget process, but it was requested to properly fulfill the mission of Community Appearance. This project greatly enhanced the medians on West Santa Gertrudis.

Street Department repair expenditure budget was amended up \$30 thousand to cover additional unanticipated vehicle and machine maintenance.

Landfill Department repair expenditure budget was amended up \$17 thousand to cover additional unanticipated vehicle and machine maintenance.

Street Department street and bridge expenditures for Wildwood Trails Subdivision were amended up \$300 thousand for infrastructure costs as stipulated by the Economic Development Agreement between the City and Zarsky Development Company. This agreement was not in place during the regular budget process.

Legal Department Services expenditures were amended up \$19 thousand for additional unanticipated litigation legal services.

Purchasing/IT Department Professional Services expenditure budget was amended up \$15 thousand for a Geographic Information System (GIS) server that would develop, design, launch and host a user friendly web application to deploy data to end user. This project was not included in the original budget process.

Community Appearance Services expenditure budget was amended up \$36 thousand for costs associated with additional demolitions approved by City Commission. The additional expenditures had an immediate impact on the City by removing unsafe, dangerous structures, thus beautifying the area and making the land available for redevelopment.

Operating Transfers Out expenditure budget was amended up \$114 thousand for the purchase of capital outlay items for the sanitation department. These purchases were not budgeted during the original budget process.

Additional information on the City's Original Budget to Final Budget and Final Budget to Actual can be found on Exhibit B-1, pages 80-87

Non-major Governmental Funds

Four special revenue funds comprise this portion of the financial statements. Total assets for the combined funds were \$1.1 million, total liabilities were \$484 thousand, and total fund balances were \$571 thousand, with \$2 thousand in Assigned Fund Balance and \$569 thousand in Restricted Fund Balance.

The Tourism Fund makes up 55.81% of the special revenue funds. The main source of funding for the Tourism Fund is from Hotel/Motel Occupancy Taxes. Another significant portion, 42.9%, of these special funds is the Federal Grants. Each of the special revenue funds are maintained separately because of special provisions for the receipt and expenditure of funds in compliance with Federal or State laws or regulations and the City's bond ordinances, or other City Commission actions.

CAPITAL ASSET AND DEBT ADMINISTRATION

**Table A-3: Capital Assets (net of depreciation) at September 30, 2013 and 2012
(In thousands of dollars)**

	Governmental Activities			Business-type Activities		
	2013	2012	% Change 12-13	2013	2012	% Change 12-13
Land	\$ 469	\$ 469	0.00%	\$ 352	\$ 352	0.00%
Building and improvements	3,915	3,915	0.00%	39,587	37,838	4.62%
Equipment	3,409	3,125	9.09%	4,013	3,759	6.76%
Vehicles	5,601	5,381	4.09%	4,707	4,626	1.75%
Road network	11,707	11,439	2.34%	-	-	0.00%
Construction in progress	942	934	0.00%	1,035	286	261.89%
Total	\$ 26,043	\$ 25,263	3.09%	\$ 49,694	\$ 46,861	6.05%

As shown in Table A-3, at September 30, 2013, the City had invested \$75.7 million (net of depreciation) in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads and bridges, and its utility system.

TABLE A-3 Governmental Activities

Construction in progress increased \$8 thousand from \$934 in FY12 to \$942 in FY13 with the start of projects funded with Certificate of Obligations.

TABLE A-3 Business-type Activities

Building and improvements increased \$1.7 million from \$37.8 million in FY12 to \$39.6 million in FY13 or 4.62% as the result of normal depreciation and retirements. Equipment increased \$254 thousand from \$3.8 million in FY12 to \$4.0 million in FY13 or 6.76%. Construction in progress increased \$749 thousand from \$286 thousand in FY12 to \$1.0 million in FY13 or 261.89% indicating new construction projects were started and not yet complete.

Additional information on the City's Capital Assets can be found on Note E, pages 62-63 of the Notes to the Financial Statements.

Table A-4: Long-Term Liabilities at September 30, 2013 and 2012
(in thousands of dollars)

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Certificates of obligation	\$ 7,797	\$ 8,899	\$ 20,238	\$ 17,401	\$ 28,035	\$ 26,300
Capital Leases	58	85	355	-	413	85
Other post-employment benefits	969	807	260	217	1,229	1,024
Net Pension Obligation	-	-	-	-	-	-
Revenue bonds payable	-	-	-	-	-	-
Total debt	<u>8,824</u>	<u>9,791</u>	<u>20,853</u>	<u>17,618</u>	<u>29,677</u>	<u>27,409</u>
Compensated absences	851	851	62	61	913	912
Landfill closure cost	-	-	2,131	2,031	2,131	2,031
Total long-term debt	<u>\$ 9,675</u>	<u>\$ 10,642</u>	<u>\$ 23,046</u>	<u>\$ 19,710</u>	<u>\$ 32,721</u>	<u>\$ 30,352</u>

Long-term Debt

Table A-4 indicates that total long-term debt increased by \$2.3 million from FY12 to FY13 or 7.81%. Of that, landfill closure costs increased \$100 thousand or 4.92%, while compensated absences increased .11%. Certificates of Obligation increased \$1.7 million which is about a 6.6% increase from the previous Fiscal Year. Other Post-Employment Benefits increased by \$205 thousand. Total debt outstanding at fiscal year-end was \$29.7 million, from \$27.4 million for the prior year.

In addition, there were overall reductions of \$2.2 million in certificates of obligation bonds and revenue bonds (Combined Utility System) through scheduled principal payments. Governmental Activities' certificate of obligations had \$1.1 million in debt reduction and the Business-type activities had a reduction of \$2.8 million in certificate of obligations and revenue bonds. Additional information on the City's Long-Term Obligations can be found on Note H, Item # 1-3, and pages 64-67 of the Notes to the Financial Statements.

The FY13 tax rates were \$0.66395 for the General Fund and \$0.17825 for the Debt Service Fund, totaling \$0.84220 per \$100 of assessed value. Therefore, the City's tax margin of \$1.65780 per \$100 of assessed value could increase taxes \$11.5 million each year based on the assessed value of \$693,656,392. A brief discussion of the ad valorem tax limitations of the Constitution of the State of Texas and the City Charter are found in Note A Item #4b, page 55 of the Notes to the Financial Statements.

TABLE A-4 Governmental Activities

Certificates of Obligation decreased \$1.1 million from \$8.9 million in FY12 to \$7.8 million in FY13 or 12.38% through the utilization of cash. Other post-employment benefits increased \$162 thousand from \$807 thousand in FY12 to \$969 thousand in FY13 or 20.07% due to the current year addition.

TABLE A-4 Business-type Activities

Certificates of obligation increased from \$17.4 million in FY12 to \$20.2 in FY13, a difference of \$2.8 million, or 16.3% due to a new refunding bond obligation and normal pay down on existing debt. Landfill Closure cost increased \$100 thousand from \$2.0 million in FY12 to \$2.1 million in FY13, or 4.92% as the result of the engineering study completed FY12.

Bond Ratings

The City's bond ratings from two rating agencies were reaffirmed or maintained in fiscal year 2013. The unenhanced bond ratings for general obligation bonds were maintained at A1 from Moody's Investors Service, Inc. (Moody's) and reaffirmed A+ from Standard & Poor's Ratings Service (S&P). The City no longer has revenue bonds outstanding, and therefore does not maintain revenue bond ratings.

FISCAL YEAR 2013-2014 ADOPTED OPERATING BUDGET

Total Revenues and Expenditures budgeted for FY 13-14 are \$36,372,804 and \$45,803,437, respectively. The \$9,430,633 difference between expenditures and revenues is due mostly to drawing down fund balances to complete capital projects, the largest portion of which are for projects financed by Certificates of Obligation (C.O.'s).

BUDGET OVERVIEW

The management practices employed and the recommendations put forth in the Budget are intended to improve resident satisfaction with city services consistent with City commission goals. The City's general Fund is the largest and most diverse fund in terms of total budgeted dollars and scope of services to residents. The FY14 General Fund Budget contains a projected operating surplus of \$68 thousand along with a savings from FY13 to be used for capital equipment and other items.

The net deficits for FY13 and FY14 are not generally attributed to the City's basic operations resulting instead from planned expenditures and draw down of bond proceeds (Certificates of Obligation) and accumulated operating surpluses from previous years.

General Discussion

The city's fiscal condition is stable due, in part, to consistent growth of the City's two largest revenues – sales and property taxes.

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

Other Postemployment Benefits (OPEB)

The City of Kingsville began recognizing this liability and making cash deposits in FY13 in an effort to accumulate sufficient cash reserves to pay benefits when due. The adopted budget for FY13-14 includes a \$268,632 deposit for OPEB Benefits and will continue to accrue each year at approximately \$150,000 to \$170,000.

Compensation Plan and Personnel Adjustments

FY2014 expenditures for personnel services are proposed to decrease \$87,649 (.6%) from \$15,297,726 in FY2013 to \$15,210,077 in FY2014. Most of this decline is attributed to a decline to the City's actuarially-determined contribution for future retiree health benefits referred to Other Postemployment Benefits (OPEB) of \$305,944. This decrease is offset by increases to employee compensation for scheduled step increases of \$102,999 under the City's Compensation Plan and a 1.5% cost of living adjustment (COLA) of \$106,946 for general employees.

Capital Outlays

City staff capital outlay requests for FY2014 totaled \$10,002,808; of which \$9,823,416 was approved. The capital outlay items approved promotes employee efficiency, effectiveness, and safety and is a combination of large and small items. It includes:

- \$2.7 million for the city's portion of renovation costs for the soon-to-be, new City Hall at the former HM King School
- \$2.7 million for contractor and material costs needed to carry out the City's street and storm water drainage program
- \$85 thousand annually for seven year lease arrangement to purchase two pieces of Streets equipment including a \$350 thousand hot mix lay down machine and a \$190 thousand oil distributor
- \$2.7 million for water well #25 construction project
- \$257 thousand for landfill expansion and permit modification
- \$135 thousand for a new dozer with a six-way blade
- \$231 thousand for a new side loading sanitation truck
- \$116 thousand for a new brush tractor

Preserving Bonding Capacity

FY14 Budget includes the use of FY13 General Fund budget savings of \$275 thousand and other operational resources to purchase small dollar capital outlays and other one-time or periodic expenditures. Although these assets constitute small dollars individually, over time they add up to large amounts that can consume large portions of the city's debt capacity. Paying for small dollar assets using the City's limited long-term bonding authority negatively impacts and reduces the City's ability to use those same bonds for major streets, sewer, water and other infrastructure projects.

Proposed Street Improvements

City staff submitted street improvement project requests totaling \$1.4 million all of which were approved. All street improvement projects are budgeted and paid for from Certificate of Obligation bond proceeds from 2009, 2011 and 2013.

CITY'S FINANCIAL MANAGEMENT

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

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

The City of Kingsville

Director of Finance

P.O. Box 1458

Kingsville, Texas 78364

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Or visit our web site at: www.cityofkingsville.com

Basic Financial Statements

CITY OF KINGSVILLE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2013

EXHIBIT A-1

	Governmental Activities	Business-type Activities	Total
ASSETS			
<i>Cash and cash equivalents</i>	\$ 8,655,639	\$ 4,400,050	\$ 13,055,689
<i>Equity in pooled cash and cash equivalents</i>	2,629,954	5,425,880	8,055,834
Receivables (net of allowances for uncollectibles):			
<i>Taxes</i>	1,364,812	--	1,364,812
<i>Accounts</i>	248,078	1,615,871	1,863,949
<i>Internal Balances</i>	(1,534,134)	1,534,134	--
<i>Due from other governments</i>	561,549	--	561,549
<i>Inventory, at cost</i>	213,414	304,434	517,848
Restricted assets:			
<i>Cash and cash equivalents</i>	5,949,427	9,622,284	15,571,711
<i>Equity in pooled cash and cash equivalents</i>	38,991	453,486	492,477
<i>Accounts</i>	--	140,992	140,992
Long-term assets:			
<i>Land and construction in progress</i>	1,411,092	1,387,482	2,798,574
<i>Capital assets, net of related depreciation</i>	11,632,921	17,706,688	29,339,609
Total Assets	\$ 31,171,743	\$ 42,591,301	\$ 73,763,044
LIABILITIES			
<i>Accounts payable</i>	\$ 1,360,221	\$ 718,398	\$ 2,078,619
<i>Accrued wages payable</i>	146,384	23,759	170,143
Payable from restricted assets:			
<i>Bank overdraft</i>	--	2,769,270	2,769,270
<i>Accrued interest payable</i>	44,454	188,507	232,961
<i>Customer deposits</i>	2,026,435	735,041	2,761,476
Due to:			
<i>Other governments</i>	485,580	--	485,580
<i>Others</i>	42,538	--	42,538
Liabilities due within one year:			
<i>Accumulated unpaid compensated absences</i>	226,680	38,500	265,180
<i>Leases payable</i>	28,198	55,047	83,245
<i>Contractual obligations payable</i>	839,241	1,470,759	2,310,000
Liabilities due beyond one year:			
<i>Accumulated unpaid compensated absences</i>	624,503	23,881	648,384
<i>Leases payable</i>	29,439	299,883	329,322
<i>Accrued other post-employment benefits</i>	969,337	260,278	1,229,615
<i>Contractual obligations payable</i>	8,217,522	18,767,475	26,984,997
<i>Premium on bonds</i>	125,479	178,566	304,045
<i>Landfill closure costs</i>	--	2,131,027	2,131,027
Total Liabilities	15,166,011	27,660,391	42,826,402
DEFERRED INFLOWS OF RESOURCES			
<i>Deferred outflows of resources</i>	9,963	--	9,963
Total Deferred Inflows of Resources	9,963	--	9,963
NET POSITION			
Net Investment in Capital Assets	7,196,801	2,766,006	9,962,807
Restricted For:			
Federal and State Programs	113,606	--	113,606
Debt Service	595,959	249,079	845,038
Capital Projects	2,596,319	290,846	2,887,165
Municipal Court Security	72,891	--	72,891
Law Enforcement	1,971,294	--	1,971,294
Municipal Court Technology	35,657	--	35,657
Tourism	563,447	--	563,447
Other Purposes	2,918	--	2,918
Unrestricted	2,846,877	11,624,979	14,471,856
Total Net Position	\$ 15,995,769	\$ 14,930,910	\$ 30,926,679

The accompanying notes are an integral part of this statement.

CITY OF KINGSVILLE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
<i>General government and administration</i>	\$ 3,957,983	\$ 373,672	\$ 10,000	\$ --
<i>Public safety</i>	9,100,303	2,718,033	371,718	2,673
<i>Public works</i>	3,342,824	531,161	--	--
<i>City/County</i>	754,701	23,118	--	--
<i>Tourism</i>	404,947	519,940	21,766	--
<i>Interest on long-term debt</i>	362,523	--	--	--
Total Government Activities	<u>17,923,281</u>	<u>4,165,924</u>	<u>403,484</u>	<u>2,673</u>
Business-type Activities:				
<i>Water Improvement</i>	4,232,121	5,239,019	--	--
<i>Stormwater</i>	1,074	243,952	--	--
<i>Solid Waste</i>	2,541,678	3,303,720	--	--
<i>Wastewater</i>	2,287,392	3,357,948	--	--
Total Business-type Activities	<u>9,062,265</u>	<u>12,144,639</u>	<u>--</u>	<u>--</u>
Total Primary Government	<u>\$ 26,985,546</u>	<u>\$ 16,310,563</u>	<u>\$ 403,484</u>	<u>\$ 2,673</u>

General Revenues:
 Property Taxes
 Sales Taxes
 Franchise Taxes
 Bingo Taxes
 Alcoholic Beverage Taxes
 Unrestricted Investment Earnings
 Miscellaneous Income
Transfers
 Total General Revenues and Transfers
Change in Net Position
Net Position - Beginning
Prior Period Adjustment
Net Position - Ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (3,574,311)		\$ (3,574,311)
(6,007,879)		(6,007,879)
(2,811,663)		(2,811,663)
(731,583)		(731,583)
136,759		136,759
(362,523)		(362,523)
<u>(13,351,200)</u>		<u>(13,351,200)</u>
--	\$ 1,006,898	1,006,898
--	242,878	242,878
--	762,042	762,042
--	1,070,556	1,070,556
--	<u>3,082,374</u>	<u>3,082,374</u>
<u>(13,351,200)</u>	<u>3,082,374</u>	<u>(10,268,826)</u>
6,056,227	--	6,056,227
4,338,360	--	4,338,360
971,761	--	971,761
3,618	--	3,618
45,519	--	45,519
211,942	37,971	249,913
399	--	399
1,849,660	(1,849,660)	--
<u>13,477,486</u>	<u>(1,811,689)</u>	<u>11,665,797</u>
126,286	1,270,685	1,396,971
16,003,088	13,825,477	29,828,565
(133,604)	(165,252)	(298,856)
<u>\$ 15,995,770</u>	<u>\$ 14,930,910</u>	<u>\$ 30,926,680</u>

CITY OF KINGSVILLE

BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013

	General Fund	Police Forfeiture Fund
ASSETS		
Assets:		
Cash and cash equivalents	\$ 2,903,052	\$ 5,507,653
Equity in pooled cash and cash equivalents	243,486	3,512
Receivables (net of allowances for uncollectibles):		
Taxes	1,241,276	--
Accounts	787,924	268
Assessments	68,019	--
Due from:		
Other funds	3,103,935	--
Other governments	105,806	--
Inventory, at cost	213,413	--
Restricted assets:		
Cash and cash equivalents	4,314,630	797,398
Equity in pooled cash and cash equivalents	73,391	35,862
Accounts	140,993	--
Total Assets	<u>\$ 13,195,925</u>	<u>\$ 6,344,693</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND EQUITY		
Liabilities:		
Accounts payable	\$ 1,022,564	\$ 114,793
Accrued wages payable	134,132	9,348
Payable from restricted assets:		
Customer deposits	--	1,800,639
Due to:		
Other funds	91,418	2,435,602
Other governments	204,352	249,656
Others	42,538	--
Total Liabilities	<u>1,495,004</u>	<u>4,610,038</u>
Deferred Inflows of Resources:		
Deferred Revenue	650,885	--
Total Deferred Inflows of Resources	<u>650,885</u>	<u>--</u>
Equity:		
Fund balances:		
Nonspendable:		
Inventory	208,104	--
Restricted:		
Debt service	--	--
Capital outlay	49,738	--
Municipal court building security	72,891	--
Municipal court technology	--	35,657
Law enforcement	--	1,698,998
Tourism	--	--
Federal and state programs	--	--
Community Enrichment	--	--
Committed:		
Landfill	4,168,968	--
Sanitation capital outlay	460,616	--
Capital outlay	1,156,301	--
Assigned:		
Drug Awareness	--	--
Unassigned:	4,933,418	--
Total equity	<u>11,050,036</u>	<u>1,734,655</u>
Total Liabilities, Deferred Inflows of Resources, and Equity	<u>\$ 13,195,925</u>	<u>\$ 6,344,693</u>

The accompanying notes are an integral part of this statement.

EXHIBIT A-3

Debt Service Fund	Capital Improvements Fund	Other Governmental Funds	Total Governmental Funds
\$ --	\$ 500,000	\$ --	\$ 8,910,705
--	--	60,013	307,011
123,536	--	--	1,364,812
7,261	1,455	47,548	844,456
--	--	--	68,019
61,796	22,817	23,639	3,212,187
--	--	455,743	561,549
--	--	--	213,413
840,809	4,023,150	477,964	10,453,951
--	--	--	109,253
--	--	--	140,993
<u>\$ 1,033,402</u>	<u>\$ 4,547,422</u>	<u>\$ 1,064,907</u>	<u>\$ 26,186,349</u>
\$ --	\$ 94,952	\$ 15,620	\$ 1,247,929
--	--	2,904	146,384
--	--	--	1,800,639
283,948	954,267	434,068	4,199,303
--	--	31,572	485,580
--	--	--	42,538
<u>283,948</u>	<u>1,049,219</u>	<u>484,164</u>	<u>7,922,373</u>
<u>123,536</u>	<u>--</u>	<u>9,963</u>	<u>784,384</u>
<u>123,536</u>	<u>--</u>	<u>9,963</u>	<u>784,384</u>
--	--	--	208,104
625,918	--	--	625,918
--	3,498,203	--	3,547,941
--	--	--	72,891
--	--	--	35,657
--	--	--	1,698,998
--	--	563,447	563,447
--	--	2,050	2,050
--	--	2,918	2,918
--	--	--	4,168,968
--	--	--	460,616
--	--	--	1,156,301
--	--	2,365	2,365
--	--	--	4,933,418
<u>625,918</u>	<u>3,498,203</u>	<u>570,780</u>	<u>17,479,592</u>
<u>\$ 1,033,402</u>	<u>\$ 4,547,422</u>	<u>\$ 1,064,907</u>	<u>\$ 26,186,349</u>

CITY OF KINGSVILLE

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2013**

Total fund balances - governmental funds balance sheet	\$ 17,479,592
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	13,044,012
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	442,556
The assets and liabilities of internal service funds are included in governmental activities in the SNP.	624,007
Payables for bond principal which are not due in the current period are not reported in the funds.	(9,056,762)
Payables for capital leases which are not due in the current period are not reported in the funds.	(57,637)
Payables for bond interest which are not due in the current period are not reported in the funds.	(44,454)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(851,182)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.	(1,094,816)
Solid waste assets and liabilities are included in the general fund but are included in business activities in SNP	(4,489,546)
Net position of governmental activities - Statement of Net Position	\$ <u>15,995,769</u>

The accompanying notes are an integral part of this statement.

CITY OF KINGSVILLE

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2013

	General Fund	Police Forfeiture Fund
Revenue:		
<i>Taxes</i>	\$ 10,107,188	\$ --
<i>Licenses and permits</i>	228,156	--
<i>Charges for services</i>	4,416,114	--
<i>Fines and forfeitures</i>	699,278	1,493,963
<i>Special assessments</i>	9,965	--
<i>Interest and miscellaneous</i>	275,714	50,573
<i>Donations</i>	--	--
<i>Reimbursements-Interdepartmental Revenue</i>	10,000	--
<i>Federal and state grants</i>	--	--
Total revenues	<u>15,746,415</u>	<u>1,544,536</u>
Expenditures:		
Current:		
<i>General government and administration</i>	3,931,443	16,346
<i>Public Safety</i>	7,322,569	1,474,567
<i>Public works</i>	4,618,831	--
<i>City/County</i>	768,239	--
<i>Tourism</i>	--	--
<i>Other expenditures</i>	35,230	--
Debt service:		
<i>Principal retired</i>	--	--
<i>Interest</i>	--	--
<i>Bond issuance costs</i>	--	--
<i>Paying agent fees</i>	--	--
Total expenditures	<u>16,676,312</u>	<u>1,490,913</u>
Excess (deficiency) of revenues (under) expenditures	(929,897)	53,623
Other financing sources (uses):		
<i>Transfers in</i>	1,250,000	--
<i>Transfers out</i>	(441,587)	--
<i>Gain on Sale of Assets</i>	23,000	--
<i>Payment to Refunding Bonds Escrow Agent</i>	--	--
<i>Bond Issuance Premium</i>	--	--
<i>Issuance of debt</i>	--	--
<i>Issuance of debt-refunding bonds</i>	--	--
<i>Lease proceeds</i>	414,191	--
Total other financing sources (uses)	<u>1,245,604</u>	<u>--</u>
Net change in fund balances	315,707	53,623
Fund balances/equity, October 1	10,734,329	1,681,032
Fund balances/equity, September 30	<u>\$ 11,050,036</u>	<u>\$ 1,734,655</u>

The accompanying notes are an integral part of this statement.

EXHIBIT A-5

Debt Service Fund	Capital Improvements Fund	Other Governmental Funds	Total Governmental Funds
\$ 1,264,832	\$ --	\$ 518,910	\$ 11,890,930
--	--	--	228,156
--	--	1,030	4,417,144
--	--	--	2,193,241
--	--	--	9,965
28,356	4,743	3,028	362,414
--	--	399	399
--	--	--	10,000
--	--	393,927	393,927
<u>1,293,188</u>	<u>4,743</u>	<u>917,294</u>	<u>19,506,176</u>
--	--	23,941	3,971,730
--	29,010	372,251	9,198,397
--	724,700	--	5,343,531
--	--	--	768,239
--	--	401,893	401,893
--	--	--	35,230
1,417,329	--	--	1,417,329
392,015	--	--	392,015
55,789	16,057	--	71,846
5,201	--	--	5,201
<u>1,870,334</u>	<u>769,767</u>	<u>798,085</u>	<u>21,605,411</u>
(577,146)	(765,024)	119,209	(2,099,235)
426,399	203,646	--	1,880,045
--	--	--	(441,587)
--	--	--	23,000
(1,247,918)	--	--	(1,247,918)
30,761	27,647	--	58,408
--	965,000	--	965,000
1,260,000	--	--	1,260,000
--	--	--	414,191
<u>469,242</u>	<u>1,196,293</u>	<u>--</u>	<u>2,911,139</u>
(107,904)	431,269	119,209	811,904
733,822	3,066,934	451,571	16,667,688
<u>\$ 625,918</u>	<u>\$ 3,498,203</u>	<u>\$ 570,780</u>	<u>\$ 17,479,592</u>

CITY OF KINGSVILLE

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Net change in fund balances - total governmental funds	\$	811,904
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:		
Capital outlays are not reported as expenses in the SOA.		624,373
The depreciation of capital assets used in governmental activities is not reported in the funds.		(1,050,644)
The gain or loss on the sale of capital assets is not reported in the funds.		(50,456)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.		43,465
Expenses not requiring the use of current financial resources are not reported as expenditures in the funds.		1,247,921
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.		822,482
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.		24,092
(Increase) decrease in accrued interest from beginning of period to end of period.		19,635
The net revenue (expense) of internal service funds is reported with governmental activities.		281,642
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.		(163,433)
Solid waste activities are included in the general fund but are included in business activities in the SOA		(201,286)
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.		(2,225,000)
Bond premiums are reported in the funds but not in the SOA.		(58,409)
Change in net position of governmental activities - Statement of Activities	\$	<u>126,285</u>

The accompanying notes are an integral part of this statement.

CITY OF KINGSVILLE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2013

EXHIBIT A-7

	Enterprise Fund	Nonmajor Internal Service Fund
	Utility Fund	Insurance Fund
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,000,000	\$ 1,368,758
Equity in pooled cash and cash equivalents	5,382,674	--
Receivables (net of allowances for uncollectibles):		
Accounts	1,295,052	15,150
Due from:		
Other funds	1,471,230	133,798
Inventory, at cost	304,434	--
Restricted assets - noncurrent:		
Cash and cash equivalents	5,422,341	--
Equity in pooled cash and cash equivalents	453,486	--
Total current assets	<u>16,329,217</u>	<u>1,517,706</u>
Noncurrent assets:		
Capital assets:		
Land	132,354	--
Utility plant	37,495,211	--
Equipment	2,184,650	--
Vehicles	2,324,971	--
Construction in progress	943,764	--
Total capital assets	43,080,950	--
Less accumulated depreciation	(28,233,717)	--
Net capital assets	14,847,233	--
Total noncurrent assets	14,847,233	--
Total Assets	<u>\$ 31,176,450</u>	<u>\$ 1,517,706</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 641,410	\$ 146,192
Accrued wages payable	23,759	--
Due to:		
Other funds	97,939	519,973
Accumulated unpaid compensated absences	38,500	--
Current liabilities payable from restricted assets:		
Accrued interest payable	177,237	--
Contractual obligations payable	857,285	--
Customer deposits	735,041	225,796
Total current liabilities	<u>2,571,171</u>	<u>891,961</u>
Long-term liabilities, net of current portion		
Accumulated unpaid compensated absences	23,881	--
Accrued other post-employment benefits	187,147	--
Premium on bonds payable	178,566	--
Contractual obligations payable	17,186,938	--
Total long-term liabilities, net of current portion	<u>17,576,532</u>	<u>--</u>
Total Liabilities	<u>20,147,703</u>	<u>891,961</u>
Net Position:		
Invested in capital assets, net of related debt	3,683,533	--
Restricted for:		
Debt service	249,079	--
Self insurance	--	625,745
Capital outlay	290,846	--
Unrestricted	6,805,289	--
Total net position	<u>11,028,747</u>	<u>625,745</u>
Total Liabilities and Net Position	<u>\$ 31,176,450</u>	<u>\$ 1,517,706</u>

The accompanying notes are an integral part of this statement.

CITY OF KINGSVILLE**RECONCILIATION OF THE PROPRIETARY FUND STATEMENT OF NET POSITION
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
SEPTEMBER 30, 2013****EXHIBIT A-7R**

Utility Fund Net Position - Proprietary Funds Statement of Net Position

\$ 11,028,747

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

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

3,858,957

The assets and liabilities of certain internal service funds are included in business
type activities in the SNP.

43,206

Net Position of Business-type Activities - Statement of Net Position

\$ 14,930,910

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

CITY OF KINGSVILLESTATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Enterprise Fund	Nonmajor Internal Service Fund
	Utility Fund	Insurance Fund
OPERATING REVENUES:		
Water	\$ 5,312,287	\$ --
Other income	21,826	1,852
Wastewater	3,512,245	--
Insurance premiums	--	2,797,208
Total Operating Revenues	<u>8,846,358</u>	<u>2,799,060</u>
OPERATING EXPENSES:		
Personal services	2,193,417	--
Supplies	292,269	--
Services	1,309,333	2,517,418
Maintenance	897,579	--
Water supply contract	263,747	--
Uncollectable accounts	56,051	--
Depreciation and amortization	833,016	--
Total Operating Expenses	<u>5,845,412</u>	<u>2,517,418</u>
Operating Income (Loss)	<u>3,000,946</u>	<u>281,642</u>
NON-OPERATING REVENUES (EXPENSES):		
Interest	19,412	--
Gain or loss on sale of property	(5,439)	--
Interest and fiscal agent charge	(675,175)	--
Total Non-operating Revenues (Expenses)	<u>(661,202)</u>	<u>--</u>
Net Income (Loss) before Transfers	<u>2,339,744</u>	<u>281,642</u>
TRANSFERS IN (OUT):		
From General Fund	15,186	--
To Capital Projects Fund	(203,646)	--
To General Fund	(1,250,000)	--
Total Transfers In (Out)	<u>(1,438,460)</u>	<u>--</u>
Net income (loss)	901,284	281,642
Net position, October 1	10,292,715	344,103
Prior period adjustment	(165,252)	--
Net position, September 30	<u>\$ 11,028,747</u>	<u>\$ 625,745</u>

The accompanying notes are an integral part of this statement.

CITY OF KINGSVILLE**EXHIBIT A-8R**

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2013*

Change in net position-utility fund	\$ 901,284
-------------------------------------	------------

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

Solid Waste is a business-type activity that is included in the general fund. The net revenues of the Solid Waste activity are reported in the business-type activities.	369,401
--	---------

Change in net position of Business-type activities - statement of activities	<u>\$ 1,270,685</u>
--	---------------------

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

CITY OF KINGSVILLE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Utility Fund	Internal Service Fund
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 8,775,891	\$ --
Cash Receipts (Payments) for Quasi-external Operating Transactions with Other Funds	--	2,830,734
Cash Payments to Employees for Services	(2,164,633)	--
Cash Payments to Other Suppliers for Goods and Services	(2,555,605)	(2,583,590)
Net Cash Provided (Used) by Operating Activities	<u>4,055,653</u>	<u>247,144</u>
Cash Flows from Non-capital Financing Activities:		
Proceeds (Payments) from (for) Interfund Borrowings	2,338,192	(533,953)
Transfers To Other Funds	(1,438,486)	--
Net Cash Provided (Used) by Non-capital Financing Activities	<u>899,706</u>	<u>(533,953)</u>
Cash Flows from Capital and Related Financing Activities:		
Principal and Interest Paid	(1,429,758)	--
Proceeds from Issuance of Bonds	4,265,000	--
Proceeds from Bond Premiums	111,766	--
Acquisition or Construction of Capital Assets	(2,691,169)	--
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>255,839</u>	<u>--</u>
Cash Flows from Investing Activities:		
Interest and Dividends on Investments	19,412	--
Net Cash Provided (Used) for Investing Activities	<u>19,412</u>	<u>--</u>
Net Increase (Decrease) in Cash and Cash Equivalents	5,230,610	(286,809)
Cash and Cash Equivalents at Beginning of Year	8,027,891	1,789,365
Cash and Cash Equivalents at End of Year	<u>\$ 13,258,501</u>	<u>\$ 1,502,556</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ 3,000,946	\$ 281,642
Adjustments to Reconcile Operating Income to Net Cash		
Provided by Operating Activities		
Depreciation	833,016	--
Provision for Uncollectible Accounts	56,051	--
Change in Assets and Liabilities:		
Decrease (Increase) in Receivables	(81,476)	1,738
Decrease (Increase) in Inventories	(17,997)	--
Increase (Decrease) in Accounts Payable	223,940	(66,172)
Increase (Decrease) in Accrued Wages Payable	460	--
Increase (Decrease) in Accrued Other Employment and Post Employment Benefits	28,454	--
Increase (Decrease) in Accumulated Compensated Absences	1,250	--
Increase (Decrease) in Customer Deposits	11,009	29,936
Total Adjustments	<u>1,054,707</u>	<u>(34,498)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 4,055,653</u>	<u>\$ 247,144</u>

The accompanying notes are an integral part of this statement.

CITY OF KINGSVILLE
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2013

	Agency Fund
	Court Cash Bond Account
ASSETS	
Assets:	
<i>Cash and cash equivalents</i>	\$ 41,473
Total Assets	<u>\$ 41,473</u>
LIABILITIES AND EQUITY	
Liabilities:	
<i>Payable from restricted assets:</i>	
<i>Customer deposits</i>	\$ 41,473
Total Liabilities	<u>41,473</u>
Net Position:	
Total Net Position	<u>--</u>
Total Liabilities and Net Position	<u>\$ 41,473</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, 2013

A. Reporting Entity and Summary of Significant Accounting Policies

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

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of these Notes. The remainder of the Notes is organized to provide explanations, including required disclosures, on the City's financial activities for the fiscal year ended September 30, 2013.

1. Reporting Entity

The City of Kingsville was incorporated in 1911 and adopted its first charter in 1916 as a home rule city under the provisions of Chapter 13 of the Revised Statutes of the State of Texas. The City operates under a Commission-Manager form of government and provides the following services as authorized by its charter (last amended August 9, 1986): public safety (police and fire), streets and sidewalks, sanitation, health and social services, parks and recreation, public improvements, and general administrative services.

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. As required by generally accepted accounting principles, these financial statements present the City and should include any entities for which the City is considered financially accountable. Blended component units, although legally separate entities in substance, are part of the City operations and data from these units should be combined with data of the City. On the other hand, a discretely presented component unit would be reported in a separate column in the combined financial statements to emphasize it is legally separate from the City.

a. Blended Component Units

The City did not have a Blended Component Unit at September 30, 2013.

b. Discretely Presented Component Unit

The City did not have a Discretely Presented Component Unit at September 30, 2013.

c. Related Organizations and Jointly Governed Organizations

Related organizations and jointly governed organizations provide services within the City that are administered by separate boards or commissions, but the City is not financially accountable, and such organizations are therefore not component units of the City, even though the City Council may appoint a voting majority of an organizations' board. Consequently, financial information for the Kingsville Housing Authority, Kingsville Industrial Foundation and the Greater Economic Development Council are not included in these financial statements.

CITY OF KINGSVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2013

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

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

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

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

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

CITY OF KINGSVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2013

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

The City reports the following major governmental funds:

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

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

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

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

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

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

b. Measurement Focus, Basis of Accounting

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

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

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

CITY OF KINGSVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2013

3. Implementation of New Standards

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

The GASB has issued Statement No. 60, "Accounting and Financial Reporting of Service Concession Arrangements." Its objective is to improve financial reporting for service concession arrangements. The City has no service concession arrangements.

The GASB has issued Statement No. 61, "The Financial Reporting Entity: Omnibus; an amendment of GASB Statements No. 14 and No. 34." This statement modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, the display of component units (blending vs. discrete presentation) and certain disclosure requirements. The City has determined that there are no entities that meet the requirements of a component unit.

The City adopted Statement No. 62, "Codification of Accounting and Financial Reporting Guidelines contained in Pre-November 30, 2009 FASB and AICPA Pronouncements." This incorporates, in the GASB's authoritative literature, certain accounting and financial reporting guidance that is included in the following pronouncements issued on or after November 30, 1989, which do not conflict with or contradict GASB pronouncements:

- Financial Accounting Standards Board (FASB) statements and interpretations
- Accounting Principles Opinions
- Accounting Research Bulletins of the American Institute of Certified Public Accountants Committee on Accounting Procedures

GASB 62 was implemented in the year ended September 30, 2013, and did not have a significant impact on the City's financial statements.

The GASB has issued Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" which provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources are the consumption of net position by the government that is applicable to a future reporting period and deferred inflows of resources are the acquisition of net position by the government that is applicable to a future reporting period. Deferred outflows of resources and deferred inflows of resources are incorporated into the definitions of the required components of the residual measure and that measure is renamed as net position rather than net assets. GASB 63 was implemented in the year ended September 30, 2013.

The GASB has issued Statement No. 65, "Items Previously Reported as Assets and Liabilities" which specifies the items that were previously reported as assets and liabilities that should now be reported as deferred outflows of resources, deferred inflows of resources, outflows of resources, or inflows of resources. GASB 65 was implemented in the year ended September 30, 2013.

The accounting principles governing the reported amounts, financial presentations, and disclosures are subject to change from time to time based on new pronouncements and/ or rules issued by various standards-setting bodies. The GASB has issued the following new statements that are potentially applicable to the City of Kingsville:

- GASB Statement No. 66 "Technical Corrections - 2012; an amendment of GASB Statements No. 10 and No. 62"
- GASB Statement No. 68 "Accounting and Financial Reporting for Pensions; and amendment of GASB Statement No. 27"

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New pronouncements not yet in effect as of September 30, 2013, are not expected to have any significant impact on the City's financial position, results of operations, or cash flows. The City is currently studying these new pronouncements and will adopt them, as applicable, in subsequent fiscal years.

4. Financial Statement Amounts

a. Equity in Pooled Cash and Cash Equivalents

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

b. Real Property and Sales Taxes

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

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

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

In order to obtain approval of its general obligation bonds by the Attorney General of the State, a satisfactory showing of adequate taxing power must be made. As a general rule the Attorney General will not approve new bonds if this will make the net debt exceed twenty-five percent of the assessed value. The 2012 tax rate was \$.84220 of which \$.66395 was distributed to the General Fund and \$.17825 was applied to the Debt Service Fund. Using the twenty-five percent rule, the City's legal margin is \$183,533,422.

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
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The top ten taxpayers are as follows:

Taxpayer Name	Nature of Operations	Assessed Valuation	% of Total Taxable Valuation
AEP Texas Central Company	Electric Utility	9,996,040	1.50%
Wal-Mart Stores East LP #01-0442	Retail	7,958,570	1.14%
Kingsville Two	Apartments	6,876,800	1.01%
HBC Holding LTD	Apartments	6,710,900	1.00%
Eddie Yaklin Ford Lincoln Mercury Ltd	Auto Dealership	5,768,860	1.00%
Wal-Mart Stores Inc. # 01-0442	Retail	5,555,450	0.94%
Collegiate Kingsville Partners LP	Apartments	5,370,600	0.81%
HEB Grocery Inc.	Grocery	4,825,090	0.69%
Lowe's Home Centers Inc.	Retail	4,296,710	0.63%
Yaklin, Eddie L	Automotive	4,112,580	0.60%

c. Inventory

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

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

d. Use of Estimates

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

e. Capital Assets

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

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

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

CITY OF KINGSVILLE
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Impairment losses related to capital assets are recognized and measured when there has been a significant, unexpected decline in the service utility of capital assets. The events or changes in circumstances which lead to impairment determinations are not considered to be normal or ordinary. The service utility of a capital asset is the usable capacity which, at acquisition, was expected to be used or provide service. Common indicators of impairment include - evidence of physical damage where the level of damage is such that restoration efforts are needed to restore service utility; enactment of laws or approval of regulations as well as changes in environmental factors; technological developments, or other evidence of obsolescence; changes in the manner of duration of use of capital assets; or construction stoppage due to lack of funding. There were no impairment charges during fiscal 2013.

f. **Receivable and Payable Balances**

The City believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

g. **Restricted Assets**

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

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

h. **Long-term Obligations**

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

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

i. **Pension Plans**

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

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
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j. Fund Equity

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

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

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

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

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

Fund balances of the governmental funds are classified as follows:

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

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

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

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

CITY OF KINGSVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2013

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

Spending Prioritization in Using Available Resources:

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

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:

The City's Budgetary Comparison Schedule indicates expenditures over appropriations as follows:

Fund	Department/Category	Amount
General	City Special/Personal Services	\$ 84,997
General	Community Appearance/Capital Outlay	22,999
General	Operating Transfers Out	464,280
Federal Grants	Police Department/Capital Outlay	15,682
Debt Service	Interest	10,873
Debt Service	Bond Issuance Costs	55,789

The City is reviewing budget procedures to ensure compliance.

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

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

Fund Name	Deficit Amount	Remarks
None reported	Not applicable	Not applicable

C. Deposits and Investments

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

Cash and Investments

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

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
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1. Cash & Cash Equivalents

At September 30, 2013, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$12,420,514 and the bank balance was \$11,065,397. The City's cash deposits at September 30, 2013 and during the year ended September 30, 2013, were entirely covered by FDIC insurance or properly secured by collateral held by the City's agent in the City's name.

2. Investments

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

Investment Accounting Policy

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

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

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

Investment	Reported Amount	Fair Value
Cutwater (Rated @ AAA/V1+)	\$ 22,027,404	\$ 22,027,404

CITY OF KINGSVILLE
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Analysis of Specific Deposit and Investment Risks:

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

1. Credit Risks

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

2. Custodial Credit Risk

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

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

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

3. Concentration of Risk

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

4. Interest Rate Risk

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

5. Foreign Currency Risk

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

D. Receivables

	General	Debt Service	Enterprise	Enterprise Restricted	Primary Government Total
Receivables:					
Accounts	\$ 2,353,489	\$ 7,261	\$ 2,476,398	\$ 140,993	\$ 4,978,141
Taxes - Property	533,813	206,237	--	--	740,050
Taxes - Franchise & Sales	921,702	--	--	--	921,702
Special Assessments	68,019	--	--	--	68,019
Gross Receivables	3,877,023	213,498	2,476,398	140,993	6,707,912
Less: Allowance for uncollectable	(2,394,930)	(82,701)	(860,527)	--	(3,338,158)
Net total receivable	\$ 1,482,093	\$ 130,797	\$ 1,615,871	\$ 140,993	\$ 3,369,754

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
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E. Capital Assets

Capital asset activity for the year ended September 30, 2013, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 469,540	\$ --	\$ --	\$ 469,540
Construction in progress	933,604	94,548	(86,600)	941,552
Total capital assets not being depreciated	1,403,144	94,548	(86,600)	1,411,092
<i>Capital assets being depreciated:</i>				
Road network	18,568,151	--	--	18,568,151
Buildings and improvements	3,914,802	--	--	3,914,802
Equipment	3,125,175	349,421	(65,726)	3,408,870
Vehicles	5,380,772	267,004	(46,666)	5,601,110
Total capital assets being depreciated	30,988,900	616,425	(112,392)	31,492,933
Less accumulated depreciation for:				
Road network	(11,439,141)	(268,105)	--	(11,707,246)
Buildings and improvements	(2,129,166)	(62,595)	--	(2,191,761)
Equipment	(2,413,294)	(324,894)	29,047	(2,709,141)
Vehicles	(2,889,701)	(395,050)	32,887	(3,251,864)
Total accumulated depreciation	(18,871,302)	(1,050,644)	61,934	(19,860,012)
Total capital assets being depreciated, net	12,117,598	(434,219)	(50,458)	11,632,921
Governmental activities capital assets, net	\$ 13,520,742	\$ (339,671)	\$ (137,058)	\$ 13,044,013
Business-type activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 352,354	\$ --	\$ --	\$ 352,354
Construction in progress	286,046	871,406	(122,325)	1,035,127
Total capital assets not being depreciated	638,400	871,406	(122,325)	1,387,481
<i>Capital assets being depreciated:</i>				
Buildings and improvements	37,837,365	1,749,494	--	39,586,859
Equipment	3,758,637	477,950	(223,664)	4,012,923
Vehicles	4,626,093	159,399	(78,364)	4,707,128
Total capital assets being depreciated	46,222,095	2,386,843	(302,028)	48,306,910
Less accumulated depreciation for:				
Buildings and improvements	(25,177,787)	(609,478)	--	(25,787,265)
Equipment	(1,791,622)	(295,249)	223,664	(1,863,207)
Vehicles	(2,689,545)	(333,131)	72,925	(2,949,751)
Total accumulated depreciation	(29,658,954)	(1,237,858)	296,589	(30,600,223)
Total capital assets being depreciated, net	16,563,141	1,148,985	(5,439)	17,706,687
Business-type activities capital assets, net	\$ 17,201,541	\$ 2,020,391	\$ (127,764)	\$ 19,094,168

CITY OF KINGSVILLE

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Governmental depreciation was charged to functions as follows:

General Government	\$	66,416
Public Safety		491,972
Public Works		467,939
City/County		24,317
	\$	<u>1,050,644</u>

Business-type depreciation was charged to functions as follows:

Water	\$	258,236
Wastewater		574,781
Solid Waste		404,841
	\$	<u>1,237,858</u>

F. Interfund Balances and Activity

1. Due To and From Other Funds

Balances due to and due from other funds at September 30, 2013, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Other Governmental Funds	\$ 403,259	Short-term loans
General Fund	Capital Improvements Fund	3,010	Short-term loans
General Fund	Debt Service Fund	283,948	Short-term loans
General Fund	Police Forfeiture Fund	2,413,718	Short-term loans
Utility Fund	Capital Improvements Fund	951,257	Short-term loans
Utility Fund	Internal Service Fund	519,973	Short-term loans
Debt Service Fund	Utility Fund	61,796	Short-term loans
Internal Service Fund	General Fund	68,601	Short-term loans
Internal Service Fund	Police Forfeiture Fund	21,884	Short-term loans
Internal Service Fund	Utility Fund	36,143	Short-term loans
Internal Service Fund	Other Governmental Funds	7,170	Short-term loans
Other Governmental Funds	Other Governmental Funds	23,639	Short-term loans
Capital Projects Fund	General Fund	22,817	Short-term loans
	Total	\$ <u>4,817,215</u>	

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

2. Transfers To and From Other Funds

Transfers to and from other funds at September 30, 2013, consisted of the following:

Transfers From	Transfers To	Amount	Reason
Utility Fund	Capital Projects Fund	\$ 203,646	Supplement other fund sources
General Fund	Debt Service Funds	\$ 426,399	Supplement other fund sources
Utility Fund	General Fund	\$ 1,250,000	Supplement other fund sources
General Fund	Utility Fund	\$ 15,186	Supplement other fund sources
	Total	\$ <u>1,895,231</u>	

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

G. Deferred Revenue

Deferred revenues are primarily used for the deferring of property taxes that are not "measurable" in Note B. An analysis of deferred taxes at September 30, 2013 is as follows:

	All Governmental Fund Types
Deferred Taxes	\$ 442,555
Deferred Assessments/Interest	331,865
Other	9,964
Total Deferred Revenue	<u>\$ 784,384</u>

H. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended September 30, 2013, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Certificates of obligation	\$ 8,899,244	\$ 965,000	\$ 2,067,482	\$ 7,796,762	\$ 709,241
Limited Tax Refunding					
Bond	--	1,260,000	--	1,260,000	130,000
Premium on Bonds Payable	77,946	58,409	10,876	125,479	--
Capital leases	84,647	--	27,010	57,637	28,198
Total long-term debt	9,061,837	2,283,409	2,105,368	9,239,878	867,439
Accumulated compensated absences*	850,577	685,152	684,546	851,183	226,680
Other post-employment benefits	806,509	162,828	--	969,337	--
Governmental activity					
Total long-term debt	<u>\$ 10,718,923</u>	<u>\$ 3,131,389</u>	<u>\$ 2,789,914</u>	<u>\$ 11,060,398</u>	<u>\$ 1,094,119</u>
Business-type activities:					
Certificates of obligation (1)	\$ 17,400,752	\$ 4,265,000	\$ 1,427,518	\$ 20,238,234	\$ 1,470,759
Premium on Bonds Payable	66,800	123,438	11,672	178,566	--
Capital Lease	--	414,191	59,261	354,930	55,047
Total long-term debt	17,467,552	4,802,629	1,498,451	20,771,730	1,525,806
Landfill closure cost	2,031,026	100,000	--	2,131,026	--
Other post-employment benefits	217,053	43,225	--	260,278	--
Accumulated compensated absences*	61,131	48,646	47,396	62,381	38,500
Business-type activities Long-term liabilities	<u>\$ 19,776,762</u>	<u>\$ 4,994,500</u>	<u>\$ 1,545,847</u>	<u>\$ 23,225,415</u>	<u>\$ 1,564,306</u>

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

* Other long-term liabilities

CITY OF KINGSVILLE

NOTES TO THE FINANCIAL STATEMENTS

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In the governmental funds, the OPEB obligation will be liquidated by the General Fund (93%) and Special Revenue Fund (7%) based on the allocation of the cost of self-insurance for health benefits. The General Fund will typically liquidate 96% and Special Revenue Fund will liquidate 4% of the pension liability.

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

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

Certificates of obligation payable:	2013	2012
\$11,780,000 Certificates of Obligation Series 2005 for General Improvements; due in annual installments of \$615,000 to \$990,000 through August 2025; interest at 3.00% to 4.125%. (100% Utility Fund).	\$ 9,515,000	\$ 10,110,000
\$10,000,000 Certificates of Obligation, Series 2011 for General Improvements; paid in annual installments of \$515,000 to \$540,000 through 8/1/2032, with interest at 2.0% to 4.6% (53.8504% General Fund and 46.1496 % Utility Fund).	9,240,000	9,755,000
\$2,485,000 Certificates of Obligation Series 2002A for General Improvements; was refunded by the 2013 refunding bond	--	1,380,000
\$1,200,000 Public Property Financial Contractual Obligation Series 2007 for General Improvements; due in annual installments of \$150,000 to \$190,000, through August 1, 2017; interest at 4.11%. (General Fund 71.667%, Utility Fund 35.83337%).	415,000	560,000
\$4,270,000 Certificates of Obligation Series 2009 for Capital Outlay; due in annual installments of \$680,000 to \$700,000 through February 1, 2021; interest at 3.00% to 3.85%. (General Fund 15.831%, Utility Fund 84.169%).	2,430,000	3,075,000
\$1,890,000 General Obligation Refunding Series 2009; due in annual installments of \$215,000 to \$260,000 through February 1, 2018; interest at 2.25% to 3.75%. (100% General Fund).	1,205,000	1,420,000

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

\$5,230,000 Certificates of Obligation Series 2013, due in annual installments of \$50,000 to \$360,000 through September, 2023; interest at 2.0% to 3.0% (18.45% to General Fund and 81.55% to Utility Fund)

5,230,000

--

\$1,260,000 Limited Tax Refunding Bonds, Series 2013, due in annual installments of \$130,000 to \$105,000 through September, 2023; interest at 2.0% (100% General Fund)

1,260,000

--

Total Certificates of Obligation Payable

\$ 29,295,000

\$ 26,300,000

2. Debt Service Requirements

Debt service requirements on long-term debt at September 30, 2013, are as follows:

Governmental Activities			
Year Ending September 30,	Principal	Interest	Total
2014	\$ 839,241	\$ 306,418	\$ 1,145,659
2015	822,984	269,074	1,092,058
2016	842,052	247,638	1,089,690
2017	855,961	223,228	1,079,189
2018	777,841	196,808	974,649
2019-2023	1,936,955	768,827	2,705,782
2024-2028	1,578,947	475,919	2,054,866
2029-2033	1,402,775	153,266	1,556,041
Totals	\$ 9,056,756	\$ 2,641,178	\$ 11,697,934

Business-type Activities			
Year Ending September 30,	Certificates of Obligation		Revenue Bonds
	Principal	Interest	Total
2014	\$ 1,470,759	\$ 819,334	\$ 2,290,093
2015	1,672,016	706,605	2,378,621
2016	1,732,948	647,597	2,380,545
2017	1,329,039	584,859	1,913,898
2018	1,267,159	532,429	1,799,588
2019-2023	6,338,035	1,970,148	8,308,183
2024-2028	4,191,053	777,516	4,968,569
2029-2033	2,237,225	226,489	2,463,714
Totals	\$ 20,238,234	\$ 6,264,977	\$ 26,503,211

3. Advance Refunding of Debt

In 2010, the City issued \$1,890,000 in bonds to refund the 1998 Bond Series and for bond issuance expense. As a result, the City defeased \$1,845,000 of the 1998 Series Bond Debt of \$1,845,000. The City saved \$79,716 in costs with a present value savings of \$83,764.

In 2013, the City issued \$1,260,000 in bonds to refund the 2002 Bond Series and for bond issuance expense. As a result, the City defeased \$1,245,000 of the 2002 Series Bond Debt of \$1,245,000, leaving \$0 outstanding at year end. The City saved \$125,776 in costs with a present value savings of \$120,053.

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

GASB Statement No. 7, "Advance Refundings Resulting in Defeasance of Debt," provides that refunded debt and assets placed in escrow for the payment of related debt service be excluded from the financial statements. As of September 30, 2013, outstanding balances of bond issues that have been refunded and defeased in-substance by placing existing assets and the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments are as follows:

Original Bond Issue	Original Amount	Defeased Balance as of 9/30/13	
Series 1998	\$ 3,000,000	\$ 1,140,000	
Series 2002	2,485,000	--	(1)
Total	<u>\$ 5,485,000</u>	<u>\$ 1,140,000</u>	

(1) Refunded obligations were redeemed as of February 20, 2013.

4. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of September 30, 2013, as follows:

<u>Year Ending September 30:</u>	Governmental Activities	Business-Type Activities
2014	\$ 30,734	\$ 65,242
2015	30,734	65,242
2016	--	65,243
2017	--	65,242
2018	--	65,242
2019	--	65,243
Total Minimum Rentals	<u>61,468</u>	<u>391,454</u>
Less: Amount representing interest	<u>3,831</u>	<u>36,524</u>
Present value of net minimum lease payments	<u>\$ 57,637</u>	<u>\$ 354,930</u>

The effective interest rate on capital leases is 4.400%.

I. Pension Plan

1. Texas Municipal Retirement System

Plan Description

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

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

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

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

	Plan Year 2011	Plan Year 2012	Plan Year 2013
Employee deposit rate	7.0%	7.0%	7.0%
Matching ratio (city to employee)	1.5 to 1	1.5 to 1	1.5 to 1
Years required for vesting	5	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20	60/5, 0/20
Updated service credit repeating, transfers (Y/N)	100% Y	100% Y	100% Y
Annuity increase (to retirees) CPI repeating (Y/N)	70% Y	70% Y	70% Y

Contributions:

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

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

	2011	2012	2013
Annual Required Contribution (ARC)	\$ 1,332,105	\$ 1,134,814	\$ 1,135,515
Interest on Net Pension Obligation	38,706	55,653	--
Adjustment to the ARC	(32,083)	(47,840)	--
Annual Pension Cost (APC)	1,338,729	1,142,628	1,135,515
Contributions made	(1,059,765)	(1,937,673)	(1,135,515)
Increase (decrease) in Net Pension Obligation	278,964	(795,045)	--
Net Pension Obligation/(Asset), Beginning of year	516,081	795,045	--
Net Pension Obligation/(Asset), End of year	\$ 795,045	\$ --	\$ --

The City fully funded their ARC as of 2012, and as a result it does not have a net pension obligation for the years ended September 30, 2012 and 2013.

Three Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation/ (Asset)
2011	\$ 1,332,105	\$ 1,059,765	79.55%	\$ 795,045
2012	\$ 1,105,220	\$ 1,937,673	175.32%	--
2013	\$ 1,135,515	\$ 1,135,515	100.00%	--

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
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The required contribution rates for fiscal year 2013 were determined as part of the December 31, 2010 and 2011 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2012, also follows:

Valuation Date	12/31/10	12/31/11	12/31/12
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization method	Level percent of payroll	Level percent of payroll	Level percent of payroll
Amortization period	27 years - closed period	26 years - closed period	24.9 years - closed period
Asset valuation method	10 -year Smoothed Market	10 -year Smoothed Market	10 -year Smoothed Market
Amortization Period for New Gains/Losses	30 Years	30 Years	30 Years
Assumptions			
Investment return *	7.0%	7.5%	7.0%
Projected salary increases *	Varies by age and service	Varies by age and service	Varies by age and service
* Includes Inflation at	3.0%	3.0%	3.0%
Cost-of-living adjustments	2.1%	2.1%	2.1%

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

The funded status as of December 31, 2012, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/12	\$ 42,351,798	\$ 45,514,495	93.1%	\$ 3,162,697	\$ 9,423,578	33.6%

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

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

CITY OF KINGSVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2013

2. Texas Statewide Emergency Services Personnel Retirement Fund

Plan Description

System (TESRS), a cost-sharing multiple employer pension system established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. The Texas Statewide Emergency Services Personnel Retirement Fund is considered a component unit of the State of Texas financial reporting entity and is included in the State's financial reports as a pension trust fund. At August 31, 2013, there were 188 member fire or emergency services departments participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a participating department.

At August 31, 2013, TESRS membership consisted of:

Retirees and beneficiaries currently receiving benefits

Terminated members entitled to benefits but not yet receiving them

Active Participants (Vested and Nonvested)

State	City
2,750	11
2,252	--
4,446	13
9,448	24

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. Nineteen 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.

When a department with Texas Local Fire Fighters Retirement Act (TLFFRA) pension plan elects to participate in the TESRS, the TLFFRA pension plan is dissolved and merged into the TESRS pension system. TLFFRA is an agent multiple-employer plan. On the date of the merger, all assets and liabilities of the TLFFRA pension plan are merged with TESRS on an actuarially sound basis and become an allocated part of the system. Those members receiving retirement benefits under the former TLFFRA pension are converted into the TESRS pension system as if they had been TESRS members as of entry date. This conversion is determined actuarially through cost studies.

Funding Policy

TESRS - Contributions provisions were originally established by S.B. 411, 65th Legislature, Regular Session (1997) and were amended by board rule in 2006. No contributions are required by individual members of participating departments. The governing bodies of participating departments are required to contribute at least the minimum prescribed amount per month (\$36) for each active member and may contribute more. Additional contributions may be made by a governing body to pay for granting credit for service before the department began participating in TESRS (prior service). The State may also be required to make annual contributions up a limited amount to make TESRS actuarially sound.

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
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Contributions Required and Contributions Made

TESRS - The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions were set by board rule, and there is no maximum contribution rate. For the fiscal year ending August 31, 2012, total contributions (dues and prior service, and interest on financing of prior service) of \$3,517,455 were paid into TESRS by the political subdivisions served by the member volunteer emergency services personnel. The State did not appropriate any state contribution for the fiscal years ending August 31, 2012 and 2013. Total contributions made were less than the contributions required by the state statute and required based on the August 31, 2010 actuarial valuation.

The purpose of the biennial actuarial valuation is to determine if the contribution arrangement is adequate to pay the benefits that are promised. The actuarial valuation as of August 31, 2012 revealed the inadequacy of the expected contributions from the political subdivisions (dues and prior service contributions) even together with the actual state appropriations for the fiscal year ending August 31, 2013 and with the assumed continuation of legislative appropriations of (1) the maximum state contribution amount in future years for up to 30 years as is necessary for the System to have a 30-year amortization period, and (2) approximately \$530,000 each year to help pay for the System's administrative expenses.

Annual Required Contributions

The employer annual pension cost of \$10,099 for fiscal year ended August 31, 2012 was equal to the required and actual contributions. Three-year information is as follows:

	2011	2012	2013
Annual Required Contribution	\$ 8,636	\$ 10,099	\$ 8,416
Percentage of Required Cost Contributed	100%	100%	100%

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

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

Required Supplementary Information

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

Valuation date	August 31, 2012
Actuarial cost method	Entry Age
Amortization method	Level dollar, open
Amortization period	Infinity
Asset valuation method	Market value smoothed by a 5-year deferred recognition method with a 80% / 120% corridor on market value
Actuarial Assumptions:	
Investment rate of return *	7.75% per year, net of investment expenses
Projected salary increases	N/A
* Includes inflation at	3.50%
Cost-of-living adjustments	None

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

3. City of Kingsville Deferred Compensation Plan Restatement

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

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

J. Post Retirement Benefits

1. Post-Employment Health Care Benefits

GASB Statement No. 45: Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions (OPEB), established new accounting standards for postretirement benefits. The new standard does not require funding of OPEB expense, but any difference between the annual required contribution (ARC) and the amount funded during the year is required to be recorded in the employer's financial statement as an increase (or decrease) in the net OPEB obligation. The effective date for implementation of GASB 45 by the City of Kingsville is October 1, 2007. Accordingly, the City did obtain an actuarial valuation in accordance with GASB 45 standards as of October 1, 2011 and discloses the following:

Note: Actuarial valuations are done every two years.

Plan Description and Funding Policy

Employees who retire from the City of Kingsville are eligible to continue to participate in the City's health insurance program at the employee group rate which is determined annually by the City of Kingsville and approved by the City Commission. Retirees have 31 days to elect to continue with the City's self-funded health insurance plan (City of Kingsville Benefit Plan Trust) in which they were participating at the time of retirement unless otherwise stated in the plan document or collective bargaining agreement. As of September 31, 2013, a total of 6 eligible retirees were participating in the City's group health program. The City provides one half of the funding for retiree premiums. Retiree's dependents are excluded from the calculation and are eligible to continue health coverage at the designated COBRA rates during their eligibility period.

Annual OPEB Cost and Net OPEB Obligation

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

OPEB Cost for Fiscal Years Ending 2011, 2012, and 2013	FYE 2011	FYE 2012	FYE 2013
Normal Cost	\$ 99,217	\$ 79,447	\$ 89,960
Minimum Amortization of UAL	102,841	102,977	116,604
Interest Adjustment to Year-end	8,082	7,297	8,263
Annual Required Contribution	210,140	189,721	214,827
ARC adjustment	(27,699)	(31,021)	(36,556)
Interest Adjustment to Net OPEB Obligation	28,995	34,743	40,942
OPEB Cost	211,436	193,443	219,213
Contributions Made	(67,744)	(38,454)	(13,160)
Increase in Net OPEB Obligation	143,692	154,989	206,053
Net OPEB Obligation - beginning of year	724,881	868,573	1,023,562
Net OPEB Obligation - end of year	\$ 868,573	\$ 1,023,562	\$ 1,229,615

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
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Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
09/30/11	\$211,436	32.00%	\$868,573
09/30/12	\$193,443	19.88%	\$1,023,562
09/30/13	\$219,213	6.00%	\$1,229,615

Funded Status and Funding Progress

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

Actuarial Valuation Date	10/01/2011
Actuarial Value of Assets	\$ --
Actuarial Accrued Liability	\$ 2,883,303
Unfunded Actuarial Liability	\$ 2,883,303
Funded Ratio	0.0%
Annualized Covered Payroll	\$ 8,003,491
Ratio of Unfunded Actuarial Liability to Annual Covered Payroll	36.00%
Actuarial Cost Method	Entry-Age Normal

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

Actuarial Methods and Assumptions

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

Measurement Date	October 1, 2011
Actuarial Cost Method	Entry - Age Normal Method
Amortization Period	30 Years. Open
Amortization Method	Level Percent of Payroll
Discount Rate	3.50%
CPI	3.00%
Healthcare Cost Trend Rate	9.0% initial rate, 5.0% ultimate rate, 9 year grade in period.
Payroll Growth Rate	3.00% annually

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

K. Commitments and Contingencies

1. Contingencies

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

2. Litigation

No reportable litigation was pending against the City at September 30, 2013.

L. Budgetary Data

Budgets for the General Fund, budgeted special revenue, debt service, and budgeted capital projects funds are adopted in accordance with generally accepted accounting principles (GAAP). The City adopted budgets for the fiscal year ended September 30, 2013 for the following funds:

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

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

\$570,504 addition to revenues and other financing sources comprised mainly of:

\$414,191 in Other Income-LF Lease Purchase-to record the purchase of one (1) Bomag BC-2 landfill compactor with dozer blade.

\$10,000 in Intergovernmental Revenue - Intergovernmental Revenue from Santa Gertrudis Independent School District for street and drainage improvements and repairs near the SGISD administration and school building.

\$71,402 in Purchasing/IT Department - Auction Revenue was originally budgeted conservatively. Increase in expected revenue was used to appropriate for increased vehicle and machinery maintenance in the Streets and Landfill departments and Professional Services in Legal Department.

\$37,510 in Planning and Development Services - Demolition Recovery Revenue was originally budgeted conservatively. Increase in expected revenue was used to appropriate for improvements to the City of Kingsville Downtown Pavillion.

\$11,401 in Planning and Development Services - Noxious Matter Abatement Revenue was originally budgeted conservatively. Increase in expected revenue was used to appropriate for improvements to the City of Kingsville Downtown Pavilion.

\$100,000 in Finance Department - In Lieu of Tax Payments from Celanese was not included in the original budget. The increase in expected revenue was used to cover projected revenue shortfall in City Sales Tax and Court Fines.

CITY OF KINGSVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2013

(\$34,000) in Finance Department - City Sales Tax Revenue was reduced to cover projected revenue shortfall.

(\$40,000) in Finance Department - Court Fine Revenue was reduced to cover projected revenue shortfall.

\$1,088,290 addition to expenditures and other financing uses comprised mainly of:

\$414,191 in Landfill Department - Capital Outlay Expenditures for the purchase of one (1) BC-2 landfill compactor with dozer blade.

\$10,000 in Street Department - Maintenance Expenditures for street and bridge repairs near the SGISD administration and school building.

\$10,420 in City Manager Department - Personnel Expenditures for City Manager Contract based on the new Professional Services contract for City Manager Services.

\$37,469 in Community Appearance - Capital Outlay Expenditures for equipment and benches and litter/recycling receptacles for the downtown area.

\$40,623 in Planning and Development Services Department - Maintenance Expenditures for the purchase and installation of trees for the West Santa Gertrudis corridor landscaping project.

\$30,000 in Street Department - Repair Expenditures for vehicle and machine maintenance.

\$16,877 in Landfill Department - Repair Expenditures for vehicle and machine maintenance.

\$300,000 in Street Department - Maintenance Expenditures to fund upfront infrastructure costs as per the Economic Development Agreement with Zarsky Development Company, LLC for the Wildwood Trails Subdivision.

\$55,072 in Parks and Recreation Department - Capital Outlay Expenditures for improvements to the City of Kingsville Downtown Pavilion.

\$19,000 in Legal Department - Service Expenditures for additional Legal Services due to litigation.

\$14,980 in Purchasing/IT Department - Service Expenditures for G.I.S. server hosting services.

\$35,830 in Community Appearance - Service Expenditures to fund demolition projects through the remaining fiscal year.

\$114,248 in Operating Transfers Out to transfer Solid Waste revenues that exceeded what was needed for debt service payments to Capital Projects Fund 087 for the purchase of capital items for the sanitation department.

\$10,420 in City Manager Department - Personnel Expenditures for City Manager Contract based on the new Professional Services Contract for City Manager Services.

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

M. Compensated Absences

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

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

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

There is no limit on accumulated holiday hours to be paid at termination. As of September 30, 2013, the liability for accrued vacation leave and accrued sick leave is approximately \$909,414. The amount applicable to the General Fund and Enterprise Fund of \$851,202 and \$58,212, respectively, and have been recorded in its respective fund.

N. Contracts With South Texas Water Authority

South Texas Water Authority Contract starting October 1, 2006 through September 30, 2010, extended to September 30, 2013

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

PRICES AND TERMS

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

1. Handling Charge

- a. The Handling Charge shall be designed to cover all of the Authority's expenses other than the Cost of Water, including operation and maintenance expenses and amounts budgeted to be paid in the current year for capital improvements, plus an amount sufficient to accumulate and maintain a reasonably adequate reserve fund as stated in subparagraph b, less tax receipts and all other income and revenue. The Handling Charge, commencing on the effective date of this one-year Contract Extension and remaining in effect until September 30, 2013 was \$.426386 per thousand gallons of water delivered.

CITY OF KINGSVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2013

- b. Each Contract Year the Authority may adjust the Handling Charge to cover reasonable increases in the Authority's expenses and to accumulate and maintain a reasonable amount of reserve funds, provided that the increase in any one Contract Year may not exceed 5% of the above stated initial Handling Charge and that the total reserve funds of the Authority reasonably projected at its maximum during any Fiscal Year shall not exceed \$1.171 million. If the actual or projected reserve exceeds \$1.171 million, the Handling Charge shall be reduced accordingly for the next Contract Year.
- c. The adjustment in the Handling Charge may exceed an increase of 5% in any Contract Year if the Authority obtains prior written approval of customers representing in the aggregate not less than 75% of the water purchased from the Authority during its preceding Fiscal Year.
- d. Notice of a change in Handling Charge shall be delivered to the City on or before the 10th day of August of each Contract Year. The notice shall state the amount of the new Charge and the reason and calculations for the adjustment. The new Handling Charge shall be effective commencing at the beginning of the next Contract Year.
- e. The City may object to the Handling Charge for any Contract Year after the initial year by delivering to the Authority a notice stating the nature of the City's objection to the Charge. The objection shall be resolved by following the dispute resolution procedures established in the contract. If the dispute is not resolved by the beginning of the subject contract Year, the City shall pay at the new rate until the dispute is resolved. The Handling Charge determined through the dispute resolution procedure shall be effective as the beginning of that Contract Year unless otherwise agreed by the parties.
- f. Any change in the Handling Charge, by agreement, dispute resolution, or otherwise shall apply to all customers of the Authority, in accordance with the contract.

2. Cost of Water

The Cost of Water shall be as defined as meaning the actual price per one thousand gallons paid by the Authority to the City of Corpus Christi for water received by the Authority under the Corpus Christi Water Supply Agreement during a Service Month. It is expected that the Cost of Water will fluctuate from month to month, resulting in a corresponding fluctuation in the Water Rate. The water rate ranged from \$1.739735 to \$1.875368 per thousand gallons of water.

3. Water Supply Contract Extension

The current contract expired on September 30, 2012; however the City and STWA are on a month-to-month basis until a Water Supply Contract can be negotiated.

GUARANTEED PURCHASE

(A) The City shall purchase a minimum volume of water not to be less than \$350,000 annually, unless additional purchases are necessary to supplement the City of Kingsville water requirements. The City purchased \$263,747 (gross water cost \$343,580 less \$79,833 credit) and \$367,264 in 2013 and 2012, respectfully.

O. Risk Management

1. The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City obtained general; law enforcement, error and omissions; automobile, mobile equipment, real and personal property liability coverage; workers' compensation and unemployment insurance at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State to form the Texas Municipal League Intergovernmental Risk Pool, (TML), a Self-Funded Pool currently operating as a common risk management and insurance program for approximately 1,800 members. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining

CITY OF KINGSVILLE
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FOR THE YEAR ENDED SEPTEMBER 30, 2013

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 \$146,192 at September 30, 2013 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 2013 and 2012 were:

	Beginning-of Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2012	\$ 255,491	\$ 2,280,493	\$ 2,323,620	\$ 212,364
2013	\$ 212,364	\$ 2,430,261	\$ 2,496,433	\$ 146,192

The liability at year end is equal to three months of paid claims subsequent to 9/30/13 but that had been incurred prior to that date, and is considered a current liability for reporting purposes.

3. Litigation Tort Claims

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

P. Closure and Postclosure Care Cost

State and federal laws and regulations require that the City place a final cover on its landfill when closed and perform maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, expense provisions and related liabilities are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure costs is based on the amount of the landfill used during the year. The amount of the liability is based on what it would cost to have all such closure and postclosure care performed in the current year, and is assigned to periods based on cumulative landfill use. The estimated liability for landfill closure and postclosure care costs recorded in the business-type activities at September 30, 2013 is \$2,131,026 based on 32.6% usage (filled) of the landfill through September 30, 2013. It is estimated that an additional \$4,413,687 will be recognized as closure and postclosure care expenses between the date of the balance sheet and the date the landfill is expected to be filled to capacity in 2060. The estimated total current cost for the landfill closure and postclosure care of \$6,544,713 is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of September 30, 2013. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

CITY OF KINGSVILLE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2013

Q. Segment Information for Enterprise Funds

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

R. Non-Budgeted Funds

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

S. Prior Period Adjustment

Beginning with the year ended September 30, 2013, the City adopted provisions of GASB Accounting Standards Statements No. 63 and 65. These new Statements establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. For the City, deferred income taxes are now reported as Deferred Inflows of Resources in the Balance Sheet. In the Statement of Net Position, Debt Issuance Cost which was amortized over the life of the Bond, is now expensed. The cumulative effect of applying this Standard was \$298,856.

T. Subsequent Events

1. Management has reviewed subsequent events and transactions that occurred after the balance sheet date through May 30, 2014 (the date that the City Commission approved the financial statements). The financial statements include all Type I events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management and those charged with governance have determined that there are no non-recognized Type II subsequent events that require additional disclosure.
2. The City issued \$9,042,000 in Limited Tax Refunding Bond, Series 2014 in order to refund a portion of the City's Utility Fund outstanding debt for Certificates of Obligations, Series 2005.

The Bond and Certificate of Obligation Payout is as follows:

Year Ending September 30	Unlimited Tax Refunding Bond		Total
	Principal	Interest	
2014	\$ 140,000	\$ 55,841	\$ 195,841
2015	730,000	186,850	916,850
2016	745,000	172,250	917,250
2017	760,000	157,350	917,350
2018	775,000	142,150	917,150
2019-2023	4,120,000	471,650	4,591,650
2024-2025	1,770,000	66,625	1,836,625
	<u>\$ 9,040,000</u>	<u>\$ 1,252,716</u>	<u>\$ 10,292,716</u>

The refunding bond will result in a gross savings of \$1,305,765 and a present value benefit of \$1,159,829 for the City of Kingsville, Utility Fund.

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

CITY OF KINGSVILLE

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2013

EXHIBIT B-1

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	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Taxes:				
<i>General Property Taxes:</i>				
<i>Current Taxes</i>	\$ 4,467,366	\$ 4,467,366	\$ 4,429,536	\$ (37,830)
<i>Delinquent taxes</i>	127,232	127,232	116,184	(11,048)
<i>Penalty & Interest</i>	84,941	84,941	97,519	12,578
<i>Late Rendition Fee</i>	4,747	4,747	4,691	(56)
<i>In Lieu of Tax Payments</i>	17,000	117,000	100,000	(17,000)
<i>Total General Property Taxes</i>	<u>4,701,286</u>	<u>4,801,286</u>	<u>4,747,930</u>	<u>(53,356)</u>
<i>City Sales Tax</i>	<u>4,395,019</u>	<u>4,361,019</u>	<u>4,338,360</u>	<u>(22,659)</u>
<i>Mixed Drink Tax</i>	<u>41,238</u>	<u>41,238</u>	<u>45,519</u>	<u>4,281</u>
<i>Bingo Tax</i>	<u>5,143</u>	<u>5,143</u>	<u>3,618</u>	<u>(1,525)</u>
<i>Business Taxes:</i>				
<i>Electric Franchise Tax</i>	705,852	705,852	709,377	3,525
<i>Telephone Franchise Tax</i>	125,400	125,400	109,922	(15,478)
<i>Gas Franchise Tax</i>	65,499	65,499	67,401	1,902
<i>Cable T.V. Franchise Tax</i>	84,419	84,419	85,061	642
<i>Total Business Taxes</i>	<u>981,170</u>	<u>981,170</u>	<u>971,761</u>	<u>(9,409)</u>
<i>Total Taxes</i>	<u>10,123,856</u>	<u>10,189,856</u>	<u>10,107,188</u>	<u>(82,668)</u>
Permits and Licenses:				
<i>Plumbing Permits</i>	19,700	19,700	14,977	(4,723)
<i>Electric Permits</i>	43,200	43,200	24,258	(18,942)
<i>Building Permits</i>	117,000	117,000	71,528	(45,472)
<i>Moving Permits</i>	900	900	770	(130)
<i>Other Permits</i>	69,225	69,225	63,728	(5,497)
<i>Amusement Licenses</i>	45	45	45	--
<i>Beer & Mixed Drink Licenses</i>	3,370	3,370	7,250	3,880
<i>Electrical Licenses</i>	2,200	2,200	2,320	120
<i>Contractor Licenses</i>	20,315	20,315	27,450	7,135
<i>Food Handler Licenses</i>	12,040	12,040	14,030	1,990
<i>Other Licenses</i>	750	750	1,800	1,050
<i>Total Permits and Licenses</i>	<u>288,745</u>	<u>288,745</u>	<u>228,156</u>	<u>(60,589)</u>
Charges for Services:				
<i>General Service Fees:</i>				
<i>Zoning Fees</i>	2,000	2,000	3,250	1,250
<i>Platting Fees</i>	3,500	3,500	2,808	(692)
<i>Police Accident Reports</i>	3,179	3,179	3,047	(132)
<i>Arrest Fees</i>	1,720	1,720	16,035	14,315
<i>Fire Reports</i>	41	41	1,362	1,321
<i>Fire Services</i>	23,396	23,396	--	(23,396)
<i>Ambulance Service</i>	578,029	578,029	531,486	(46,543)
<i>Other Service Fees</i>	19,571	19,571	19,572	1
<i>Total General Service Fees</i>	<u>631,436</u>	<u>631,436</u>	<u>577,560</u>	<u>(53,876)</u>
<i>City/County Services:</i>				
<i>Weed Control</i>	<u>28,298</u>	<u>34,459</u>	<u>23,118</u>	<u>(11,341)</u>

CITY OF KINGSVILLE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2013

EXHIBIT B-1
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	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<i>Sanitation Services:</i>				
<i>Garbage Fees</i>	3,112,333	3,117,704	3,180,322	62,618
<i>Landfill Fees</i>	579,581	579,581	567,869	(11,712)
<i>Demolition Recovery Revenue</i>	1,900	39,410	16,919	(22,491)
<i>Miscellaneous</i>	38,213	49,614	50,326	712
<i>Total Sanitation Services</i>	<u>3,732,027</u>	<u>3,786,309</u>	<u>3,815,436</u>	<u>29,127</u>
<i>Total Charges for Services</i>	<u>4,391,761</u>	<u>4,452,204</u>	<u>4,416,114</u>	<u>(36,090)</u>
<i>Fines and Forfeits:</i>				
<i>Court Fines</i>	698,447	658,447	641,060	(17,387)
<i>Minor Fines</i>	129	129	1,960	1,831
<i>Collection of State Taxes</i>	22,381	15,881	15,942	61
<i>Other Court Fines</i>	22,323	22,323	40,316	17,993
<i>Total Fines and Forfeits</i>	<u>743,280</u>	<u>696,780</u>	<u>699,278</u>	<u>2,498</u>
<i>Special Assessments</i>	<u>12,122</u>	<u>12,122</u>	<u>9,965</u>	<u>(2,157)</u>
<i>Interest and Miscellaneous:</i>				
<i>Interest from Investments</i>	66,194	66,994	33,976	(33,018)
<i>Auction Revenue</i>	(20,000)	91,402	91,558	156
<i>Sale of City Publications</i>	1,115	1,115	688	(427)
<i>Sale of Recycle Item</i>	20,708	20,708	14,989	(5,719)
<i>Miscellaneous</i>	24,400	24,400	134,503	110,103
<i>Total Interest and Miscellaneous</i>	<u>92,417</u>	<u>204,619</u>	<u>275,714</u>	<u>71,095</u>
<i>Reimbursements - Interdepartmental Revenue</i>	<u>--</u>	<u>10,000</u>	<u>10,000</u>	<u>--</u>
<i>Total Revenues</i>	<u>15,652,181</u>	<u>15,854,326</u>	<u>15,746,415</u>	<u>(107,911)</u>
<i>Expenditures:</i>				
City Administration Department				
<i>City Commission:</i>				
<i>Personal Services</i>	78,860	78,860	73,789	5,071
<i>Supplies</i>	4,050	3,850	1,567	2,283
<i>Services</i>	<u>39,250</u>	<u>41,450</u>	<u>38,315</u>	<u>3,135</u>
<i>Total City Commission</i>	<u>122,160</u>	<u>124,160</u>	<u>113,671</u>	<u>10,489</u>
<i>City Manager:</i>				
<i>Personal Services</i>	222,881	232,201	226,465	5,736
<i>Supplies</i>	5,500	4,150	3,281	869
<i>Services</i>	<u>17,111</u>	<u>21,561</u>	<u>20,213</u>	<u>1,348</u>
<i>Total City Manager</i>	<u>245,492</u>	<u>257,912</u>	<u>249,959</u>	<u>7,953</u>

CITY OF KINGSVILLE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2013

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	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Municipal Building:				
Supplies	1,600	1,600	1,393	207
Services	96,303	96,303	89,990	6,313
Building Maintenance	86,600	86,820	23,265	63,555
Lease Payments	10,200	10,200	7,936	2,264
Total Municipal Building	194,703	194,923	122,584	72,339
Risk Management:				
Personal Services	92,204	96,644	95,287	1,357
Supplies	20,822	16,672	15,542	1,130
Services	21,543	20,653	19,290	1,363
Equipment Maintenance	--	600	102	498
Total Risk Management	134,569	134,569	130,221	4,348
City Special:				
Personal Services	246,619	245,938	330,935	(84,997)
Supplies	1,500	2,181	2,181	--
Services	645,175	636,126	603,535	32,591
Building Maintenance	23,500	23,500	20,725	2,775
Total City Special	916,794	907,745	957,376	(49,631)
Total City Administration Department	1,613,718	1,619,309	1,573,811	45,498
Management Services Department				
Personnel:				
Personal Services	132,425	132,425	130,106	2,319
Supplies	3,596	4,820	3,789	1,031
Services	36,074	36,350	33,546	2,804
Total Personnel	172,095	173,595	167,441	6,154
Municipal Court:				
Personal Services	177,918	177,919	169,159	8,760
Supplies	4,487	5,037	3,639	1,398
Services	6,278	5,728	5,630	98
Total Municipal Court	188,683	188,684	178,428	10,256
Finance:				
Personal Services	390,373	389,600	371,231	18,369
Supplies	8,300	15,823	15,627	196
Services	63,419	61,669	53,747	7,922
Capital Outlay	--	--	2,025	(2,025)
Total Finance	462,092	467,092	442,630	24,462

CITY OF KINGSVILLE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2013

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	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Purchasing:				
<i>Personal Services</i>	127,951	131,888	131,541	347
<i>Supplies</i>	8,100	8,641	8,641	--
<i>Services</i>	13,300	8,091	7,938	153
Total Purchasing	149,351	148,620	148,120	500
Warrant Enforcement:				
<i>Personal Services</i>	62,276	64,091	64,055	36
<i>Supplies</i>	7,200	7,376	7,376	--
<i>Services</i>	2,800	1,554	1,550	4
<i>Equipment Maintenance</i>	1,500	755	754	1
Total Warrant Enforcement	73,776	73,776	73,735	41
Computer Operations:				
<i>Personal Services</i>	59,885	61,673	60,807	866
<i>Supplies</i>	41,000	44,280	41,448	2,832
<i>Services</i>	130,755	146,398	130,035	16,363
<i>Equipment Maintenance</i>	5,000	--	--	--
Total Computer Operations	236,640	252,351	232,290	20,061
Total Management Services Department	1,282,637	1,304,118	1,242,644	61,474
Legal Department				
<i>Personal Services</i>	169,603	160,315	149,326	10,989
<i>Supplies</i>	1,800	2,605	2,268	337
<i>Services</i>	38,400	65,895	61,971	3,924
Total Legal Department	209,803	228,815	213,565	15,250
Urban Development Department				
Planning:				
<i>Personal Services</i>	153,375	154,125	153,120	1,005
<i>Supplies</i>	2,000	6,686	5,694	992
<i>Services</i>	40,335	44,789	34,764	10,025
<i>Building Maintenance</i>	--	40,623	40,623	--
Total Planning	195,710	246,223	234,201	12,022
Permits and Licenses:				
<i>Personal Services</i>	160,145	149,355	141,617	7,738
<i>Supplies</i>	7,937	7,747	6,267	1,480
<i>Services</i>	9,735	10,625	8,871	1,754
<i>Equipment Maintenance</i>	750	750	264	486
<i>Debt Service</i>	--	1,720	1,603	117
<i>Capital Outlay</i>	23,000	23,000	21,204	1,796
Total Permits and Licenses	201,567	193,197	179,826	13,371

CITY OF KINGSVILLE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2013

EXHIBIT B-1
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	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Community Appearance:				
<i>Personal Services</i>	228,770	222,970	207,301	15,669
<i>Supplies</i>	17,030	38,005	21,899	16,106
<i>Services</i>	87,915	121,454	95,558	25,896
<i>Equipment Maintenance</i>	5,500	3,150	1,895	1,255
<i>Building Maintenance</i>	--	79,299	72,158	7,141
<i>Debt Service</i>	--	6,240	3,213	3,027
<i>Capital Outlay</i>	--	22,694	45,693	(22,999)
Total Community Appearance	339,215	493,812	447,717	46,095
Engineering:				
<i>Personal Services</i>	109,305	109,075	99,621	9,454
<i>Supplies</i>	3,300	3,342	7,878	(4,536)
<i>Services</i>	4,213	65,230	70,579	(5,349)
<i>Equipment Maintenance</i>	750	516	351	165
<i>Capital Outlay</i>	5,000	5,000	--	5,000
Total Engineering	122,568	183,163	178,429	4,734
Total Urban Development Department	859,060	1,116,395	1,040,173	76,222
Police Department				
<i>Personal Services</i>	3,839,353	3,887,435	3,741,516	145,919
<i>Supplies</i>	194,710	275,954	247,618	28,336
<i>Services</i>	424,490	398,463	351,523	46,940
<i>Equipment Maintenance</i>	83,024	78,024	52,033	25,991
<i>Building Maintenance</i>	62,358	52,338	47,328	5,010
<i>Debt Service</i>	20,000	20,000	12,509	7,491
Total Police Department	4,623,935	4,712,214	4,452,527	259,687
Fire Department				
<i>Personal Services</i>	2,430,868	2,406,444	2,313,527	92,917
<i>Supplies</i>	184,431	177,421	174,158	3,263
<i>Services</i>	144,717	167,211	155,224	11,987
<i>Equipment Maintenance</i>	40,988	43,143	40,153	2,990
<i>Building Maintenance</i>	30,350	31,840	31,801	39
<i>Debt Service</i>	35,235	35,235	34,271	964
<i>Capital Outlay</i>	--	5,295	5,363	(68)
Total Fire Department	2,866,589	2,866,589	2,754,497	112,092

CITY OF KINGSVILLE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2013

EXHIBIT B-1
Page 6 of 8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Volunteer Fire Department				
<i>Personal Services</i>	11,600	13,064	12,720	344
<i>Supplies</i>	42,829	46,148	45,366	782
<i>Services</i>	49,570	34,429	33,510	919
<i>Equipment Maintenance</i>	3,000	8,055	8,005	50
<i>Building Maintenance</i>	10,850	16,153	15,944	209
<i>Capital Outlay</i>	20,000	20,000	--	20,000
Total Volunteer Fire Department	137,849	137,849	115,545	22,304
Public Works Department				
Public Works Administration:				
<i>Personal Services</i>	65,322	65,322	64,250	1,072
<i>Supplies</i>	12,334	12,934	10,294	2,640
<i>Services</i>	41,661	35,741	33,711	2,030
<i>Equipment Maintenance</i>	2,500	2,500	2,004	496
<i>Building Maintenance</i>	50,253	85,322	85,127	195
<i>Lease Payments</i>	--	2,176	1,980	196
<i>Capital Outlay</i>	5,675	30,309	18,886	11,423
Total Public Works Administration	177,745	234,304	216,252	18,052
Garage:				
<i>Personal Services</i>	385,947	382,032	363,361	18,671
<i>Supplies</i>	23,676	26,322	26,119	203
<i>Services</i>	9,858	9,666	7,809	1,857
<i>Equipment Maintenance</i>	3,000	2,844	2,306	538
Total Garage	422,481	420,864	399,595	21,269
Sanitation:				
<i>Personal Services</i>	767,714	762,529	751,268	11,261
<i>Supplies</i>	202,213	211,748	201,724	10,024
<i>Services</i>	32,218	25,133	21,483	3,650
<i>Equipment Maintenance</i>	176,073	183,333	170,579	12,754
<i>Capital Outlay</i>	--	130,000	--	130,000
Total Sanitation	1,178,218	1,312,743	1,145,054	167,689
Street:				
<i>Personal Services</i>	791,474	767,950	745,722	22,228
<i>Supplies</i>	81,284	100,458	97,654	2,804
<i>Services</i>	276,742	250,442	242,312	8,130
<i>Equipment Maintenance</i>	36,500	96,689	96,616	73
<i>Building Maintenance</i>	70,600	564,699	223,776	340,923
<i>Capital Outlay</i>	70,000	73,116	73,116	--
Total Street	1,326,600	1,853,353	1,479,196	374,157

CITY OF KINGSVILLE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2013

EXHIBIT B-1
Page 7 of 8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Landfill:				
<i>Personal Services</i>	386,031	388,831	335,344	53,487
<i>Supplies</i>	126,597	136,097	114,323	21,774
<i>Services</i>	270,587	228,811	170,308	58,503
<i>Equipment Maintenance</i>	53,700	90,177	74,163	16,014
<i>Building Maintenance</i>	20,055	21,972	18,775	3,197
<i>Debt Service</i>	66,000	66,000	66,201	(201)
<i>Capital Outlay</i>	--	422,150	421,191	959
Total Landfill	922,970	1,354,038	1,200,305	153,733
Recycling Center:				
<i>Personal Services</i>	33,049	33,049	32,557	492
<i>Supplies</i>	2,118	2,118	811	1,307
<i>Services</i>	6,123	6,123	4,925	1,198
<i>Equipment Maintenance</i>	1,500	1,500	531	969
<i>Building Maintenance</i>	8,722	1,000	855	145
Total Recycling Center	51,512	43,790	39,679	4,111
Total Public Works Department	4,079,526	5,219,092	4,480,081	739,011
Health Department				
<i>Personal Services</i>	233,773	233,773	212,982	20,791
<i>Supplies</i>	35,550	34,395	23,590	10,805
<i>Services</i>	21,025	22,930	22,786	144
<i>Equipment Maintenance</i>	7,400	7,400	4,232	3,168
<i>Building Maintenance</i>	10,000	9,250	3,967	5,283
Total Health Department	307,748	307,748	267,557	40,191
Parks and Recreation Department				
<i>Services</i>	200,000	200,000	200,000	--
<i>Building Maintenance</i>	--	4,482	1,130	3,352
<i>Capital Outlay</i>	--	55,072	48,200	6,872
Total Parks and Recreation Department	200,000	259,554	249,330	10,224
Library Department				
<i>Personal Services</i>	180,183	174,115	174,245	(130)
<i>Supplies</i>	29,530	33,075	34,454	(1,379)
<i>Services</i>	30,397	32,410	29,879	2,531
<i>Equipment Maintenance</i>	10,700	4,392	4,239	153
<i>Building Maintenance</i>	64,540	64,540	8,373	56,167
Total Library Department	315,350	308,532	251,352	57,180

CITY OF KINGSVILLE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2013

EXHIBIT B-1
Page 8 of 8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Other Expenses				
<i>Uncollectable Accounts</i>	43,141	43,141	35,230	7,911
Total Other Expenses	43,141	43,141	35,230	7,911
Total Expenditures	16,539,356	18,123,356	16,676,312	1,447,044
Excess (deficiency) of revenues (under) expenditures	(887,175)	(2,269,030)	(929,897)	1,339,133
Other financing sources (uses):				
<i>Operating transfers in</i>	1,250,000	1,364,248	2,569,132	1,204,884
<i>Operating transfers out</i>	(762,269)	(1,296,439)	(1,760,719)	(464,280)
<i>Gain on disposal of assets</i>	--	--	23,000	23,000
<i>Lease proceeds</i>	--	--	414,191	414,191
Total other financing sources (uses)	487,731	67,809	1,245,604	1,177,795
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(399,444)	(2,201,221)	315,707	2,516,928
Fund balances/equity, October 1	10,734,329	10,734,329	10,734,329	--
Fund balances/equity, September 30	<u>\$ 10,334,885</u>	<u>\$ 8,533,108</u>	<u>\$ 11,050,036</u>	<u>\$ 2,516,928</u>

CITY OF KINGSVILLE
POLICE FORFEITURE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2013

EXHIBIT B-2

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Fines and Forfeits:				
<i>Court Fines</i>	\$ 758,013	\$ 758,013	\$ 1,239,335	\$ 481,322
<i>Confiscated Revenue</i>	1,097,931	1,126,226	240,523	(885,703)
<i>Minor Fines</i>	15,894	15,894	14,105	(1,789)
Total Fines and Forfeits	<u>1,871,838</u>	<u>1,900,133</u>	<u>1,493,963</u>	<u>(406,170)</u>
Interest and Miscellaneous:				
<i>Interest from Investments</i>	4,226	4,226	5,122	896
<i>Auction Revenue</i>	35,000	35,000	45,451	10,451
<i>Miscellaneous</i>	4,000	4,000	--	(4,000)
Total Interest and Miscellaneous	<u>43,226</u>	<u>43,226</u>	<u>50,573</u>	<u>7,347</u>
Total Revenues	<u>1,915,064</u>	<u>1,943,359</u>	<u>1,544,536</u>	<u>(398,823)</u>
Expenditures:				
Municipal Court:				
<i>Supplies</i>	2,700	13,400	11,459	1,941
<i>Services</i>	9,000	7,923	427	7,496
<i>Debt Service</i>	3,600	4,677	4,460	217
Total Municipal Court	<u>15,300</u>	<u>26,000</u>	<u>16,346</u>	<u>9,654</u>
Police Department				
<i>Personal Services</i>	110,000	110,000	110,000	--
<i>Supplies</i>	72,711	76,711	5,763	70,948
<i>Services</i>	84,800	99,400	85,071	14,329
<i>Equipment Maintenance</i>	--	15,000	13,430	1,570
<i>Capital Outlay</i>	50,000	232,676	217,026	15,650
Total Police Department	<u>317,511</u>	<u>533,787</u>	<u>431,290</u>	<u>102,497</u>
Task Force				
<i>Personal Services</i>	866,182	843,410	733,578	109,832
<i>Supplies</i>	121,000	137,000	114,072	22,928
<i>Services</i>	145,400	125,860	82,550	43,310
<i>Equipment Maintenance</i>	32,500	38,500	27,311	11,189
<i>Building Maintenance</i>	12,000	13,500	11,597	1,903
<i>Debt Service</i>	25,700	25,700	18,899	6,801
<i>Capital Outlay</i>	30,000	117,707	55,270	62,437
Total Task Force	<u>1,232,782</u>	<u>1,301,677</u>	<u>1,043,277</u>	<u>258,400</u>
Total Expenditures	<u>1,565,593</u>	<u>1,861,464</u>	<u>1,490,913</u>	<u>370,551</u>
Excess (deficiency) of revenues (under) expenditures	349,471	81,895	53,623	(28,272)
Fund balances/equity, October 1	1,681,032	1,681,032	1,681,032	--
Fund balances/equity, September 30	<u>\$ 2,030,503</u>	<u>\$ 1,762,927</u>	<u>\$ 1,734,655</u>	<u>\$ (28,272)</u>

CITY OF KINGSVILLE

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
TEXAS MUNICIPAL RETIREMENT SYSTEM
YEAR ENDED SEPTEMBER 30, 2013

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/10	\$ 37,068,999	\$ 42,290,552	\$ 5,221,553	87.7%	\$ 8,912,036	58.6%
12/31/11	40,246,749	44,637,193	4,390,444	90.2%	9,024,567	48.6%
12/31/12	42,351,798	45,514,495	3,162,697	93.1%	9,423,578	33.6%

Other Post-employment Benefit Plan:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
10/01/09	--	2,806,136	2,806,136	--	7,453,813	37.6%
10/01/11	--	2,883,303	2,883,303	--	8,003,491	36.0%

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

CITY OF KINGSVILLE***NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2013***

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

*Combining Statements and Budget Comparisons
as Supplementary Information*

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

CITY OF KINGSVILLE
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2013

	Tourism Fund	Federal Grants
ASSETS		
Assets:		
<i>Equity in pooled cash and cash equivalents</i>	\$ 45,133	\$ 1,513
Receivables (net of allowances for uncollectibles):		
<i>Accounts</i>	47,548	--
Due from:		
<i>Other funds</i>	23,639	--
<i>Other governments</i>	--	455,317
Restricted assets:		
<i>Cash and cash equivalents</i>	477,964	--
Total Assets	<u>\$ 594,284</u>	<u>\$ 456,830</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND EQUITY		
Liabilities:		
<i>Accounts payable</i>	\$ 7,601	\$ 8,019
<i>Accrued wages payable</i>	2,904	--
Due to:		
<i>Other funds</i>	7,170	426,898
<i>Other governments</i>	13,162	18,410
Total Liabilities	<u>30,837</u>	<u>453,327</u>
Deferred inflows of Resources:		
Deferred Revenue	--	3,446
Total Deferred Inflows of Resources	<u>--</u>	<u>3,446</u>
Equity:		
Fund balances:		
Restricted:		
<i>Tourism</i>	563,447	--
<i>Federal and state programs</i>	--	57
<i>Community Enrichment</i>	--	--
Assigned:		
<i>Drug Awareness</i>	--	--
Total equity	<u>563,447</u>	<u>57</u>
Total Liabilities, Deferred Inflows of Resources, and Equity	<u>\$ 594,284</u>	<u>\$ 456,830</u>

EXHIBIT C-1

<u>State Grants</u>	<u>Other Special Revenues</u>	<u>Total Nonmajor Special Revenue Funds (See Exhibit A-3)</u>
\$ 8,084	\$ 5,283	\$ 60,013
--	--	47,548
--	--	23,639
426	--	455,743
--	--	477,964
<u>\$ 8,510</u>	<u>\$ 5,283</u>	<u>\$ 1,064,907</u>
\$ --	\$ --	\$ 15,620
--	--	2,904
--	--	434,068
--	--	31,572
<u>--</u>	<u>--</u>	<u>484,164</u>
6,517	--	9,963
<u>6,517</u>	--	<u>9,963</u>
--	--	563,447
1,993	--	2,050
--	2,918	2,918
--	2,365	2,365
<u>1,993</u>	<u>5,283</u>	<u>570,780</u>
<u>\$ 8,510</u>	<u>\$ 5,283</u>	<u>\$ 1,064,907</u>

CITY OF KINGSVILLE

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Tourism Fund	Federal Grants
Revenue:		
<i>Taxes</i>	\$ 518,910	\$ --
<i>Charges for services</i>	1,030	--
<i>Interest and miscellaneous</i>	798	--
<i>Donations</i>	399	--
<i>Federal and state grants</i>	--	389,861
Total revenues	<u>521,137</u>	<u>389,861</u>
Expenditures:		
Current:		
<i>General government and administration</i>	--	21,766
<i>Public Safety</i>	--	368,095
<i>Tourism</i>	401,893	--
Total expenditures	<u>401,893</u>	<u>389,861</u>
Fund balances/equity, October 1	444,203	57
Fund balances/equity, September 30	<u>\$ 563,447</u>	<u>\$ 57</u>

EXHIBIT C-2

State Grants	Other Special Revenues	Total Nonmajor Special Revenue Funds (See Exhibit A-5)
\$ --	\$ --	\$ 518,910
--	--	1,030
--	2,230	3,028
--	--	399
4,066	--	393,927
<u>4,066</u>	<u>2,230</u>	<u>917,294</u>
--	2,175	23,941
4,156	--	372,251
--	--	401,893
<u>4,156</u>	<u>2,175</u>	<u>798,085</u>
2,083	5,228	451,571
<u>\$ 1,993</u>	<u>\$ 5,283</u>	<u>\$ 570,780</u>

CITY OF KINGSVILLE
TOURISM FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2013

EXHIBIT C-3

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
General Property Taxes:				
Hotel/Motel Property Tax	\$ 475,000	\$ 475,000	\$ 518,910	\$ 43,910
Total General Property Taxes	475,000	475,000	518,910	43,910
Sanitation Services:				
Miscellaneous	280	280	1,030	750
Total Sanitation Services	280	280	1,030	750
Total Charges for Services	280	280	1,030	750
Interest and Miscellaneous:				
Interest from Investments	1,093	1,093	219	(874)
Miscellaneous	--	--	579	579
Total Interest and Miscellaneous	1,093	1,093	798	(295)
Donations	--	--	399	399
Total Revenues	476,373	476,373	521,137	44,764
Expenditures:				
Tourism Department				
Personal Services	230,068	220,089	214,890	5,199
Supplies	16,985	21,335	14,599	6,736
Services	282,410	280,510	159,131	121,379
Equipment Maintenance	--	500	273	227
Building Maintenance	62,270	62,270	6,583	55,687
Lease Payments	--	6,500	6,417	83
Total Tourism Department	591,733	591,204	401,893	189,311
Total Expenditures	591,733	591,204	401,893	189,311
Excess (deficiency) of revenues (under) expenditures	(115,360)	(114,831)	119,244	234,075
Fund balances/equity, October 1	444,203	444,203	444,203	--
Fund balances/equity, September 30	\$ 328,843	\$ 329,372	\$ 563,447	\$ 234,075

CITY OF KINGSVILLE
FEDERAL GRANTS FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2013

EXHIBIT C-4

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Federal and state grants	\$ 545,929	\$ 545,929	\$ 389,861	\$ (156,068)
Total Revenues	545,929	545,929	389,861	(156,068)
Expenditures:				
City Manager:				
Services	14,000	14,000	13,451	549
Total City Manager	14,000	14,000	13,451	549
Planning:				
Services	11,000	11,000	8,315	2,685
Total Planning	11,000	11,000	8,315	2,685
Police Department				
Personal Services	308,587	308,587	189,649	118,938
Supplies	50,000	50,000	13,143	36,857
Capital Outlay	95,874	95,874	111,556	(15,682)
Total Police Department	454,461	454,461	314,348	140,113
Task Force				
Personal Services	57,573	57,573	49,780	7,793
Supplies	8,895	8,895	3,967	4,928
Total Task Force	66,468	66,468	53,747	12,721
Total Expenditures	545,929	545,929	389,861	156,068
Excess (deficiency) of revenues (under) expenditures	--	--	--	--
Fund balances/equity, October 1	57	57	57	--
Fund balances/equity, September 30	\$ 57	\$ 57	\$ 57	\$ --

CITY OF KINGSVILLE

STATE GRANTS FUND

SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2013

EXHIBIT C-5

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Federal and state grants	\$ 7,500	\$ 7,500	\$ 4,066	\$ (3,434)
Total Revenues	7,500	7,500	4,066	(3,434)
Expenditures:				
Police Department				
<i>Services</i>	4,500	4,500	1,393	3,107
Total Police Department	4,500	4,500	1,393	3,107
Fire Department				
<i>Supplies</i>	3,000	3,000	2,763	237
Total Fire Department	3,000	3,000	2,763	237
Total Expenditures	7,500	7,500	4,156	3,344
Excess (deficiency) of revenues (under) expenditures	--	--	(90)	(90)
Fund balances/equity, October 1	2,083	2,083	2,083	--
Fund balances/equity, September 30	\$ 2,083	\$ 2,083	\$ 1,993	\$ (90)

CITY OF KINGSVILLE
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2013

EXHIBIT C-6

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Taxes:				
<i>General Property Taxes:</i>				
<i>Current Taxes</i>	\$ 1,236,443	\$ 1,236,443	\$ 1,189,206	\$ (47,237)
<i>Delinquent taxes</i>	18,662	18,662	42,870	24,208
<i>Penalty & Interest</i>	12,441	12,441	32,756	20,315
<i>Total Taxes</i>	<u>1,267,546</u>	<u>1,267,546</u>	<u>1,264,832</u>	<u>(2,714)</u>
Interest and Miscellaneous:				
<i>Interest from Investments</i>	3,822	3,822	21,095	17,273
<i>Miscellaneous</i>	--	--	7,261	7,261
<i>Total Interest and Miscellaneous</i>	<u>3,822</u>	<u>3,822</u>	<u>28,356</u>	<u>24,534</u>
Total Revenues	<u>1,271,368</u>	<u>1,271,368</u>	<u>1,293,188</u>	<u>21,820</u>
Expenditures:				
Debt Service				
<i>Principal retired</i>	1,490,000	1,490,000	1,417,329	72,671
<i>Interest</i>	394,088	381,142	392,015	(10,873)
<i>Bond issuance costs</i>	--	--	55,789	(55,789)
<i>Paying agent fees</i>	5,000	17,946	5,201	12,745
Total Debt Service	<u>1,889,088</u>	<u>1,889,088</u>	<u>1,870,334</u>	<u>18,754</u>
Total Expenditures	<u>1,889,088</u>	<u>1,889,088</u>	<u>1,870,334</u>	<u>18,754</u>
Excess (deficiency) of revenues (under) expenditures	(617,720)	(617,720)	(577,146)	40,574
Other financing sources (uses):				
<i>Operating transfers in</i>	426,399	426,399	426,399	--
<i>Bond proceeds - refunding bonds</i>	--	1,260,000	1,260,000	--
<i>Bond premium</i>	--	30,761	30,761	--
<i>Payment to Escrow Agent</i>	--	(1,247,918)	(1,247,918)	--
<i>Total other financing sources (uses)</i>	<u>426,399</u>	<u>469,242</u>	<u>469,242</u>	<u>--</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(191,321)	(148,478)	(107,904)	40,574
Fund balances/equity, October 1	<u>733,822</u>	<u>733,822</u>	<u>733,822</u>	<u>--</u>
Fund balances/equity, September 30	<u>\$ 542,501</u>	<u>\$ 585,344</u>	<u>\$ 625,918</u>	<u>\$ 40,574</u>

CITY OF KINGSVILLE
CAPITAL IMPROVEMENTS FUND
CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2013

EXHIBIT C-7

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Interest and Miscellaneous:				
<i>Interest from Investments</i>	\$ 4,437	\$ 4,437	\$ 4,743	\$ 306
Total Interest and Miscellaneous	4,437	4,437	4,743	306
Total Revenues	4,437	4,437	4,743	306
Expenditures:				
Fire Department:				
<i>Supplies</i>	--	--	2,861	(2,861)
<i>Building Maintenance</i>	--	--	115	(115)
<i>Capital Outlay</i>	--	32,977	26,034	6,943
Total Fire Department	--	32,977	29,010	3,967
Public Works Department				
Street:				
<i>Supplies</i>	--	2,714	2,714	--
<i>Services</i>	--	--	1,705	(1,705)
<i>Building Maintenance</i>	879,100	911,402	696,717	214,685
<i>Capital Outlay</i>	--	46,813	--	46,813
Total Street	879,100	960,929	701,136	259,793
Landfill:				
<i>Building Maintenance</i>	4,033	4,033	--	4,033
<i>Capital Outlay</i>	191,767	205,867	23,564	182,303
Total Landfill	195,800	209,900	23,564	186,336
Total Public Works Department	1,074,900	1,170,829	724,700	446,129
Debt Service:				
<i>Bond issuance costs</i>	--	39,554	16,057	23,497
Total Debt Service	--	39,554	16,057	23,497
Total Expenditures	1,074,900	1,243,360	769,767	473,593
Excess (deficiency) of revenues (under) expenditures	(1,070,463)	(1,238,923)	(765,024)	473,899
Other financing sources (uses):				
<i>Operating transfers in</i>	--	203,646	203,646	--
<i>Bond proceeds</i>	--	994,391	965,000	(29,391)
<i>Bond premium</i>	--	--	27,647	27,647
Total other financing sources (uses)	--	1,198,037	1,196,293	1,744
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(1,070,463)	(40,886)	431,269	472,155
Fund balances/equity, October 1	3,066,934	3,066,934	3,066,934	--
Fund balances/equity, September 30	\$ 1,996,471	\$ 3,026,048	\$ 3,498,203	\$ 472,155

CITY OF KINGSVILLE**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES****ALL AGENCY FUNDS****YEAR ENDED SEPTEMBER 30, 2013****EXHIBIT C-8**

	Balance October 1, 2013	Additions	Deductions	Balance September 30, 2013
Corporation Court Cash Bond Account Fund				
ASSETS				
Cash & Investments	\$ 34,247	\$ 103,412	\$ 96,186	\$ 41,473
Total Assets	<u>\$ 34,247</u>	<u>\$ 103,412</u>	<u>\$ 96,186</u>	<u>\$ 41,473</u>
LIABILITIES				
Cash Bonds Held	\$ 34,247	\$ 103,412	\$ 96,186	\$ 41,473
Total Liabilities	<u>\$ 34,247</u>	<u>\$ 103,412</u>	<u>\$ 96,186</u>	<u>\$ 41,473</u>

Statistical Section

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

Contents

Page

Financial Trends

These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time. 101-108

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. 109-117

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. 118-124

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. 125-126

Operating Information

These schedules contain information about the city's operations and resources to help the reader understand how the city's financial information relates to the services the city provides and the activities it performs. 127-131

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

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

	Fiscal Year				
	2013	2012	2011	2010	2009
Governmental Activities					
Invested in Capital Assets, Net of Related Debt	\$ 7,196,801	\$ 8,641,553	\$ 8,703,647	\$ 7,242,987	\$ 7,229,724
Restricted	5,952,091	3,139,930	682,867	911,541	2,946,915
Unrestricted	<u>2,846,877</u>	<u>4,221,605</u>	<u>6,456,755</u>	<u>5,818,599</u>	<u>5,341,187</u>
Total governmental activities net position	\$ <u>15,995,769</u>	\$ <u>16,003,088</u>	\$ <u>15,843,269</u>	\$ <u>13,973,127</u>	\$ <u>15,517,826</u>
Business-type activities					
Invested in Capital Assets, Net of Related Debt	\$ 2,766,006	\$ 4,049,345	\$ 3,398,641	\$ 3,028,078	\$ 1,028,641
Restricted	539,925	1,086,225	1,403,545	2,225,545	1,704,129
Unrestricted	<u>11,624,979</u>	<u>8,689,906</u>	<u>6,601,689</u>	<u>5,843,383</u>	<u>7,191,437</u>
Total Business-Type Activities Net Position	\$ <u>14,930,910</u>	\$ <u>13,825,476</u>	\$ <u>11,403,875</u>	\$ <u>11,097,006</u>	\$ <u>9,924,207</u>
Primary Government					
Invested in Capital Assets, Net of Related Debt	\$ 9,962,807	\$ 12,690,898	\$ 12,102,288	\$ 10,271,065	\$ 8,258,365
Restricted	6,492,016	4,226,155	2,086,412	3,137,086	4,651,044
Unrestricted	<u>14,471,856</u>	<u>12,911,511</u>	<u>13,058,444</u>	<u>11,661,982</u>	<u>12,532,624</u>
Total Primary Government Net Position	\$ <u>30,926,679</u>	\$ <u>29,828,564</u>	\$ <u>27,247,144</u>	\$ <u>25,070,133</u>	\$ <u>25,442,033</u>

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

SCHEDULE 1

Fiscal Year				
2008	2007	2006	2005	2004
\$ 7,980,938	\$ 7,410,484	\$ 7,190,499	\$ 5,751,650	\$ 4,472,660
2,727,155	2,649,969	2,314,775	2,325,562	2,804,822
3,037,771	2,079,519	1,085,412	1,150,966	754,079
<u>\$ 13,745,864</u>	<u>\$ 12,139,972</u>	<u>\$ 10,590,686</u>	<u>\$ 9,228,178</u>	<u>\$ 8,031,561</u>
\$ 4,376,931	\$ 4,311,656	\$ 4,315,474	\$ 4,033,396	\$ 3,321,566
3,056,231	2,496,143	2,174,298	2,528,455	2,293,034
1,229,553	679,366	113,403	(1,908,572)	(1,117,171)
<u>\$ 8,662,715</u>	<u>\$ 7,487,165</u>	<u>\$ 6,603,175</u>	<u>\$ 4,653,279</u>	<u>\$ 4,497,429</u>
\$ 12,357,869	\$ 11,722,140	\$ 11,505,973	\$ 9,785,046	\$ 7,794,226
5,783,386	5,146,112	4,489,073	4,854,017	5,097,856
4,267,324	2,758,885	1,198,815	(757,606)	(363,092)
<u>\$ 22,408,579</u>	<u>\$ 19,627,137</u>	<u>\$ 17,193,861</u>	<u>\$ 13,881,457</u>	<u>\$ 12,528,990</u>

CITY OF KINGSVILLE
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS

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

SCHEDULE 2

		Fiscal Year		
2008	2007	2006	2005	2004
\$ 2,438,913	\$ 2,569,502	\$ 2,303,626	\$ 2,238,161	\$ 2,813,029
8,167,213	7,266,533	6,787,270	6,787,640	6,432,401
2,414,167	2,340,083	2,576,604	2,474,543	2,371,205
731,158	688,378	648,270	673,849	682,565
421,633	312,153	290,697	288,215	264,132
292,623	300,810	300,163	328,631	357,424
<u>14,465,707</u>	<u>13,477,459</u>	<u>12,906,630</u>	<u>12,791,039</u>	<u>12,920,756</u>
3,153,345	2,454,389	3,495,064	3,542,762	3,341,572
2,516,322	2,043,922	1,931,459	2,007,918	1,931,493
2,020,090	2,031,746	1,334,749	1,372,391	1,367,139
<u>7,689,757</u>	<u>6,530,057</u>	<u>6,761,272</u>	<u>6,923,071</u>	<u>6,640,204</u>
\$ <u>22,155,464</u>	\$ <u>20,007,516</u>	\$ <u>19,667,902</u>	\$ <u>19,714,110</u>	\$ <u>19,560,960</u>
\$ 284,438	\$ 250,769	\$ 254,972	\$ 282,481	\$ 874,749
2,980,370	2,637,213	2,191,585	1,452,667	1,097,017
-	-	-	240	3,029
8,924	5,871	6,776	3,525	4,183
421,633	312,153	290,697	288,215	264,132
260,506	168,700	177,828	473,600	885,712
30,000	55,609	600,341	1,131,399	-
<u>3,985,871</u>	<u>3,430,315</u>	<u>3,522,199</u>	<u>3,632,127</u>	<u>3,128,822</u>
4,325,645	3,834,915	4,026,953	3,676,035	3,296,486
3,036,567	2,772,879	2,825,020	2,799,958	2,747,268
2,958,287	2,519,463	2,578,493	2,070,306	1,872,741
650	21,031	28,441	24,230	299,718
-	-	-	86,251	-
<u>10,321,149</u>	<u>9,148,288</u>	<u>9,458,907</u>	<u>8,656,780</u>	<u>8,216,213</u>
\$ <u>14,307,020</u>	\$ <u>12,578,603</u>	\$ <u>12,981,106</u>	\$ <u>12,288,907</u>	\$ <u>11,345,035</u>

CITY OF KINGSVILLE
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS

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

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

SCHEDULE 2
(Continued)

2008	2007	Fiscal Year 2006	2005	2004
\$ (10,479,836)	\$ (10,047,144)	\$ (9,384,431)	\$ (9,158,912)	\$ (9,791,934)
<u>2,631,392</u>	<u>2,618,231</u>	<u>2,697,635</u>	<u>1,733,709</u>	<u>1,576,009</u>
<u>\$ (7,848,444)</u>	<u>\$ (7,428,913)</u>	<u>\$ (6,686,796)</u>	<u>\$ (7,425,203)</u>	<u>\$ (8,215,925)</u>
\$ 4,835,723	\$ 4,147,121	\$ 4,012,188	\$ 3,733,214	\$ 3,536,180
996,518	985,016	1,012,220	1,026,424	1,038,640
3,891,958	3,784,310	3,795,341	3,390,122	3,032,676
49,676	44,886	39,183	39,132	27,952
100,000	100,000	100,000	100,000	100,000
506,573	391,675	170,314	130,266	90,738
5,311	693	(30,052)	119	(41,966)
<u>1,699,969</u>	<u>2,293,521</u>	<u>1,961,699</u>	<u>1,936,252</u>	<u>1,371,639</u>
<u>12,085,728</u>	<u>11,747,222</u>	<u>11,060,893</u>	<u>10,355,529</u>	<u>9,155,859</u>
249,258	559,280	603,158	353,232	26,406
(5,130)	-	30,775	5,161	18,433
<u>(1,699,968)</u>	<u>(2,293,522)</u>	<u>(1,961,699)</u>	<u>(1,936,252)</u>	<u>(1,371,639)</u>
<u>(1,455,840)</u>	<u>(1,734,242)</u>	<u>(1,327,766)</u>	<u>(1,577,859)</u>	<u>(1,326,800)</u>
<u>\$ 10,629,888</u>	<u>\$ 10,012,980</u>	<u>\$ 9,733,127</u>	<u>\$ 8,777,670</u>	<u>\$ 7,829,059</u>
\$ 1,605,892	\$ 1,700,078	\$ 1,676,642	\$ 1,196,617	\$ (636,075)
<u>1,175,552</u>	<u>883,989</u>	<u>1,369,869</u>	<u>155,850</u>	<u>249,209</u>
<u>\$ 2,781,444</u>	<u>\$ 2,584,067</u>	<u>\$ 3,046,511</u>	<u>\$ 1,352,467</u>	<u>\$ (386,866)</u>

CITY OF KINGSVILLE

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

	<u>2004</u>	<u>2005</u>	<u>Fiscal Year 2006</u>	<u>2007</u>	<u>2008</u>
General Fund					
Reserved	\$ 2,226,519	\$ 1,589,496	\$ 1,035,938	\$ 2,167,647	\$ 1,553,672
Unreserved	2,972,504	4,032,056	5,936,909	6,695,729	7,643,773
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Unassigned	-	-	-	-	-
Total General Fund	\$ <u>5,199,023</u>	\$ <u>5,621,552</u>	\$ <u>6,972,847</u>	\$ <u>8,863,376</u>	\$ <u>9,197,445</u>
All Other Governmental Funds					
Reserved	\$ 7,844	\$ 8,699	\$ 9,331	\$ 66,454	\$ 28,416
Unreserved, Reported in					
Special Revenue Funds	33,559	41,016	332,879	793,897	1,521,263
Capital Projects Funds	626,779	379,116	343,697	363,062	353,284
Debt Service Funds	69,062	108,402	274,014	311,414	355,415
Restricted					
Debt Service Funds	-	-	-	-	-
Special Revenue Funds	-	-	-	-	-
Capital Projects Funds	-	-	-	-	-
Unassigned, Reported in					
Special Revenue Funds	-	-	-	-	-
Total All Other Governmental Funds	\$ <u>737,244</u>	\$ <u>537,233</u>	\$ <u>959,921</u>	\$ <u>1,534,827</u>	\$ <u>2,258,378</u>

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

SCHEDULE 3

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

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

	2004	2005	Fiscal Year 2006	2007	2008
Revenues					
Property Taxes	\$ 3,569,222	\$ 3,804,469	\$ 4,141,313	\$ 4,266,405	\$ 4,940,897
Taxes-Other	4,463,397	4,743,894	5,137,441	5,126,365	5,359,785
Licenses, Fees and Permits	803,815	226,716	172,814	189,269	210,267
Fines and Penalties	803,192	1,163,398	1,844,000	2,230,194	2,519,475
Charges for Services	3,080,519	3,128,451	3,211,482	3,225,782	3,585,591
Special Assessment	3,029	240	-	3,966	-
Intergovernmental	709,566	455,182	174,136	211,535	240,829
Investment Earnings/Other	127,253	202,335	282,200	511,883	628,723
Donations	176,146	3,299	2,890	1,842	-
Total Revenues	13,736,139	13,727,984	14,966,276	15,767,241	17,485,567
Expenditures					
General Government	2,947,294	2,357,112	2,398,046	2,673,852	2,461,771
Public Safety	6,265,404	6,644,503	6,703,918	7,411,077	8,848,662
Public Works	4,113,344	3,472,610	3,561,348	3,291,447	3,772,521
City/County	674,392	672,019	655,411	686,184	710,931
Tourism	264,132	288,215	290,697	312,153	421,633
Other	248,936	60,258	2,532	-	-
Capital Outlay	-	-	-	-	-
Debt Service					
Interest	462,722	411,195	378,281	362,456	374,201
Principal	1,045,000	885,000	910,000	975,000	1,270,000
Total Expenditures	16,021,224	14,790,912	14,900,233	15,712,169	17,859,719
Excess of Revenues over/ (under) Expenditures	(2,285,085)	(1,062,928)	66,043	55,072	(374,152)
Other Financing Sources (uses)					
Gain on Sale of Assets	-	-	-	-	-
Lease Proceeds	-	-	-	-	181,772
Bonds Issued	-	-	450,000	1,200,000	-
Bond Issuance Costs	-	-	-	-	-
Bond Issuance Premium	-	-	-	-	-
Refunding Bonds Issued	-	-	-	-	-
Payment to Refunding Bonds					
Escrow Agent	-	-	-	-	-
Transfers In	1,131,652	1,340,861	1,338,041	1,250,000	1,250,000
Transfers Out	(134,786)	(56,280)	(88,041)	-	-
Total Other Financing Sources (uses)	996,866	1,284,581	1,700,000	2,450,000	1,431,772
Net Change In Fund Balances	\$ (1,288,219)	\$ 221,653	\$ 1,766,043	2,505,072	\$ 1,057,620
Debt Services as a Percentage of Noncapital Expenditures	9.41%	8.76%	8.65%	8.51%	9.21%

SCHEDULE 4

2009	2010	Fiscal Year 2011	2012	2013
\$ 5,303,987	\$ 5,268,890	\$ 5,998,518	6,019,795	\$ 6,056,227
5,354,064	5,448,277	6,093,287	5,769,313	5,834,703
217,657	194,004	175,386	185,708	228,156
2,521,442	1,990,136	1,975,760	1,367,469	2,193,241
4,017,155	4,106,546	4,245,457	4,453,626	4,417,144
-	19,910	45,192	15,725	9,965
463,770	544,351	548,805	326,628	393,927
314,091	209,382	273,989	178,110	372,414
1,890	2,007	220	295,794	399
<u>18,194,056</u>	<u>17,783,503</u>	<u>19,356,614</u>	<u>18,612,168</u>	<u>19,506,176</u>
2,675,542	2,998,296	3,519,126	3,406,264	3,971,730
8,176,498	8,251,125	9,470,845	9,221,523	9,198,397
6,377,218	6,440,127	4,360,930	5,447,175	5,343,531
859,333	750,783	813,991	773,413	768,239
440,694	420,379	484,470	389,081	401,893
53,376	37,237	37,053	17,187	35,230
-	-	-	-	-
1,760,000	1,590,000	291,020	536,062	469,062
<u>2,156,860</u>	<u>428,796</u>	<u>1,453,000</u>	<u>1,266,933</u>	<u>1,417,329</u>
<u>22,499,521</u>	<u>20,916,743</u>	<u>20,430,435</u>	<u>21,057,638</u>	<u>21,605,411</u>
<u>(4,305,465)</u>	<u>(3,133,240)</u>	<u>(1,073,821)</u>	<u>(2,445,470)</u>	<u>(2,099,235)</u>
-	-	11,000	58,500	23,000
-	-	-	-	414,191
4,270,000	-	5,385,040	-	965,000
(175,273)	-	-	-	-
128,181	-	80,361	-	58,408
1,890,000	-	-	-	1,260,000
-	-	-	-	(1,247,918)
2,211,690	1,684,912	1,682,936	1,677,920	1,880,045
<u>(957,037)</u>	<u>(574,890)</u>	<u>(432,936)</u>	<u>(427,920)</u>	<u>(441,587)</u>
<u>7,367,561</u>	<u>1,110,022</u>	<u>6,726,401</u>	<u>1,308,500</u>	<u>2,911,139</u>
\$ <u>3,062,096</u>	\$ <u>(2,023,218)</u>	\$ <u>5,652,580</u>	\$ <u>(1,136,970)</u>	\$ <u>811,904</u>
17.41%	9.65%	8.54%	8.56%	8.73%

CITY OF KINGSVILLE

SCHEDULE 5

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY,
LAST TEN FISCAL YEARS
(DOLLARS IN THOUSANDS)

Fiscal Year	Real Property	Mineral Property	Personal Property	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value
2004	\$ 483,998,442	\$ 21,427,249	\$ 58,866,750	\$ 61,340,271	\$ 502,952,170	0.68510	\$ 564,292,441
2005	494,578,206	21,411,787	70,088,910	67,093,679	518,985,224	0.70196	586,078,903
2006	518,890,658	24,066,085	70,375,100	65,948,903	547,382,940	0.71000	613,331,843
2007	560,137,513	29,501,037	79,767,230	70,371,329	599,034,451	0.68544	669,405,780
2008	575,350,800	31,069,213	78,941,550	68,941,277	616,420,286	0.76780	685,361,563
2009	600,156,971	28,662,138	76,930,280	66,981,930	638,767,459	0.80187	705,749,389
2010	629,910,921	31,453,548	76,203,240	66,282,243	671,285,466	0.80187	737,567,709
2011	649,713,780	31,463,010	70,658,350	69,436,322	682,398,818	0.84220	751,835,140
2012	660,216,670	24,266,424	72,655,450	73,884,909	683,253,635	0.84220	757,138,544
2013	664,122,931	23,606,860	80,127,290	74,423,849	693,433,232	0.84220	767,857,081

Source: Kleberg County Tax Assessor Office

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

CITY OF KINGSVILLE**DIRECT AND OVERLAPPING PROPERTY TAX RATES****LAST TEN FISCAL YEARS****(RATE PER \$100 OF ASSESSED VALUE)****SCHEDULE 6**

Fiscal Year	City Direct Rates			Overlapping Rates		
	Basic Rate	General Obligation Debt Service	Total Direct Rate	School District	County	STWA
2004	0.42980	0.25530	0.68510	1.62637	0.63192	0.05543
2005	0.44924	0.25272	0.70196	1.59449	0.60779	0.05543
2006	0.45633	0.25367	0.71000	1.60032	0.60779	0.05516
2007	0.46453	0.22091	0.68544	1.45303	0.57100	0.05471
2008	0.50040	0.26740	0.76780	1.40529	0.64640	0.05688
2009	0.54154	0.26033	0.80187	1.33925	0.67530	0.05590
2010	0.56672	0.23515	0.80187	1.32165	0.67546	0.05731
2011	0.62543	0.21677	0.84220	1.35520	0.69546	0.06189
2012	0.63752	0.20468	0.84220	1.46380	0.75100	0.06189
2013	0.66395	0.17825	0.84220	1.49410	0.74481	0.06189

Source: Kleberg County Tax Assessor Office

CITY OF KINGSVILLE

PRINCIPAL PROPERTY TAX PAYERS,
CURRENT YEAR AND NINE YEARS AGO

SCHEDULE 7

Taxpayer	2013			2004		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
AEP Texas Central Company	13,519,460	1	1.95%	10,504,860	1	2.09%
Wal-Mart Stores East LP	8,321,030	2	1.20%	7,549,950	2	1.50%
HBC Holding LTD.	6,521,890	3	0.94%	-	-	-
Collegiate Kingsville Partners, L.P.	6,288,720	4	0.91%	-	-	0.00%
Eddie Yaklin Ford Lincoln Mercury Ltd.	6,100,610	5	0.88%	3,450,600	6	0.69%
Wal-Mart Stores Inc.	5,555,450	6	0.80%	5,636,860	3	1.12%
Kingsville Two	5,123,540	7	0.74%	3,574,000	5	0.71%
HEB Grocery Inc	4,778,800	8	0.69%	4,668,210	4	0.93%
Neessen Chevrolet Inc	4,470,230	9	0.64%	-	-	-
Lowes Home Center, Inc.	4,296,710	10	0.62%	-	-	-
Southwestern Bell Telephone Co.	-	-	-	3,125,080	7	0.62%
Gotcher Construction, Inc.	-	-	-	2,365,220	8	0.47%
Alpha Lake, Ltd.	-	-	-	2,349,900	9	0.47%
University Square Apartments	-	-	-	2,316,460	10	0.46%
						-
Total	\$ 64,976,440		9.37%	\$ 45,541,140		9.05%

Source: Kleberg County Appraisal District

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

SCHEDULE 8

Fiscal Year Ended September 30,	Taxes Levied for the Year		Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
			Amount	Percent of Levy		Amount	Percent of Levy
2004	\$	3,447,050	\$ 3,250,187	94.3%	\$ 175,548	\$ 3,425,735	99.38%
2005		3,653,715	3,455,881	94.6%	160,439	3,616,320	98.98%
2006		3,886,219	3,726,279	95.9%	141,087	3,867,366	99.51%
2007		4,136,029	3,911,104	94.6%	182,532	4,093,636	98.98%
2008		4,734,428	4,530,260	95.7%	151,963	4,682,223	98.90%
2009		5,207,851	4,990,889	95.8%	157,487	5,148,376	98.86%
2010		5,385,014	5,174,338	96.1%	149,100	5,323,438	98.86%
2011		5,759,638	5,557,746	96.5%	116,113	5,673,859	98.51%
2012		5,751,687	5,564,076	96.7%	80,511	5,644,587	98.14%
2013		5,831,373	5,618,741	96.4%	-	5,618,741	96.35%

Source: Kleberg County Tax Assessor Office

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

CITY OF KINGSVILLE

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

	Fiscal Year				
	2004	2005	2006	2007	2008
Building Materials, Hardware, etc.	\$ 19,611	\$ 18,040	\$ 19,277	\$ 20,422	\$ 22,706
General Merchandise	45,251	45,847	48,006	48,275	50,463
Food Stores	11,074	11,832	12,052	13,915	15,702
Automotive Dealers and Gasoline	16,005	16,104	18,875	18,190	19,162
Apparel and Accessory Stores	3,698	4,388	4,597	4,207	3,775
Home Furniture, Furnishing, and Equipment	3,982	3,993	3,223	4,252	860
Eating and Drinking Places	27,694	28,526	30,359	32,427	36,009
All Other Outlets	12,931	13,934	16,028	17,996	18,062
Total	\$ <u>140,246</u>	\$ <u>142,664</u>	\$ <u>152,417</u>	\$ <u>159,684</u>	\$ <u>166,739</u>
City Direct Sales Tax Rate	1.5%	1.5%	1.5%	1.5%	1.5%

Source: Texas Comptroller of Public Accounts

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

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

SCHEDULE 9

	Fiscal Year				
	2009	2010	2011	2012	2013
\$	21,737	\$ 22,382	\$ 12,245	\$ 18,895	\$ 25,717
	47,022	45,818	21,717	33,299	46,063
	16,560	16,567	8,408	13,121	19,363
	20,223	20,460	10,622	17,690	22,359
	4,570	4,620	2,547	4,082	6,161
	2,647	-	-	1,590	5,663
	35,430	37,059	19,921	32,605	44,846
	15,014	15,472	7,344	11,342	18,356
\$	<u>163,203</u>	\$ <u>162,378</u>	\$ <u>82,804</u>	\$ <u>132,624</u>	\$ <u>188,528</u>
	1.5%	1.5%	1.5%	1.5%	1.5%

CITY OF KINGSVILLE

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

SCHEDULE 10

<u>Fiscal Years</u>	<u>City Property Tax Relief</u>	<u>City Sales Tax</u>	<u>Kleberg County Property Tax Relief</u>	<u>State Sales Tax</u>
2004	1.00%	0.50%	0.50%	6.25%
2005	1.00%	0.50%	0.50%	6.25%
2006	1.00%	0.50%	0.50%	6.25%
2007	1.00%	0.50%	0.50%	6.25%
2008	1.00%	0.50%	0.50%	6.25%
2009	1.00%	0.50%	0.50%	6.25%
2010	1.00%	0.50%	0.50%	6.25%
2011	1.00%	0.50%	0.50%	6.25%
2012	1.00%	0.50%	0.50%	6.25%
2013	0.50%	1.00%	0.50%	6.25%

Source: Texas Comptroller of Public Accounts

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

CITY OF KINGSVILLE

RATIOS OF OUTSTANDING DEBT BY TYPE, LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities			Business-type Activities	
	General Obligation Bonds	Tax Note	Capital Leases	Water Revenue Bonds	Certificates of Obligation
2004	\$ 7,683,000	\$ 300,000	\$ 45,852	\$ 1,250,000	\$ 3,687,000
2005	7,408,000	-	13,970	1,125,000	15,042,000
2006	7,273,000	-	-	990,000	13,897,000
2007	7,403,000	-	-	845,000	13,612,000
2008	6,524,208	-	181,772	695,000	12,935,792
2009	6,293,192	-	159,036	540,000	15,421,808
2010	5,335,990	-	135,299	370,000	14,484,007
2011	9,556,290	-	110,518	190,000	18,503,710
2012	8,899,248	-	84,647	-	17,400,752
2013	9,056,766	-	57,637	-	20,238,233

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

SCHEDULE 11

Capital Lease	Total Primary Government	Percentage of Personal Income	Per Capita
-	12,965,852	2.34%	490.91
-	23,588,970	4.12%	890.86
-	22,160,000	3.83%	835.22
-	21,860,000	3.53%	817.10
-	20,336,772	3.05%	760.54
-	22,414,036	2.79%	797.79
-	20,325,296	3.08%	723.29
-	28,360,518	2.38%	861.08
-	26,384,647	2.69%	737.25
354,930	29,352,636	3.76%	1,103.52

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

Fiscal Year	<u>General Bonded Debt Outstanding</u>		Percentage of Actual Taxable Value of Property	Per Capita
		General Obligation Bonds		
2004	\$	7,683,000	1.3600%	\$ 290.89
2005		7,408,000	1.2600%	279.77
2006		7,273,000	1.1900%	274.12
2007		7,403,000	1.1100%	276.72
2008		6,524,208	0.9500%	243.60
2009		6,293,192	0.8900%	234.72
2010		5,335,990	0.7200%	203.56
2011		9,556,290	1.3980%	362.90
2012		8,899,248	1.3045%	327.24
2013		9,056,766	1.1795%	340.49

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

CITY OF KINGSVILLE**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF SEPTEMBER 30, 2013****SCHEDULE 13**

	<u>Net Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Governmental Unit			
Debt Repaid With Property Taxes			
Kingsville ISD	\$ 76,814,993	100%	\$ 76,814,993
Kleberg County	5,215,000	50%	2,607,500
South Texas Water Authority	-	0%	-
Subtotal, Overlapping Debt			79,422,493
City Direct Debt; Bonds			9,056,766
Capital Leases			57,637
Total Direct and Overlapping Debt			\$ <u>88,536,896</u>

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

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

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

	<u>2004</u>	<u>2005</u>	<u>Fiscal Year 2006</u>	<u>2007</u>	<u>2008</u>
Debt Limit	\$ 125,781,620	\$ 129,498,770	\$ 136,836,546	\$ 150,649,270	\$ 163,120,473
Total Net Debt Applicable to Limit	<u>10,378,938</u>	<u>9,454,598</u>	<u>9,315,986</u>	<u>7,091,586</u>	<u>6,168,793</u>
Legal Debt Margin	\$ <u>115,402,682</u>	\$ <u>120,044,172</u>	\$ <u>127,520,560</u>	\$ <u>143,557,684</u>	\$ <u>156,951,680</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	8.25%	7.30%	6.81%	4.71%	3.78%

Note: Under state finance law, the city's outstanding general obligation debt should not exceed 25 percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

SCHEDULE 14

	2009	2010	Fiscal Year 2011	2012	2013
\$	162,365,819	\$ 184,391,927	\$ 187,958,785	\$ 189,284,636	\$ 191,964,270
	<u>5,895,349</u>	<u>4,904,805</u>	<u>8,901,626</u>	<u>8,165,426</u>	<u>8,430,848</u>
\$	<u>156,470,470</u>	<u>179,487,122</u>	<u>179,057,159</u>	<u>181,119,210</u>	<u>183,533,422</u>
	3.63%	2.66%	4.74%	4.31%	4.39%

Legal Debt Margin Calculation for Fiscal Year 2013

Assessed Value		\$	<u>767,857,081</u>
Debt Limit (25% of assessed value)			<u>191,964,270</u>
Debt Applicable to Limit:			
General Obligation Bonds	\$	9,056,766	
Less: Amount Set Aside for Repayment of General Obligation Debt		<u>625,918</u>	
Total Net Debt Applicable to Limit			<u>8,430,848</u>
Legal Debt Margin		\$	<u>183,533,422</u>

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

SCHEDULE 15

Waste Water Revenue Bonds and Certificates of Obligation Bonds (a)						
Fiscal Year	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2004	\$ 5,195,633	\$ 3,842,774	\$ 1,352,859	\$ 120,000	\$ 121,562	5.60
2005	6,086,253	3,634,213	2,452,040	240,000	324,670	4.34
2006	6,605,466	3,482,212	3,123,254	505,000	583,460	2.87
2007	6,375,409	3,329,444	3,045,965	525,000	556,922	2.82
2008	7,285,503	3,820,260	3,465,243	435,000	480,813	3.78
2009	8,193,448	4,253,942	3,939,506	455,000	521,378	4.03
2010	6,500,945	4,012,820	2,488,125	475,000	503,192	2.54
2011	7,880,275	4,458,425	3,421,850	487,000	601,778	3.14
2012	8,394,262	7,021,804	1,372,458	683,067	620,735	1.05
2013	8,596,967	5,686,497	2,910,470	832,670	601,948	2.03

Sanitation C. O. Bonds Series 2001 (b), 2007, and 2009						
Fiscal Year	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2004	\$ 3,202,724	\$ 1,592,760	\$ 1,609,964	\$ 310,000	\$ 97,792	3.95
2005	2,892,724	1,642,222	1,250,502	325,000	85,065	3.05
2006	2,799,958	1,784,879	1,015,079	325,000	87,048	2.46
2007	2,851,654	1,487,099	1,364,555	335,000	75,023	3.33
2008	3,036,568	1,936,988	1,099,580	391,209	80,436	2.33
2009	3,510,389	1,840,539	1,669,850	808,000	62,241	1.92
2010	3,572,534	2,408,876	1,163,658	632,801	163,422	1.46
2011	3,642,049	2,669,749	972,300	288,256	144,941	2.24
2012	3,815,313	2,417,443	1,397,870	609,892	101,135	1.97
2013	3,303,720	2,136,838	1,166,882	594,848	86,903	1.71

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

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

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

CITY OF KINGSVILLE

DEMOGRAPHIC AND ECONOMIC STATISTICS,
LAST TEN CALENDAR YEARS

SCHEDULE 16

Calendar Year	Population	Personal Income (thousands of dollars)	Per Capita Personal Income	Median Age	Education Level in Years of Schooling	School Enrollment	Unemployment Rate
2004	26,412	554,705	21,002	28.3	N/A	4,541	6.0%
2005	26,479	572,794	21,632	28.3	N/A	4,339	5.0%
2006	26,532	578,636	21,809	28.4	N/A	4,246	4.2%
2007	26,753	619,025	24,761	27.9	N/A	4,156	4.4%
2008	26,782	619,952	26,740	27.8	N/A	4,026	4.5%
2009	26,812	625,497	28,095	29.2	N/A	3,999	6.4%
2010	26,213	626,305	28,101	27.9	N/A	3,729	6.7%
2011	26,333	675,409 **	32,936	27.6	N/A	3,533	6.5%
2012	26,417	710,675 **	35,788 **	27.4	N/A	3,821	4.8%
2013	26,599	780,392	38,058	27.7	N/A	4,014	4.9%

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

** Corrections from previous report, per Coastal Bend Council of Governments

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

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

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

CITY OF KINGSVILLE

TOP TEN EMPLOYERS,
CURRENT YEAR AND NINE YEARS AGO

SCHEDULE 17

Employer	2013			2004		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Naval Air Station (Military)	1,800	1	11.00%	1,792	1	29.74%
Texas A&M - Kingsville	1,200	2	7.00%	1,118	2	18.55%
Kingsville I.S.D	560	3	3.00%	763	3	12.66%
King Ranch	376	4	2.00%	325	8	5.39%
Hoechst Celanese	329	5	2.00%	511	4	8.48%
Kleberg County	310	6	2.00%	-	-	-
Wal-Mart	300	7	2.00%	373	7	6.19%
Border Patrol	300	8	2.00%	123	10	2.04%
City of Kingsville	280	9	2.00%	-	-	-
Christus Spohn Kleberg Hospital	263	10	2.00%	391	6	6.49%
HEB Grocery	-	0	0.00%	160	9	2.66%
Calling Solutions	-	0	0.00%	470	5	7.80%
Total	5,718		35.00%	\$ 6,026		100%

Source: Chamber of Commerce

Reference the denominator for the % amount

CITY OF KINGSVILLE**SCHEDULE 18****FULL-TIME-EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM,
LAST TEN FISCAL YEARS**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
City Commission	5	5	5	5	5	5	5	5	5	5
General Government	37	37	37	33	33	27	33	29	33	35
Fire	33	33	30	33	33	33	31	32	31	32
Health	12	12	12	11	12	12	12	12	12	10
Library	10	10	10	8	8	8	8	9	9	6
Police	67	67	67	63	60	63	62	64	64	65
Public Works	99	98	99	97	96	97	94	95	94	94
Task Force	<u>13</u>	<u>13</u>	<u>12</u>	<u>11</u>	<u>12</u>	<u>10</u>	<u>10</u>	<u>12</u>	<u>12</u>	<u>11</u>
Total	<u>276</u>	<u>275</u>	<u>272</u>	<u>261</u>	<u>259</u>	<u>255</u>	<u>255</u>	<u>258</u>	<u>260</u>	<u>258</u>

Source: City of Kingsville

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

CITY OF KINGSVILLE

OPERATING INDICATORS BY FUNCTION/PROGRAM, LAST TEN FISCAL YEARS

<u>Function/Program</u>	<u>2004</u>	<u>2005</u>	<u>Fiscal Year 2006</u>	<u>2007</u>	<u>2008</u>
General Government					
Building Permits Issued	2,186	2,821	2,523	2,355	2,301
Building Inspections Conducted	-	-	1,337	1,477	1,934
Police					
Physical Arrest	1,838	1,902	1,791	2,208	1,829
Parking Violations	29	16	70	158	111
Traffic Violations	2,829	2,449	4,334	5,561	3,796
Fire					
Emergency Responses	1,980	1,883	1,973	2,108	2,159
Fire Extinguishers	338	363	424	438	521
Inspections	374	376	234	300	409
Refuse Collections					
Refuse Collected (tons per day; 365)	80	97	76	76	82
Recyclables Collected (tons per day; 365)	0	1		1	1
Other Public Works					
Street Resurfacing (miles)	4	4	3	6	4
Potholes Repaired	2,100	2,200	2,000	1,900	2,900
Parks and Recreation					
Athletic Field Permits Issued	-	-	-	-	-
Community Center Admissions	-	-	-	-	-
Library					
Volumes in Collection	59,973	61,648	63,086	65,306	66,015
Total Volumes Borrowed	51,784	51,791	53,209	56,446	50,526
Health					
Environmental Health	16,861	16,298	17,670	17,153	5,028
Consumer Health	2,329	1,984	1,854	2,222	2,440
Weed Control	2,964	2,533	3,224	2,575	2,527
Animal Control	6,516	7,406	7,925	7,484	10,956
Water					
New Connections	80	45	45	99	50
Water Main Breaks	334	415	537	780	445
Average Daily Consumption (thousands of gallons)	3,184	3,184	3,579	3,059	3,447
Peak Daily Consumption (thousands of gallons)	4,420	4,987	4,955	4,462	4,778
Wastewater					
Average Daily Sewer Treatment (thousands of gallons)	2,000	2,000	2,000	2,000	1,700

Sources: Various City Departments

SCHEDULE 19

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

CITY OF KINGSVILLE

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM LAST TEN FISCAL YEARS

<u>Function/Program</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Police					
Stations	1	1	1	1	1
Patrol Units	63	54	53	45	43
Fire Stations	2	2	2	2	2
Refuse Collections					
Collection Trucks	18	18	18	18	18
Other Public Works					
Street (miles)	104	105	106	106	106
Highway (miles)					
Streetlights	-	546	554	554	554
Traffic Signals	4	4	4	4	4
Parks and Recreation					
Acreage	195	195	195	195	195
Playgrounds	9	9	9	9	9
Baseball/Softball Diamonds	12	12	12	12	12
Soccer/Football Fields	12	12	12	12	12
Community Centers	2	2	2	2	2
Water					
Water Mains (miles)	113	115	116	116	116
Fire Hydrants	681	686	692	692	696
Storage Capacity (thousands of gallons)	9,594	9,594	9,679	9,679	9,764
Wastewater					
Sanitary Sewers (miles)	91	92	95	95	96
Storm Sewers (miles)	16	16	16	16	16
Treatment Capacity (thousand of gallons)	4,000	4,000	4,000	4,000	4,000

Sources: Various City Departments

SCHEDULE 20

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
1	1	1	1	1
47	48	55	64	65
2	2	2	2	2
20	16	13	13	17
113	121	121	121	121
569	569	584	584	584
4	4	4	4	4
195	195	195	195	195
9	9	9	9	9
12	12	12	12	12
12	12	12	12	12
2	2	2	2	2
116	117	123	120	120
705	801	812	808	808
9,764	9,764	9,764	9,764	9,764
96	97	97	98	99
16	16	16	16	17
4,000	4,000	4,000	6,000	6,000

Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

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

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(361) 592-2671
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Independent Auditor's Report on Internal Control over Financial Reporting and
On Compliance and Other Matters Based on an Audit of Financial Statements
Performed In Accordance With Government Auditing Standards

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

Members of the City Council:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Kingsville, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise City of Kingsville's basic financial statements, and have issued our report thereon dated May 30, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Kingsville's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Kingsville's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Kingsville's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2013-1 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item 2013-2 to be a significant deficiency.



PRIVATE COMPANIES PRACTICE SECTION, AICPA DIVISION FOR CPA FIRMS

Compliance and Other Matters

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

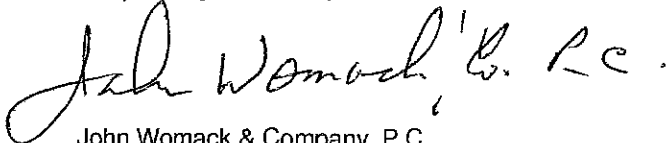
City of Kingsville's Response to Findings

City of Kingsville's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Kingsville's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Respectfully submitted,

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

John Womack & Company, P.C.
Kingsville, Texas
May 30, 2014

CITY OF KINGSVILLE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED SEPTEMBER 30, 2013

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

One or more material weaknesses identified?

X Yes

 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.

B. Financial Statement Findings

2013-1 Internal Control - Reconciliation of Asset and Liability Accounts

Condition:

The City has not reconciled certain asset and liability accounts, primarily cash, interfunds, and transfers, on a timely basis during the year.

Criteria:

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

Cause:

Over the past several years, there have been continual changes and turnover in the finance/accounting department which has resulted in continual training in personnel. This trend continued with the turnover in the Finance Director position as well as the creation of an Accounting Supervisor position in Fiscal Year 2013.

Effect:

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

Recommendation:

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

Client Response/Corrective Action:

The City concurs with this finding, and has made improvements in this area. The City has taken an aggressive strategy in attracting and retaining the financial personnel necessary. A strong, assertive effort is being made to realign the Finance Office staff salaries with the marketplace. Accountant II position has been replaced with an Accounting Supervisor position. This additional staff should assist in continuing to improve this aspect of our business.

CITY OF KINGSVILLE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED SEPTEMBER 30, 2013

2013-2 Internal Control - New Employees Incorporated into Payroll

Condition:

Payroll clerk currently has the ability to enter new employees into the payroll database.

Criteria:

Proper internal control measures would not allow the payroll clerk to enter new employees into the payroll database. This responsibility would be placed in the Human Resources Department.

Cause:

Lack of segregation of duties in this area.

Effect/Potential Effect:

Those who prepare payroll have a greater ability to manipulate the payroll system, and the possibility of incorrect or erroneous paychecks increases.

Recommendation:

We recommend the Human Resources Department assume the responsibility of entering new employees into the payroll system. The Human Resources Department should key in new employees and then those individuals who prepare payroll can review the input to verify the information, as well as ensure that timesheets are filled out correctly and entered correctly.

Client Response/Corrective Action:

The City has upgraded the payroll software, and as a result, will be making necessary changes to the payroll policies and procedures in Fiscal Year 2014. The Human Resources Department will eventually be responsible for entering new employees, changes in employee hourly rates, and terminations into the payroll system.

Currently, the Finance Director reviews/approves all employee change authorizations by Human Resources as well as reviews the Payroll Direct Deposit and Payroll hand-written check supporting documentation for each payroll. In addition, payroll check stock is physically stored and controlled separate and apart from the payroll clerk.

2013-3 State Compliance - Tourism Fund Expenditures

Condition:

During the course of testwork, one expenditure (\$900) was noted that should not have been paid for with local hotel occupancy tax revenues.

Criteria:

Local hotel occupancy tax revenues cannot fund expenditures that do not directly enhance tourism and the hotel and convention industry. Every event, program or facility funded with hotel occupancy tax revenues must be likely to do two things: 1) directly promote tourism, and 2) directly promote the convention and hotel industry.

Cause:

Currently, the City's policies and procedures do not adequately cover the proper coding of expenditures paid for with local hotel occupancy tax revenues.

CITY OF KINGSVILLE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED SEPTEMBER 30, 2013

Effect:

Inadequate control policies and procedures in this area can lead to coding of inappropriate expenditures to the Tourism Fund, which is funded with local hotel occupancy taxes.

Recommendation:

We recommend that the Tourism Fund be reimbursed by the General Fund for any expenditures identified as inappropriate to be paid for with local hotel occupancy taxes. We also recommend that a proper review of tourism expenditures be performed on a timely basis by an individual knowledgeable of the requirements.

Client Response/Corrective Action:

The Finance Director has agreed with this finding, and will make the necessary reimbursements by the General Fund. In addition, policies and procedures will be put into effect to ensure that only allowable expenditures are charged to the Tourism Fund in the future.

2013-4 State Compliance - Economic Surveys

Condition:

The City has not developed a questionnaire to help provide feedback on the economic impact that events held in Kingsville bring to the City. Certain expenditures of the Tourism Fund should be supported by surveys that indicate the events held actually were increasing tourism and the local hotel industry.

Criteria:

State law requires the use of questionnaire materials for research purposes to support the use of local hotel occupancy tax revenues.

Effect:

Without the research material required, the City cannot adequately support expenditure of its local hotel occupancy tax revenue. This material would better predict the economic impact of events held in Kingsville, and would assist the City in determining future revenues and expenditures associated with these events.

Recommendation:

We recommend a questionnaire be developed and put in place at the hotels throughout the City to gain the necessary feedback to make future decisions and properly support the expenditures made by the City in the Tourism Fund.

Client Response/Corrective Action:

The City agrees with this finding and the Finance Director will develop procedures to ensure compliance with this requirement.

C. Federal Award Findings and Questioned Costs

NONE

CITY OF KINGSVILLE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED SEPTEMBER 30, 2013

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
<p>2012-1 Internal Control - Reconciliation of Asset and Liability Accounts</p> <p>Condition: The City has not reconciled certain asset and liability accounts on a timely basis during the year or at year-end.</p> <p>Criteria: Asset and liability accounts should be reconciled timely and all related journal entries made on a timely basis.</p> <p>Cause: Over the past several years, there have been continual changes and turnover in the accounting department which has resulted in continual training in personnel. This trend continued with the turnover in the Accounting Manager and Accountant II position in Fiscal Year 2012.</p> <p>Effect: The effect is the possibility of inaccuracy in monthly reporting, and, potentially, an inability to recognize fraud or other inaccuracies in a timely manner.</p> <p>Recommendation: We recommend that the City implement procedures to ensure that personnel are provided proper training, asset and liability accounts are reconciled, and all related journal entries posted on a timely basis.</p> <p>Client Response/Corrective Action: The City concurs with this finding, and has made improvements in this area. In Fiscal Year 2013, the City has taken an aggressive strategy in attracting and retaining the financial personnel necessary. An assertive effort is being made to realign the Finance Office staff salaries with the marketplace. The Accountant II position will be replaced with an Accounting Supervisor and an Assistant Finance Director position has been added. This additional staff should assist in continuing to improve this aspect of our business.</p>	<p>Partially Implemented</p>	<p>The City has hired a new Finance Director and new Accounting Supervisor, who, together with the Accounting Manager, are striving to improve all reconciliation processes.</p>

CITY OF KINGSVILLE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED SEPTEMBER 30, 2013

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
2012-2 Internal Control - Reporting	Implemented	N/A
<p>Condition: Two awards, for \$78,537 and \$44,151, were erroneously recorded as revenue in prior years, but were not actually awarded by the court until the current fiscal year.</p> <p>Criteria: Seized funds are recorded as liabilities until the related court case is settled, and the funds released to the Task Force by the Court.</p> <p>Cause: Inaccurate Listing of Pending Cases and related seized funds.</p> <p>Effect: Revenue was overstated in prior year, and the related liability was understated.</p> <p>Recommendation: We recommend more accurate tracking of all pending cases, with a higher level of review of the detailed listing.</p> <p>Client Response/Corrective Action: In the latter part of Fiscal Year 2012, the City has implemented a new system of tracking all pending cases which provides much more detailed information on each case and is submitted to the Finance Director by the Task Force Commander on a regular basis. It was this improved listing which enabled the prior error to be discovered and corrected.</p>		
2012-3 Internal Control - New Employees Incorporated into Payroll	Partially Implemented	The City has upgraded its software and, as a result, are in the process of making necessary changes.
<p>Condition: Payroll clerk currently has the ability to enter new employees into the payroll database.</p> <p>Criteria: Proper internal control measures would not allow the payroll clerk to enter new employees into the payroll database. This responsibility would be placed in the Human Resources Department.</p> <p>Cause:</p>		

CITY OF KINGSVILLE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED SEPTEMBER 30, 2013

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
<p>Lack of segregation of duties in this area.</p> <p>Effect/Potential Effect: Those who prepare payroll have a greater ability to manipulate the payroll system, and the possibility of incorrect or erroneous paychecks increases.</p> <p>Recommendation: We recommend the Human Resources Department assume the responsibility of entering new employees into the payroll system. The Human Resources Department should key in new employees and then those individuals who prepare payroll can review the input to verify the information, as well as ensure that timesheets are filled out correctly and entered correctly.</p> <p>Client Response/Corrective Action: The City is implementing a new bio-metric payroll/human resources system in Fiscal Year 2013. As an additional internal control, Human Resources Department will eventually be responsible for entering new employees, changes in employee hourly rates, and terminations into the payroll system.</p> <p>Currently, the Finance Director reviews/approves all employee change authorizations by Human Resources as well as reviews the Payroll Direct Deposit and Payroll hand-written check supporting documentation for each payroll. In addition, payroll check stock is physically stored and controlled separate and apart from the payroll clerk.</p>		
2012-4 State Compliance - Public Funds Investment Act	Implemented	N/A
<p>Condition: The City Manager and Accounting Manager, as Investment Officers, do not have the education/training hours required by the City's Investment Policy and the Public Funds Investment Act.</p> <p>Criteria: The Public Funds Investment Officers, as named in the City's Investment Policy, are required by the Public Funds Investment Act to obtain ten hours of education/training hours not less than once every</p>		

CITY OF KINGSVILLE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED SEPTEMBER 30, 2013

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
<p>two-year period. Proof of this education/training is to be kept on file.</p> <p>Cause: The Public Funds Investment Act had been misinterpreted, and only the Finance Director had been receiving this education/training.</p> <p>Effect: The Finance Director is the only employee that has received this training. In his absence, no other employee would have the proper education/training to cover the investment activities of the City. In addition, this is a violation of the State law.</p> <p>Perspective Information: The City only invests in Certificates of Deposit and Money Market accounts. There are no complex investment strategies.</p> <p>Recommendation: We recommend the City Manager and Accounting Manager begin immediately to acquire their education/ training requirements.</p> <p>Client Response/Corrective Action: The City Manager and Accounting Manager will acquire and maintain the Public Funds Investment Act education/training as required.</p>		

CITY OF KINGSVILLE
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2013

2013-1 Internal Control - Reconciliation of Asset and Liability Accounts

The City concurs with this finding, and has made improvements in this area. The City has taken an aggressive strategy in attracting and retaining the financial personnel necessary. A strong, assertive effort is being made to realign the Finance Office staff salaries with the marketplace. Accountant II position has been replaced with an Accounting Supervisor position. This additional staff should assist in continuing to improve this aspect of our business.

2013-2 Internal Control - New Employees Incorporated Into Payroll

The City has upgraded the payroll software, and as a result, will be making necessary changes to the payroll policies and procedures in Fiscal Year 2014. The Human Resources Department will eventually be responsible for entering new employees, changes in employee hourly rates, and terminations into the payroll system.

Currently, the Finance Director reviews/approves all employee change authorizations by Human Resources as well as reviews the Payroll Direct Deposit and Payroll hand-written check supporting documentation for each payroll. In addition, payroll check stock is physically stored and controlled separate and apart from the payroll clerk.

2013-3 State Compliance - Tourism Fund Expenditures

The Finance Director has agreed with this finding, and will make the necessary reimbursements by the General Fund. In addition, policies and procedures will be put into effect to ensure that only allowable expenditures are charged to the Tourism Fund in the future.

2013-4 State Compliance - Economic Surveys

The City agrees with this finding and the Finance Director will develop procedures to ensure compliance with this requirement.