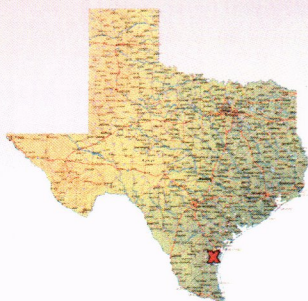
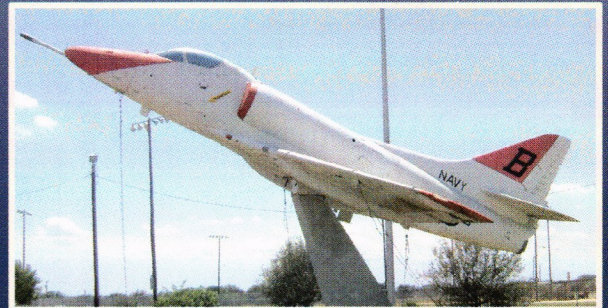


# City of Kingsville

## Comprehensive Annual Financial Report

Fiscal Year Ended September 30, 2008



**TEXAS**  
[www.cityofkingsville.com](http://www.cityofkingsville.com)





# **Comprehensive Annual Financial Report**

September 30, 2008

## **CITY OF KINGSVILLE, TEXAS**

### **City Commission** (for the fiscal year ended September 30, 2008)

Sam R. Fugate  
Alfonso Garcia  
Arturo Pecos  
Stanley Laskowski  
Charles E. Wilson

Mayor  
Mayor Pro-Tem  
Commissioner  
Commissioner  
Commissioner

**City Manager**  
Carlos R. Yerena

### **Prepared By:**

#### **Department of Finance**

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



City of Kingsville  
Comprehensive Annual Financial Report  
For The Year Ended September 30, 2008

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INTRODUCTORY SECTION

# CITY OF KINGSVILLE



P. O. BOX 1458 – KINGSVILLE, TEXAS 78364

June 29, 2009

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, 2008, 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, 2008, 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, 2008, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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



## **THE CITY AND ITS ORGANIZATION**

### **Population and Location**

Based on the reviewed 2000 Census of Kingsville, the City now has a population of 25,575; this represents a 1.2 percent increase over the 1990 Census of 25,267. The City of Kingsville's standard metropolitan statistical area consists of Kleberg County which has a population of 31,549 according to the 2000 Census. The geographic location of the City is on U. S. Highway 77 which has been proposed to be the new Interstate 69 which will facilitate travel from Mexico, Central and South America to the U.S. and Canada. The City is also home to a major military installation, NAS Kingsville, and tourist attraction, the King Ranch.

The total area of the City is approximately 13.63 square miles. The City may expand its jurisdiction, by adding territory adjoining or lying adjacent to the City, by ordinance pursuant to its regularly updated and statutorily required annexation plan.

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

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

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

The City is a full service municipality, providing a full range of services. The City's public safety services include police protection, fire protection, building inspection, and a specialized emergency management operation. Law enforcement is provided through the Police Department with 63 employees, which includes 47 police officers and 16 support personnel. The City's Fire Department operates two fire stations, and includes an emergency medical service comprised of two staffed ambulances, with a third ambulance available if needed.

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

The City is in the process of formulating a Storm Water Drainage Plan to comply with proposed Texas Commission on Environmental Quality, TCEQ, regulations. The City is in the process of updating its comprehensive master plan to set consistent design standards for the City.

Wastewater collection and treatment is provided within the city limits to more than 26,532 residential, commercial, and industrial customers. The collection system consists of 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 phase two of automated garbage collection using specialized equipment initiated in 1995 and City households are now using the garbage rollouts. The City, with its automated garbage collection program, provides for twice a week garbage pick-up with a savings of more than \$100,000 a year. The City owns and operates a regional waste disposal facility, also accepting waste from outside of the City and from commercial garbage haulers. Other public works operations of the City include drainage and street maintenance, street lighting and traffic signalization/engineering. The City also provides engineering services to support all public works departments as well as the planning department. It also provides the City with engineering design for City construction projects.

Community enrichment and culture services are also major programs of the City. The City and Kleberg County own and operate a library with over 66,000 volumes. The City and Kleberg County also own and maintain extensive recreational facilities, which include 195 acres of parks and playgrounds, one swimming pool, 12 baseball and softball diamonds, 12 soccer fields, and 2 recreational centers.

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

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

### **Annual Budget Process**

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

Ordinance and supporting fee schedules occur no later than September 30th. The operating budget is prepared by fund, department, function, and organizational unit or project levels.

Budgetary management is delegated to the 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, 2008, period showed the following changes in these from the prior year: (1) an increase of 11.39% in property tax receipts due to an increase in the property tax rate, (2) an increase of 2.85% in sales tax, and (3) an increase of 11.10% in business fees. This illustrates the resilience of the local economy despite negative revenue trends for other state and local governments in the nation. Real property tax collections as a percent of levy collected has remained stable. Total collections as a percent of the net total tax levy collections to date has decreased from 97.52% to 95.69%. Current fiscal year collected taxes to date, as a percent of the net current tax levy, have increased slightly from 94.6% to 95.7%.

Real property assessed values, over the last fiscal year, decreased 5.4346%. Sales tax increased from \$3,784,310 to \$3,891,958 over the last fiscal year. This further illustrates steady and stable growth for the local economic conditions.



### **Employment**

The local unemployment rate increased slightly to 4.3% in September 2008 from 3.9% in October 2007 over the last fiscal year and the number of jobs in the community increased from 12,171 in October 2007 to 12,465 in September 2008. During the same period, personal income rose from \$24,761 to \$26,740 or 7.993%.

### **Diversification of Economy**

The region has a varied manufacturing, agricultural and petrochemical base that adds to the relative stability of employment. Major industries located within the City's boundaries, or in close proximity, include industrial, construction, fast food restaurants, convenience stores, banking, and financial services.

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

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

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

### **Transportation**

A primary component of the City's transportation system is the 2,415-acre Corpus Christi International Airport, which is only 45 minutes from the City of Kingsville. Currently, the Airport is served by approximately 24-30 daily flights from three major domestic carriers that use the Airport's 7,508 and 6,080 feet of lighted runways. The Airport has completed the finishing touches on its new terminal building and a new covered parking lot and concession area. Additionally, airport safety has been enhanced through a multi-jurisdictional cooperative effort with other civil and military law enforcement agencies.

The City is also served by a network of major highways. U.S. Highway 77 links the City of Kingsville to both the Rio Grande Valley/Mexico to the south and Victoria (which then provides a direct connect to U.S. 59 and Houston). State Highway 44 and U.S. Highway 59 also link the City of Kingsville to Laredo/Mexico from U.S. Highway 77 at Robstown and Victoria. All highways are four-lane roads and are maintained at interstate or near interstate standards. Seventeen separate motor carriers serve the City of Kingsville for truck transport of products to market. Rail service to and from the City of

Kingsville is provided by the Burlington Northern/Santa Fe Railway, Texas Mexican Railway and Union Pacific Railroad.

### **Major Initiatives**

During the fiscal year 2008, the citizens and elected officials of Kingsville cooperated in the planning and implementation of several major projects and capital asset acquisition.

### **City Growth and Development**

In fiscal year 2008, the City completed upgrades of lift stations and sewer force mains with a total cost of \$1,740,051; rehabilitation of 3 elevated storage tanks and one ground storage tank with a total cost of \$1,224,050; rehabilitation of the clarifier and stairs with a cost of \$2,544,856; upgrade on the SCADA system for the wastewater treatment plant with a total cost of \$37,899 and installation of blowers at the North and South Wastewater Plants with a total cost of \$1,089,033. All of the above projects were paid for with 2005 Certificates of Obligation bond funds.

The City has installed a security system at city hall and public works with a total cost of \$49,826 paid for with 2005 Certificate of Obligation bond funds, grant funds and the Utility Fund.

The city has been conducting, and will continue through fiscal year 2008-2009, smoke tests for the I & I study of existing sanitary sewer lines.

### **Economic Development**

The City is continuing construction on the 12,000 linear feet of water line utilizing ORCA grant funds and matching City funds. The design of Sector III Landfill Cell is completed and construction is underway. The estimated cost for this project is \$1.2 million.

### **Current Construction Projects**

- ❖ The Holiday Inn began construction on a 42,078 square foot hotel in 2007 and was completed and opened for business FY 2008. IHOP, which is 4,828 square foot, began construction in the General Cavazos Subdivision and was completed and opened for business in FY 2008.
- ❖ The 3,300 square foot AT&T Wireless building was completed in FY 2008.
- ❖ The new Quick Wash located at Eddie Yaklin Automotive, a 6,690 square foot building, was completed in FY 2007-08.
- ❖ The 13,860 square foot building for Pueblo Tires, which is located at the corner of Lott Ave and 14<sup>th</sup> Street, was completed in FY 2007-08.
- ❖ The 18,000 square foot building for the Colston Rehabilitation Center, located next to the hospital, will be completed if FY 2008-09.

### **Future Construction Projects**

- ❖ Tractor Supply Company has been approved for remodeling of the old Wal-Mart Store, consisting of more than 35,000 square feet, on Brahma Blvd. and will begin construction in the summer of 2009.
- ❖ Aaron Rents will be constructing a new facility consisting of 8,000 square feet, on General Cavazos Blvd. in July 2009.

- ❖ Daddy O's Restaurant remodeled a building of 612 square feet and opened May 2009.
- ❖ The Cash Store and Fred Loya Insurance Agency, at 1,300 square feet each, were opened next to the AT&T Wireless store on General Cavazos Blvd. in May 2009.
- ❖ Little Caesar's is relocating next to the Cash Store and Fred Loya Insurance Agency, at 1,300 square feet, by July 2009.
- ❖ The Taiwan Restaurant underwent a remodeling project costing approximately \$10,500, in May and June 2009.
- ❖ Wal-Mart Store remodeled the entire store, costing approximately \$2,588,536, from April through June 2009.
- ❖ The Santa Gertrudis School, located on the King Ranch, began construction in the spring of 2009. The project value is approximately \$3 million and consists of over 54,000 square feet.
- ❖ The Kingsville Lulac Manor Apartment complex is undergoing a refurbishment project valued at approximately \$2,568,341 and consisting of over 78,400 square feet. This project should be completed by the summer of 2009.
- ❖ Saint Gerturde's Church, rectory, business office and pastor's residence are under construction starting in the spring of 2009.
- ❖ A new mini-storage facility on Sage Road, Serenity Storage, began construction in June 2009. This project has a value of \$71,912 for 6,000 square foot buildings.
- ❖ The La Esquina Restaurant on King Street and Armstrong is undergoing a \$50,000 remodeling project in June 2009.

#### **Residential Developments**

- ❖ The development of Paulson Falls Subdivision, Phase III continues to have new houses constructed. This development is a planned unit development that will be constructed in three phases. Upon completion, the subdivision will have a total of 175 single-family units. Two commercial sites are also planned for this area.
- ❖ Serenity Estates II, a new 13 lot subdivision was approved in 2009 and lots are currently offered for sale.
- ❖ Texas A&M Kingsville will complete a new, 600 unit, student housing section on their campus in the summer of 2009.
- ❖ In fiscal year 2008, a total of 19 new housing permits were issued.

#### **Tourism**

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

#### **Financing of Major Capital Projects**

During the 2008 fiscal year, the City continued to utilize the three bond issues from the previous fiscal year to fund projects and capital assets planned and approved during the past fiscal year. These are major initiatives that represent a significant long term commitment to revitalization strategies that support commercial and industrial growth and improved quality of life for current residents.



### **Cash Management**

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

The City pools its cash balances for investment purposes. A primary objective of the City's investment program is to protect the principal through proper collateralization. The City depository holds all funds in various MBIA investment pool accounts with the exception of minimum operating funds held in the local depository bank that must be held separately. The bank performs all normal banking functions for the City, as well as, collateralizing deposits with government securities. The interest rate is variable being 0.5% less than the 13-week T-Bill rate. The City's cash management policy is adopted by the City Commission and strictly defines the parameters by which City investments are made.

The annual average interest rate was 3.42% and the total interest earned was \$637,524, in the City's bank depository and all investments.

### **Risk Management**

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

### **Pension Benefits**

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

The latest actuarial valuations for both the TESRS and for the City employees were completed as of December 31, 2007. The funded ratio of actuarial accrued liability for the Volunteer Fire Fighter's TESRS was 95% as of August 31, 2008, at the date of the last actuarial reports. 100% of the City's Annual Pension Cost (APC) was contributed for both plans. As a matter of policy, in 2008 the City contributed \$20 per volunteer

firefighter toward pension financing each year, with no contribution from the individual firefighters.

The City also provides pension benefits for its other employees, both uniformed police and full time firefighters, and all other civilian employees. These benefits are provided through a non-institutional, joint contributory, defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 827 administered by TMRS, an agent multiple-employer public employee retirement system. Employees contributed 7% of their salary and the City contributed 10.48% of salaries. The funded ratio of actuarial accrued liability for the City employees' plan, TMRS, was 70.8% at the date of the last actuarial reports.

#### **CAFR Program**


The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Kingsville for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2007 continuing to confirm compliance with both GAAP and legal requirements. This was the twentieth consecutive year that the City has received this prestigious award. A Certificate of Achievement is valid for a period of one year only. We believe that this CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility certification.

#### **ACKNOWLEDGEMENTS**

The preparation of this report is possible only because of the dedication of the staff members in the Department of Finance, including Caron S. Vela, Accounting Manager; Teresa Vasquez, Assistant Accountant II; Sally Saenz, Assistant Accountant I; Norma Cavazos, Assistant Accountant I; Vilma Castillo, Collections Manager; Yolanda Vasquez, Municipal Court Manager; Rudy Najera, Information Systems Technician and Andy Vigstol, Engineer Drafting Technician, for taking the cover pictures. Special thanks must be given to the City Manager for his continued guidance and support.

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

Respectfully submitted,



Mark A. Rushing  
Director of Finance

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Kingsville  
Texas

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2007

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



A handwritten signature in black ink, appearing to read "K. L. R.", is positioned above the title "President".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer", is positioned above the title "Executive Director".

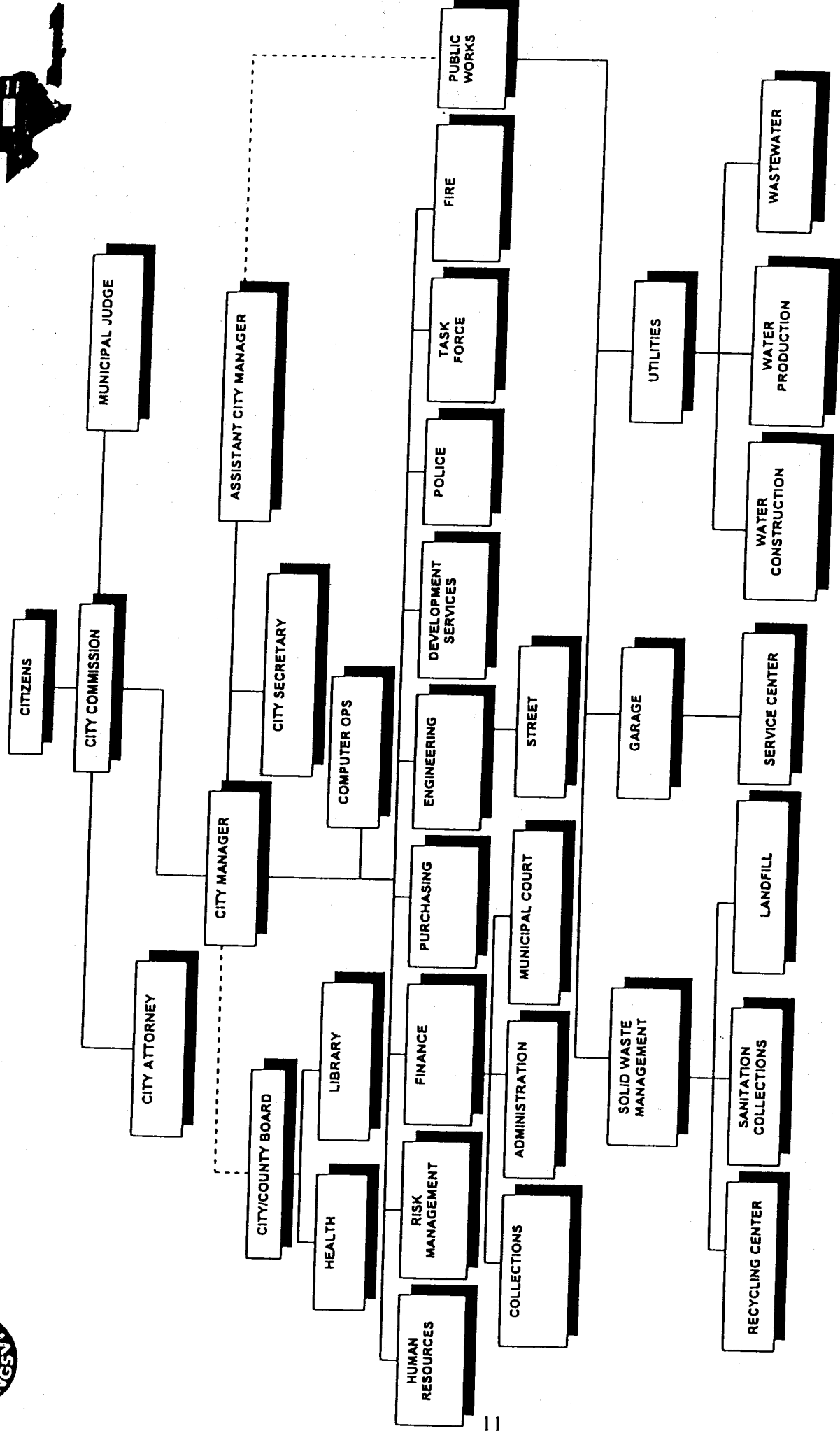
Executive Director







# City of Kingsville Organizational Chart





**F I N A N C I A L   S E C T I O N**

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

JOHN L. WOMACK, CPA

JOHN R. WOMACK, CPA  
MARGARET KELLY, CPA

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

**Independent Auditor's Report on Financial Statements**

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

**Members of the City Commission:**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Kingsville as of and for the year ended September 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Kingsville's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Kingsville as of September 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2009, on our consideration of City of Kingsville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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



PRIVATE COMPANIES PRACTICE SECTION. AICPA DIVISION FOR CPA FIRMS



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

Respectfully submitted,

  
John Womack & Company, P.C.  
May 29, 2009

## 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, 2008. 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 \$ 22.4 million.
- The fund balance of the General Fund increased from \$8.9 million to \$9.2 million. This represents a 3.8% increase over the prior year's fund balance, and furthermore, represents 65.3% of the \$14.1 million in expenditures. The General Fund's undesignated and unreserved fund balance was \$4.9 million, or 34.8% of expenditures.
- Total assets, excluding component units, were \$53.4 million; total liabilities, excluding component units, were \$31 million.
- The ratio of total assets to total liabilities for governmental activities was 2.11 times; for business-type activities the ratio was 1.46 times.
- The quick ratio (current assets to current liabilities) was 2.35 times for governmental activities and 4.6 times for business-type activities.
- Total net assets were \$22.4 million, which was an increase from \$19.6 million for the prior year, or 14.17%. Governmental activities' net assets increased by 13.23%, while business-type activities net assets increased by 15.7%.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

The basic financial statements are comprised of three components:

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

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

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

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

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

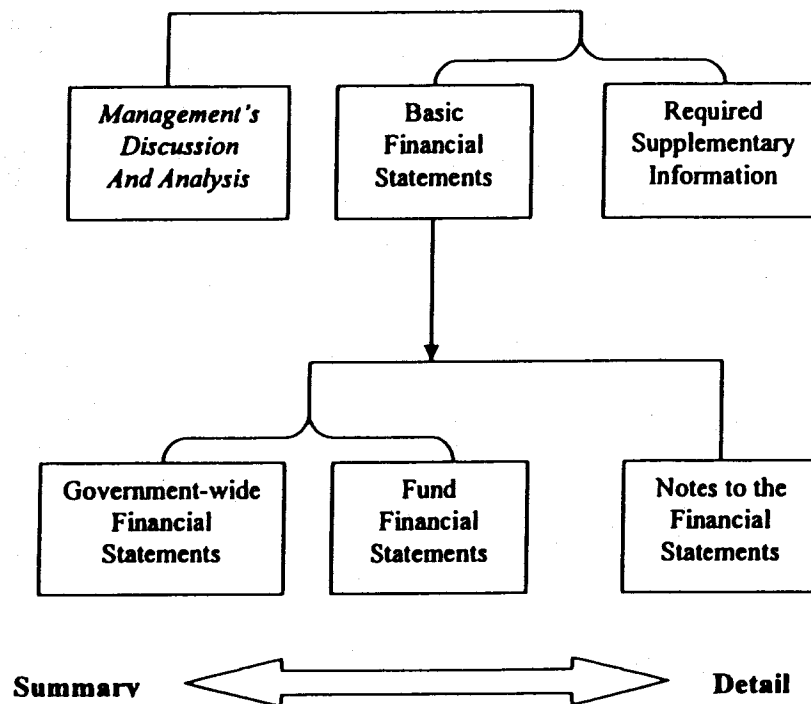


Figure A-1 shows how the required parts of this annual financial report are arranged and relate to one another. In addition to these required elements, a section with combining statements that provides details about the non-major governmental funds and internal service funds is included.

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

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

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

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

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

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

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

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

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

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

#### **Net Assets**

Net assets serve over time as a useful indicator of the City's financial position. At September 30, 2008, the net assets totaled \$22.4 million, \$2.8 million more than the prior year. The composition of these net assets is \$13.7 million for governmental activities and \$8.7 million for business-type activities, which is comprised primarily of the Combined Utility System.

A large portion of the City's net assets, 55.1%, 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 8.9% of its net assets set aside for the retirement of debt. 19% of



the City's governmental activities' net assets are unrestricted in their use for City activities.

**Table A-1: Net Assets for Governmental and Business-type Activities  
at September 30, 2008 and 2007 (in thousands of dollars)**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Current & other assets	\$13,197	\$15,980	\$11,362	\$11,128	\$24,559	\$27,108
Capital assets	12,886	12,526	15,944	16,212	28,830	28,738
<b>Total assets</b>	<b>26,083</b>	<b>28,506</b>	<b>27,306</b>	<b>27,340</b>	<b>53,389</b>	<b>55,846</b>
Long-term liabilities	7,873	7,230	17,067	16,734	24,940	23,964
Other liabilities	4,464	9,136	1,576	3,119	6,040	12,255
<b>Total liabilities</b>	<b>12,337</b>	<b>16,366</b>	<b>18,643</b>	<b>19,853</b>	<b>30,980</b>	<b>36,219</b>
<b>Net assets</b>	<b>\$13,746</b>	<b>\$12,140</b>	<b>\$8,663</b>	<b>\$7,487</b>	<b>\$22,409</b>	<b>\$19,627</b>
Net assets						
Investment in capital assets net of related debt	7,981	7,410	4,377	4,312	12,358	11,722
Restricted	2,727	2,650	3,056	2,496	5,783	5,146
Unrestricted	3,038	2,080	1,230	679	4,267	2,759
<b>Total net assets</b>	<b>\$13,746</b>	<b>\$12,140</b>	<b>\$8,663</b>	<b>\$7,487</b>	<b>\$22,409</b>	<b>\$19,627</b>

The City has sufficient funds to meet requirements for cash outlays in the next fiscal year as well as the financial capacity to meet its long-term obligations, without any reduction of fund balances or net assets.

The Combined Utility System's net assets were \$8.6 million, which is 38% of total net assets and is \$1.2 million more than the prior year. The Combined Utility System contributed all of total unrestricted business-type net assets.

## Changes in Net Assets

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

**Table A-2: Changes in Net Assets at September 30, 2008 and 2007**  
(in thousands of dollars)

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenue:						
Program revenue:						
Charges for services	3,695	3,206	10,320	9,127	14,016	12,333
Operating grants and contributions	261	169	1	21	261	190
Capital grants and contributions	30	55		0	30	55
General revenues:						
Property taxes	4,936	4,247		0	4,936	4,247
Sales taxes	3,892	3,784		0	3,892	3,784
Other taxes	1,046	1,030		0	1,046	1,030
Investment earnings	507	392	249	559	756	951
Other	5	1	(5)	0	0	1
Total revenues	<u>14,372</u>	<u>12,884</u>	<u>10,565</u>	<u>9,707</u>	<u>24,937</u>	<u>22,591</u>
Expenses:						
General government	2,439	2,569		0	2,439	2,569
Public safety	8,167	7,267		0	8,167	7,267
Public works	2,414	2,340		0	2,414	2,340
Health & other public services	731	688		0	731	688
Tourism	422	312		0	422	312
Interest on long-term debt	293	301		0	293	301
Water and wastewater		0	5,173	4,486	5,173	4,486
Solid waste		0	2,516	2,044	2,516	2,044
Total expenses	<u>14,466</u>	<u>13,477</u>	<u>7,690</u>	<u>6,530</u>	<u>22,155</u>	<u>20,007</u>
Increase in net assets before transfers	(94)	(593)	2,876	3,177	2,781	2,584
Transfers	<u>1,700</u>	<u>2,293</u>	<u>(1,700)</u>	<u>(2,293)</u>	<u>0</u>	<u>0</u>
Increase (decrease) in net assets	1,606	1,700	1,176	884	2,781	2,584
Net assets, beginning	12,140	10,591	7,487	6,603	19,627	17,194
Prior period adjustment	0	(151)	0	0	0	(151)
Net assets, ending	<u>\$13,746</u>	<u>\$12,140</u>	<u>\$8,663</u>	<u>\$7,487</u>	<u>\$22,408</u>	<u>\$19,627</u>

### **Governmental Activities**

As shown in Table A-2, revenues were split between governmental activities and business-type activities 57.6% and 42.4%, respectively, with expenses for each at 65.3% and 34.7%. Net assets increased 13.2% from the prior period for governmental activities, increased 15.7% for business-type activities, and increased 14.2% overall.

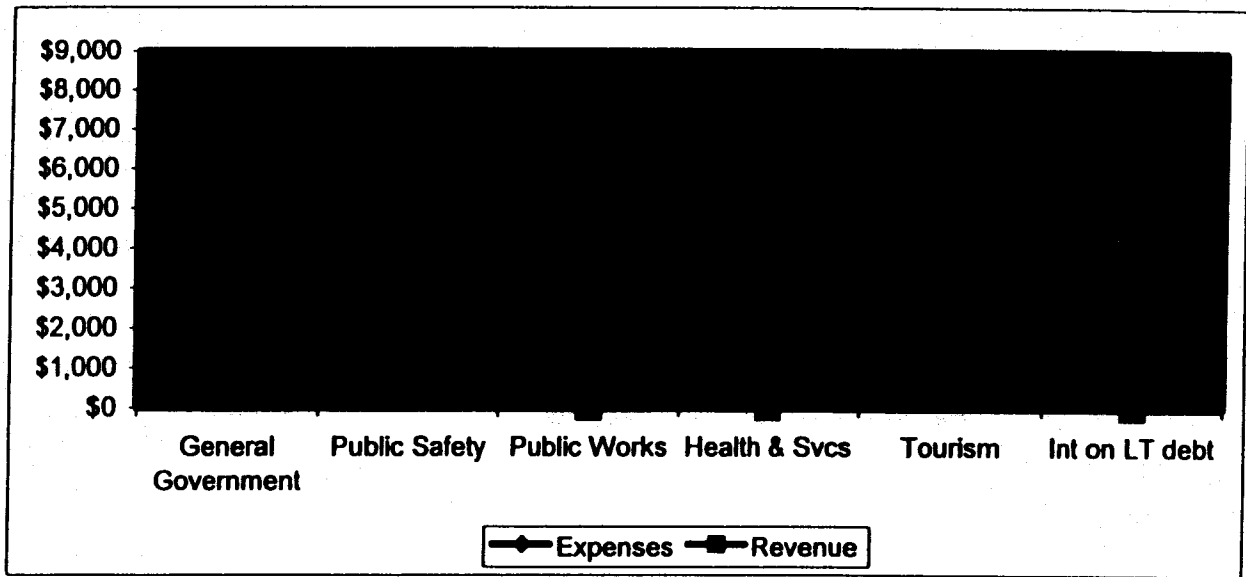
- The cost of all *governmental* activities for the fiscal year 2008 was \$14.4 million.
- However, the amount that taxpayers paid for these services through City taxes and business fees was \$10.3 million.

Some of the cost was paid by:

- Those who directly benefited from the programs (\$3.7 million), and
- Other governments and organizations that subsidized certain programs with grants and contributions (\$290 thousand).
- Charges for services comprised 25.7% of governmental activities revenues and 97.7% of business-type activities' revenues.
- Taxes contributed 68.7% of governmental activities revenues. Investment earnings, with interest rates, generated 3.5% and 2.4% of governmental activities revenues and business-type activities, respectively.
- Public Safety (including Police, Fire, Emergency Management, Municipal Court, and Inspections) expenses accounted for 56.5% of governmental activities expenses and 16.7% 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 \$5 million.
- General government comprises 16.9% of all governmental activities' expenses.

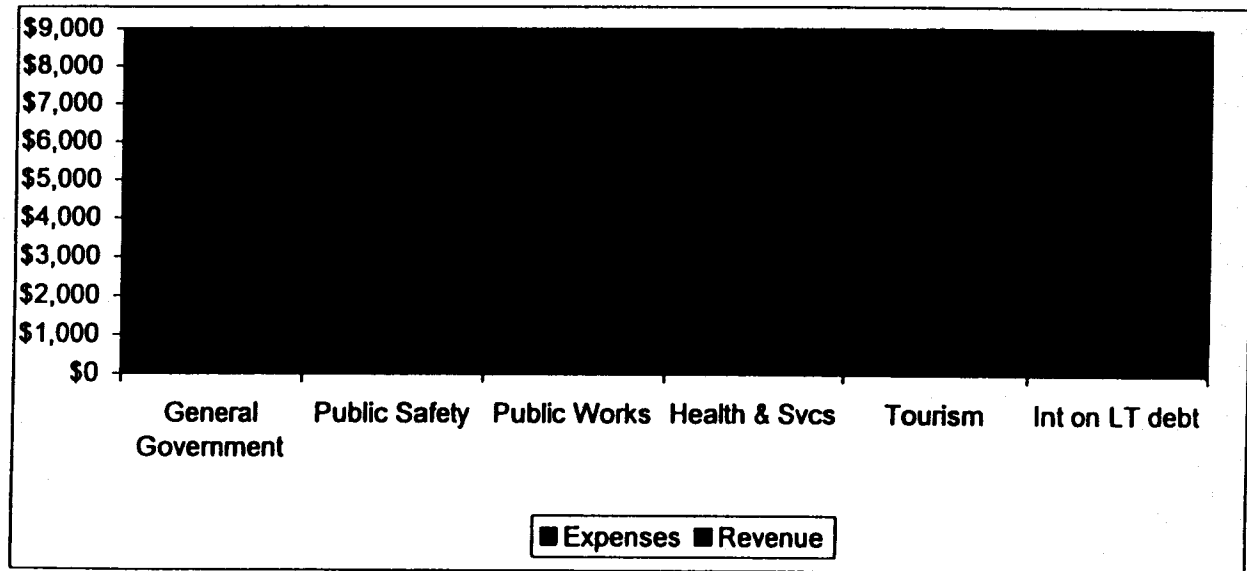
Graph 1 presents the cost of each of the City's major governmental functions, as well as the associated program revenues. As expected in governmental activities, the subsidy required from taxpayers provides the majority support to these core services.

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



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

**Graph 2: Revenue by Source – Governmental Activities**



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

The Combined Utilities System accounted for 67.3% of the expenses generated for business-type activities, with solid waste accounting for an additional 32.7%. It had operating revenues of \$7.3 million, operating income of \$2.7 million, and income before transfers of \$2.3 million, with income after transfers of \$1 million for the fiscal year. Compared to the 2007 fiscal year, the System's operating revenues were up by \$910 thousand, the operating income was up by \$401 thousand, but net income after transfers was actually \$54 thousand lower. The major causes of these results were:

- Increased operating revenues are largely the result of an unusually dry spring and summer during 2008, which caused water revenues to increase by \$490 thousand, or 12.8% over the preceding year.
- The operating expenses increased by over \$508 thousand, primarily due to increased supplies costs and service expenses.
- Wastewater fund revenue was up by \$439 thousand, also due to higher water sales, to which wastewater revenue is tied.

## **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

### **Governmental Funds**

- Total assets of the General Fund decreased from \$12.9 million to \$12.3 million between 2007 and 2008.
- Total liabilities of the General Fund dropped by \$872 thousand to approximately \$3.1 million, a 21.8% decrease. This brings the quick ratio (current assets to current liabilities) to 3.9 times in 2008 from 3.21 times in 2007.
- General Fund revenues are \$819 thousand above the final budget.
- General Fund expenditures are \$1.9 million below the final budget.
- The General Fund's unreserved and undesignated fund balance increased \$648 thousand in 2008 to \$4.9 million from \$4.3 million in fiscal year 2007.
- Total liabilities of the Police Forfeiture Fund dropped by \$1.5 million to approximately \$2.5 million, a 37.1% decrease. This brings the quick ratio (current assets to current liabilities) to 1.6 times in 2008 from 1.2 times in 2007.
- The Police Forfeiture Fund unreserved and undesignated fund balance increased \$680 thousand to \$1.5 million from \$841 thousand in fiscal year 2007.
- The fund balance of the Debt Service Fund increased from \$311 thousand to \$355 thousand. This fund balance is structured to minimize the balance being carried to no more than required for the cash flow necessary to service the City's debt.

### **Budgetary Results of the General Fund**

General fund taxes and business fees were slightly over \$8.4 million, which was \$195 thousand above the final budget. Charges for services, including zoning fees, solid waste fees, health service fees, and other fees were higher than the final budget by \$412 thousand. Overall, General Fund revenues were \$819 thousand more than the final budget.



General Fund expenditures were \$1.9 million below the final budget with the street department contributing \$662 thousand to the positive variance, or 31% below the final budget estimate. The sanitation department contributed \$459 thousand to the positive variance, or 29% below the final budget estimate. The police and fire departments collectively came in \$426 thousand below the final budget, or 5.5% lower. The main reason for the final budget exceeding the actual expenditures is due to the capital outlay to be purchased were approved yet not spent. The sanitation department had \$432 thousand, police department had \$171 thousand and the street department had \$521 thousand. During FY 2007-08 the City analyzed several privatizations proposals in the fire, sanitation, and landfill departments.

During Fiscal Year 2007-08 the budget was amended by \$164 thousand in garbage revenues, \$158 thousand in sanitation service expenditures, and \$141 thousand in landfill expenses as a result of the internal analytical review, privatization bidding and restructuring service fees in these departments. A \$182 thousand budget amendment also occurred for the other leasing sources relating to the two (2) new ambulances purchased for the fire department.

Additional information on the City's Original Budget to Final Budget and Final Budget to Actual can be found on Exhibit B-1, pages 66 to 72.

#### **Non-major Governmental Funds**

Five different funds comprise this portion of the financial statements-four special revenue funds and one capital projects fund. Total assets for the combined funds were \$690 thousand, total liabilities were \$337 thousand, and total fund balances were \$353 thousand, with \$9 thousand in undesignated and unreserved fund balances.

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

## CAPITAL ASSET AND DEBT ADMINISTRATION

**Table A-3: Capital Assets (net of depreciation) at September 30, 2008 and 2007**  
(In thousands of dollars)

	Governmental Activities			Business-type Activities		
	2008	2007	% Change 07-08	2008	2007	% Change 07-08
Land	\$470	\$470	0.00%	\$352	\$352	0.00%
Building and improvements	1,630	1,686	-3.36%	13,814	4,430	211.83%
Equipment	568	768	-26.06%	756	816	-7.28%
Vehicles	1,839	1,104	66.57%	634	855	-25.91%
Road network	8,201	8,497	-3.48%	0	0	N/A
Construction in progress	178	0	N/A	387	9,759	-96.04%
<b>Total</b>	<b><u>\$12,885</u></b>	<b><u>\$12,526</u></b>	<b>2.87%</b>	<b><u>\$15,944</u></b>	<b><u>\$16,212</u></b>	<b>-1.66%</b>

As shown in Table A-3, at September 30, 2008, the City had invested \$28 million (net of depreciation) in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads and bridges, and its utility system. Additional information on the City's Capital Assets can be found on Note E of the Notes to the Financial Statements, pages 50-51.

### Long-term Debt

Table A-4 indicates that total long-term debt decreased by \$961 thousand from 2007 to 2008 or 3.9%. Of that, landfill closure costs increased \$280 thousand or 9.3%, while compensated absences held constant decreasing only .5%. Two new debt factors were Capital Leases increased \$182 thousand for the purchase of two (2) new ambulances and Other Post-Employment Benefits increased \$346 thousand in compliance with GASB 45 recognition. Total debt outstanding at fiscal year-end was below \$20.7 million, down from \$21.9 million for the prior year.

In addition, the overall decrease in long-term debt can be attributed to \$1.7 million in reductions in certificates of obligation bonds and revenue bonds (Combined Utility System) through scheduled principal payments. Additional information on the City's Long-Term Obligations can be found on Note H, pages 52-53 of the Notes to the Financial Statements.

The 2007-2008 tax rate was \$0.50040 for the General Fund and \$0.26741 for the Debt Service Fund, totaling \$0.76781 per \$100 of assessed value. Therefore, the City's tax margin of \$1.73219 per \$100 of assessed value could increase taxes \$11.3 million each year based on the assessed value of \$652,481,893. 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, pages 42 and 45 of the Notes to the Financial Statements.

**Table A-4: Long-Term Liabilities at September 30, 2008 and 2007**  
(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total		% Change 07-08
	2008	2007	2008	2007	2008	2007	
Combined tax & revenue certificates of obligation	\$0	\$0	\$0	\$0	0	0	N/A
Certificates of obligation	6,524	7,403	12,936	13,612	19,460	21,015	-7.40%
Capital Leases	182	0	0	0	182	0	100.00%
Other post-employment benefits	287	0	59	0	346	0	100.00%
Revenue bonds payable	0	0	695	845	695	845	-17.75%
<b>Total debt</b>	<b>6,993</b>	<b>7,403</b>	<b>13,690</b>	<b>14,457</b>	<b>20,683</b>	<b>21,860</b>	<b>-5.39%</b>
Compensated absences	880	880	78	83	958	963	-0.50%
Landfill closure cost	0	0	3,300	3,020	3,300	3,020	9.27%
<b>Total long-term debt</b>	<b>\$7,873</b>	<b>\$8,283</b>	<b>\$17,067</b>	<b>\$17,560</b>	<b>\$24,941</b>	<b>\$25,843</b>	<b>-3.49%</b>

### Bond Ratings

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

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

## **FISCAL YEAR 2008-2009 ADOPTED OPERATING BUDGET**

The adopted budget for fiscal year 2008-2009 sets general fund revenues from all sources (including inter-fund transfers) at \$13.7 million, which is \$635 thousand, or 4.8% more than the prior year's final budget. Property taxes were estimated to increase 14.3% when compared to the prior year budget. With steady 2 to 5 percent increases in assessed values each year for the previous five tax years (and a 4.2% increase for the 2008 tax year) along with a 7.7% increase in the general fund's property tax rate, the FY 2008-2009 revenue forecast was conservatively cast by management.

City sales tax, which comprises 27% of general fund revenues, is forecast for FY 2008-2009 at \$3.7 million or approximately the same as the prior year's final budget. The franchise fee categories are budgeted slightly lower (12 thousand lower) than the amounts as budgeted in the 2007-2008 year.

General fund expenditures, including transfers for the FY 2008-2009 budget were set at \$13.6 million, \$678 thousand more than the prior year's final budget, or 5.23% higher. Increases in budgeted expenditures for the police and fire department, along with expenditures for the Sanitation and Landfill department account for more than all of the increase amount in total expenditures from the prior year's final budget.

### **CITY'S FINANCIAL MANAGEMENT**

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

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

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

(361) 595-8009  
(361) 595-8035 (fax)

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





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**CITY OF KINGSVILLE**  
**STATEMENT OF NET ASSETS**  
**SEPTEMBER 30, 2008**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 6,932,121	\$ 500,050	\$ 7,432,171	\$ 166,350
Equity in pooled cash and cash equivalents	788,748	2,979,755	3,768,503	--
Receivables ( net of allowances for uncollectibles):				
Taxes	1,325,460	--	1,325,460	--
Accounts	273,280	1,069,921	1,343,201	426
Accrued Interest	28,134	--	28,134	--
Internal Balances	(764,776)	764,776	--	--
Due from other governments	130,640	652	131,292	67,679
Inventory, at cost	207,453	176,634	384,087	--
Restricted assets:				
Cash and cash equivalents	4,195,291	3,913,803	8,109,094	--
Equity in pooled cash and cash equivalents	66,264	1,723,234	1,789,498	--
Accounts	6,608	95,201	101,809	--
Long-term assets:				
Bond issuance costs	8,187	137,871	146,058	--
Land and construction in progress	648,074	739,950	1,388,024	--
Capital assets, net of related depreciation	12,238,320	15,204,304	27,442,624	--
Total Assets	<u>\$ 26,083,804</u>	<u>\$ 27,306,151</u>	<u>\$ 53,389,955</u>	<u>\$ 234,455</u>
<b>LIABILITIES</b>				
Accounts payable	1,778,932	743,369	2,522,301	4,087
Accrued wages payable	234,119	41,618	275,737	--
Payable from restricted assets:				
Accrued interest payable	51,399	116,990	168,389	--
Revenue bonds	--	863,000	863,000	--
Customer deposits	2,130,920	672,431	2,803,351	--
Due to:				
Other governments	262,723	1,656	264,379	--
Others	175	--	175	--
Unearned revenues	6,478	--	6,478	--
Liabilities due within one year:				
Accumulated unpaid compensated absences	173,816	38,500	212,316	--
Leases payable	22,736	--	22,736	--
Revenue bonds payable	952,000	--	952,000	--
Liabilities due beyond one year:				
Accumulated unpaid compensated absences	706,529	39,302	745,831	--
Leases payable	159,036	--	159,036	--
Accrued other post-employment benefits	286,869	58,756	345,625	--
Contractual obligations payable	5,572,208	1,125,792	6,698,000	--
Revenue bonds payable	--	11,642,000	11,642,000	--
Landfill closure costs	--	3,300,022	3,300,022	--
Total Liabilities	<u>12,337,940</u>	<u>18,643,436</u>	<u>30,981,376</u>	<u>4,087</u>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	7,980,938	4,376,931	12,357,869	--
Restricted For:				
Debt Service	1,705,519	289,516	1,995,035	--
Capital Projects	985,424	--	985,424	--
Municipal Court Technology	36,212	--	36,212	--
Landfill Closure	--	2,766,715	2,766,715	--
Unrestricted	3,037,771	1,229,553	4,267,324	230,368
Total Net Assets	<u>\$ 13,745,864</u>	<u>\$ 8,662,715</u>	<u>\$ 22,408,579</u>	<u>\$ 230,368</u>

The accompanying notes are an integral part of this statement.

**CITY OF KINGSVILLE**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
<i>General government and administration</i>	\$ 2,438,913	\$ 284,438	\$ 84,135	\$ 30,000
<i>Public safety</i>	8,167,213	2,980,370	164,372	--
<i>Public works</i>	2,414,167	--	11,999	--
<i>City/County</i>	731,158	8,924	--	--
<i>Tourism</i>	421,633	421,633	--	--
<i>Interest on long-term debt</i>	292,623	--	--	--
<b>Total Government Activities</b>	<u>14,465,707</u>	<u>3,695,365</u>	<u>260,506</u>	<u>30,000</u>
<b>Business-type Activities:</b>				
Water Improvement	3,153,345	4,325,645	650	--
Solid Waste	2,516,322	3,036,567	--	--
Wastewater	2,020,090	2,958,287	--	--
<b>Total Business-type Activities</b>	<u>7,689,757</u>	<u>10,320,499</u>	<u>650</u>	<u>--</u>
<b>Total Primary Government</b>	<u>\$ 22,155,464</u>	<u>\$ 14,015,864</u>	<u>\$ 261,156</u>	<u>\$ 30,000</u>
<b>COMPONENT UNIT:</b>				
Kingsville Convention & Visitors Bureau	<u>\$ 252,413</u>	<u>\$ 366,350</u>	<u>\$ --</u>	<u>\$ --</u>

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

The accompanying notes are an integral part of this statement.

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

Governmental Activities	Business-type Activities	Total	Component Unit
\$ (2,040,340)		\$ (2,040,340)	
(5,022,471)		(5,022,471)	
(2,402,168)		(2,402,168)	
(722,234)		(722,234)	
--		--	
(292,623)		(292,623)	
<u>(10,479,836)</u>		<u>(10,479,836)</u>	
--	\$ 1,172,950	1,172,950	
--	520,245	520,245	
--	938,197	938,197	
--	<u>2,631,392</u>	<u>2,631,392</u>	
<u>(10,479,836)</u>	<u>2,631,392</u>	<u>(7,848,444)</u>	
		\$ <u>113,937</u>	
4,935,723	--	4,935,723	--
3,891,958	--	3,891,958	--
996,518	--	996,518	--
3,752	--	3,752	--
45,924	--	45,924	--
506,573	249,258	755,831	--
--	(5,130)	(5,130)	--
5,311	--	5,311	--
1,699,969	(1,699,968)	1	--
<u>12,085,728</u>	<u>(1,455,840)</u>	<u>10,629,888</u>	--
1,605,892	1,175,552	2,781,444	113,937
12,139,972	7,487,163	19,627,135	116,431
<u>\$ 13,745,864</u>	<u>\$ 8,662,715</u>	<u>\$ 22,408,579</u>	<u>\$ 230,368</u>

# CITY OF KINGSVILLE

## BALANCE SHEET - GOVERNMENTAL FUNDS

SEPTEMBER 30, 2008

	General Fund	Police Forfeiture Fund
<b>ASSETS</b>		
Assets:		
Cash and cash equivalents	\$ 3,762,936	\$ 3,141,248
Equity in pooled cash and cash equivalents	1,269,119	--
Receivables ( net of allowances for uncollectibles):		
Taxes	1,254,211	--
Accounts	432,008	1,828
Assessments	152,647	--
Accrued interest	369,299	--
Due from:		
Other funds:	540,635	--
Other governments:	14,632	--
Inventory, at cost	207,453	--
Restricted assets:		
Cash and cash equivalents	3,129,161	831,607
Equity in pooled cash and cash equivalents	1,097,337	28,416
Accounts	101,808	--
Total Assets	<u>\$ 12,331,246</u>	<u>\$ 4,003,099</u>
<b>LIABILITIES AND EQUITY</b>		
Liabilities:		
Accounts payable	\$ 1,375,774	\$ 228,596
Accrued wages payable	219,603	14,516
Payable from restricted assets:		
Customer deposits	--	1,957,358
Due to:		
Other funds	609,805	194,606
Other governments	85,309	58,344
Others	175	--
Deferred revenues	843,135	--
Total Liabilities	<u>3,133,801</u>	<u>2,453,420</u>
Equity:		
Fund balances:		
Reserved for inventory	207,452	--
Reserved for landfill	2,744,728	--
Reserved for debt service	--	--
Reserved for capital outlay	1,166,782	--
Reserved for sanitation capital outlay	114,247	--
Reserved for municipal court building security	65,191	--
Reserved for municipal court technology	--	28,416
Unreserved, undesignated	4,899,045	1,521,263
Total equity	<u>9,197,445</u>	<u>1,549,679</u>
Total Liabilities and Equity	<u>\$ 12,331,246</u>	<u>\$ 4,003,099</u>

The accompanying notes are an integral part of this statement.

Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ --	\$ --	\$ 6,904,184
--	36,218	1,305,337
34,525	36,724	1,325,460
--	547	434,383
--	--	152,647
--	--	369,299
45,009	--	585,644
--	116,008	130,640
--	--	207,453
472,263	501,371	4,934,402
--	--	1,125,753
--	--	101,808
<u>\$ 551,797</u>	<u>\$ 690,868</u>	<u>\$ 17,577,010</u>
\$ 1,000	\$ 780	\$ 1,606,150
--	--	234,119
--	--	1,957,358
160,858	211,256	1,176,525
--	119,070	262,723
--	--	175
34,524	6,478	884,137
<u>196,382</u>	<u>337,584</u>	<u>6,121,187</u>
--	--	207,452
--	--	2,744,728
355,415	--	355,415
--	343,486	1,510,268
--	--	114,247
--	--	65,191
--	--	28,416
--	9,798	6,430,106
<u>355,415</u>	<u>353,284</u>	<u>11,455,823</u>
<u>\$ 551,797</u>	<u>\$ 690,868</u>	<u>\$ 17,577,010</u>



**CITY OF KINGSVILLE**
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2008**

Total fund balances - governmental funds balance sheet \$ 11,455,823

Amounts reported for governmental activities in the statement of net assets  
("SNA") are different because:

Capital assets used in governmental activities are not reported in the funds.	12,894,581
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	383,848
The assets and liabilities of internal service funds are included in governmental activities in the SNA.	171,130
Payables for bond principal which are not due in the current period are not reported in the funds.	(6,524,208)
Payables for capital leases which are not due in the current period are not reported in the funds.	(181,772)
Payables for bond interest which are not due in the current period are not reported in the funds.	(51,399)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(880,344)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.	(286,869)
Solid waste assets and liabilities are included in the general fund but are included in business activities in SNA.	(3,234,925)
Rounding difference	(1)

Net assets of governmental activities - statement of net assets \$ 13,745,864

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, 2008

	General Fund	Police Forfeiture Fund
Revenue:		
Taxes	\$ 8,209,545	\$ --
Licenses and permits	210,267	--
Charges for services	3,585,591	--
Fines and forfeitures	569,656	1,949,819
Interest and miscellaneous	402,197	186,263
Federal and state grants	4,597	--
Total revenues	<u>12,981,853</u>	<u>2,136,082</u>
Expenditures:		
Current:		
General government and administration	2,311,032	20,423
Public Safety	7,323,072	1,417,607
Public works	3,734,521	--
City/County	710,931	--
Tourism	--	--
Debt service:		
Principal retired	--	--
Interest	--	--
Paying agent fees	--	--
Total expenditures	<u>14,079,556</u>	<u>1,438,030</u>
Excess (deficiency) of revenues (under) expenditures	(1,097,703)	698,052
Other financing sources (uses):		
Transfers in	1,250,000	--
Lease proceeds	181,772	--
Total other financing sources (uses)	<u>1,431,772</u>	<u>--</u>
Net change in fund balances	334,069	698,052
Fund balances/equity, October 1	8,863,376	851,627
Fund balances/equity, September 30	<u>\$ 9,197,445</u>	<u>\$ 1,549,679</u>

The accompanying notes are an integral part of this statement.

Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ 1,669,504	\$ 421,633	\$ 10,300,682
--	--	210,267
--	--	3,585,591
--	--	2,519,475
18,698	21,565	628,723
--	236,232	240,829
<u>1,688,202</u>	<u>679,430</u>	<u>17,485,567</u>
--	130,316	2,461,771
--	107,983	8,848,662
--	38,000	3,772,521
--	--	710,931
--	421,633	421,633
1,270,000	--	1,270,000
371,776	--	371,776
2,425	--	2,425
<u>1,644,201</u>	<u>697,932</u>	<u>17,859,719</u>
44,001	(18,502)	(374,152)
--	--	1,250,000
--	--	181,772
<u>--</u>	<u>--</u>	<u>1,431,772</u>
44,001	(18,502)	1,057,620
311,414	371,786	10,398,203
<u>\$ 355,415</u>	<u>\$ 353,284</u>	<u>\$ 11,455,823</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, 2008**

Net change in fund balances - total governmental funds	\$ 1,057,620
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	1,304,860
The depreciation of capital assets used in governmental activities is not reported in the funds.	(928,641)
Trade-in or disposal of capital assets decrease net assets in the SOA but not in the funds.	(15,558)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(5,172)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	878,792
Bond issuance costs and similar items are amortized in the SOA but not in the funds	(5,612)
(Increase) decrease in accrued interest from beginning of period to end of period	6,754
The net revenue (expense) of internal service funds is reported with governmental activities.	16,195
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(98)
Solid waste activities are included in the general fund, but are included in business activities in the SOA.	(234,605)
(Increase) decrease in accrued other post-employment benefits from beginning of period to end of period	(286,869)
Proceeds of leases do not provide revenue in the SOA, but are reported as current resources in the funds.	(181,772)
Rounding difference	(1)
Change in net assets of governmental activities - statement of activities	\$ <u>1,605,892</u>

The accompanying notes are an integral part of this statement.

**CITY OF KINGSVILLE**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2008**

	Enterprise Fund	Nonmajor Internal Service Fund
	Utility Fund	Insurance Fund
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ -	\$ 527,987
Equity in pooled cash and cash equivalents	2,936,549	-
Receivables (net of allowances for uncollectibles):		
Accounts	762,560	173,121
Due from:		
Other funds:	913,188	500,622
Other governments:	650	-
Inventory, at cost	176,634	-
Restricted assets - noncurrent:		
Cash and cash equivalents	2,703,048	-
Equity in pooled cash and cash equivalents	663,747	-
Total current assets	<u>8,156,376</u>	<u>1,201,730</u>
Noncurrent assets:		
Bond issuance costs	137,871	-
Capital assets:		
Land	132,354	-
Utility plant	34,307,500	-
Equipment	1,246,040	-
Furniture and fixtures	8,300	-
Vehicles	1,602,560	-
Construction in progress	387,596	-
Total capital assets	37,684,350	-
Less accumulated depreciation	(23,467,527)	-
Net capital assets	<u>14,216,823</u>	<u>-</u>
Total noncurrent assets	<u>14,354,694</u>	<u>-</u>
Total Assets	<u>\$ 22,511,070</u>	<u>\$ 1,201,730</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 735,369	\$ 180,782
Accrued wages payable	41,618	-
Due to:		
Other funds	148,410	674,518
Other governments	1,656	-
Accumulated unpaid compensated absences	38,500	-
Current liabilities payable from restricted assets:		
Accrued interest payable	102,853	-
Revenue bonds	455,000	-
Customer deposits	672,431	173,562
Total current liabilities	<u>2,195,837</u>	<u>1,028,862</u>
Long-term liabilities, net of current portion		
Accumulated unpaid compensated absences	39,302	-
Accrued Other Post-employment Benefits	58,756	-
Revenue bonds payable	11,642,000	-
Total long-term liabilities, net of current portion	<u>11,740,058</u>	<u>-</u>
Total Liabilities	<u>13,935,895</u>	<u>1,028,862</u>
Net Assets:		
Invested in capital assets, net of related debt	1,508,562	-
Restricted for:		
Debt service	289,516	-
Self insurance	-	172,868
Unrestricted	6,777,097	-
Total net assets	<u>8,575,175</u>	<u>172,868</u>
Total Liabilities and Net Assets	<u>\$ 22,511,070</u>	<u>\$ 1,201,730</u>

The accompanying notes are an integral part of this statement.

The accompanying notes are an integral part of this statement.

**CITY OF KINGSVILLE****RECONCILIATION OF THE PROPRIETARY FUND STATEMENT OF NET ASSETS  
TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2008****EXHIBIT A-7R**

Utility Fund Net Assets - Proprietary Funds Statement of Net Assets \$ 8,575,175

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

Solid Waste is a business-type activity that is included in the general fund. Assets  
and liabilities relating to Solid Waste are included in business-type activities in the  
government-wide statement of net assets. 44,334

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

Net Assets of Business-type Activities - Statement of Net Assets \$ 8,662,715

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

**CITY OF KINGSVILLE**
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN FUND NET ASSETS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Enterprise Fund	Nonmajor Internal Service Fund
	Utility Fund	Insurance Fund
<b>OPERATING REVENUES:</b>		
Water	\$ 4,325,345	\$ --
Other income	1,221	--
Wastewater	2,958,287	--
Insurance premiums	--	1,899,868
Federal Revenue	650	--
Total Operating Revenues	<u>7,285,503</u>	<u>1,899,868</u>
<b>OPERATING EXPENSES:</b>		
Personal services	1,774,809	--
Supplies	206,772	--
Services	1,062,967	1,913,067
Maintenance	377,657	--
Water supply contract	350,000	--
Depreciation and amortization	823,330	--
Total Operating Expenses	<u>4,595,535</u>	<u>1,913,067</u>
Operating Income (Loss)	<u>2,689,968</u>	<u>(13,199)</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>		
Interest	191,699	29,394
Interest and fiscal agent charge	(577,900)	--
Total Non-operating Revenues (Expenses)	<u>(386,201)</u>	<u>29,394</u>
Net Income (Loss) before Transfers	<u>2,303,767</u>	<u>16,195</u>
<b>TRANSFERS IN (OUT):</b>		
To General Fund	(1,250,000)	--
Total Transfers In (Out)	<u>(1,250,000)</u>	<u>--</u>
Net income (loss)	<u>1,053,767</u>	<u>16,195</u>
Net assets, October 1	7,521,408	156,673
Net assets, September 30	<u>\$ 8,575,175</u>	<u>\$ 172,868</u>

The accompanying notes are an integral part of this statement.



**CITY OF KINGSVILLE**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**EXHIBIT A-8R**

Change in net assets-utility fund

\$ 1,053,767

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.

121,785

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

\$ 1,175,552

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, 2008

	Utility Fund	Nonmajor Insurance Fund
<b>Cash Flows from Operating Activities:</b>		
Cash Received from Customers	\$ 7,300,480	\$ --
Cash Receipts (Payments) for Interfund Services Provided and Used	--	1,769,572
Cash Payments to Employees for Services	(1,729,046)	--
Cash Payments to Other Suppliers for Goods and Services	(2,720,842)	--
Cash Payments for Claims	--	(1,976,415)
Net Cash Provided (Used) by Operating Activities	<u>2,850,592</u>	<u>(206,843)</u>
<b>Cash Flows from Non-capital Financing Activities:</b>		
Proceeds (Payments) from (for) Borrowings	(621,343)	382,895
Transfers From (To) Other Funds	(1,250,000)	--
Net Cash Provided (Used) by Non-capital Financing Activities	<u>(1,871,343)</u>	<u>382,895</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Principal and Interest Paid	(1,012,900)	--
Acquisition or Construction of Capital Assets	(760,096)	--
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>(1,772,996)</u>	<u>--</u>
<b>Cash Flows from Investing Activities:</b>		
Interest and Dividends on Investments	191,699	29,394
Net Cash Provided (Used) for Investing Activities	<u>191,699</u>	<u>29,394</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(602,048)	205,446
Cash and Cash Equivalents at Beginning of Year	6,905,392	322,541
Cash and Cash Equivalents at End of Year	<u>\$ 6,303,344</u>	<u>\$ 527,987</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>		
Operating Income (Loss)	\$ 2,689,968	\$ (13,199)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation	823,330	--
Provision for Uncollectible Accounts	--	--
<b>Change in Assets and Liabilities:</b>		
Decrease (Increase) in Receivables	37,769	(173,121)
Decrease (Increase) in Due from Other Governments	(650)	--
Decrease (Increase) in Due from Other Funds	--	--
Decrease (Increase) in Inventories	(39,644)	--
Increase (Decrease) in Accounts Payable	(683,802)	(63,348)
Increase (Decrease) in Accrued Wages Payable	(7,471)	--
Increase (Decrease) in Accrued Other Post-employment Benefits	58,756	--
Increase (Decrease) in Accumulated Compensated Absences	(5,522)	--
Increase (Decrease) in Due to Other Governments	(45,229)	--
Increase (Decrease) in Customer Deposits	23,087	42,825
Total Adjustments	<u>160,624</u>	<u>(193,644)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,850,592</u>	<u>\$ (206,843)</u>

The accompanying notes are an integral part of this statement.

**CITY OF KINGSVILLE**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**SEPTEMBER 30, 2008**

	Agency Fund	Court Cash Bond Account
<b>ASSETS</b>		
Assets:		
Cash and cash equivalents	\$ 23,902	
Total Assets	\$ 23,902	
<b>LIABILITIES AND EQUITY</b>		
Liabilities:		
Payable from restricted assets:		
Customer deposits	\$ 23,902	
Total Liabilities	23,902	
Equity:		
Fund balance	--	
Total equity	--	
Total Liabilities and Equity	\$ 23,902	

The accompanying notes are an integral part of this statement.

# CITY OF KINGSVILLE

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

### A. Summary of Significant Accounting Policies

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

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of these Notes. The remainder of the Notes is organized to provide explanations, including required disclosures, on the City's financial activities for the fiscal year ended September 30, 2008.

#### 1. Reporting Entity

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

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

#### 1. Blended Component Units

The City did not have a Blended Component Unit at September 30, 2008.

#### 2. Discretely Presented Component Unit

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

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

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

**CITY OF KINGSVILLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**3. Related Organizations and Jointly Governed Organizations**

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

**2. Basis of Presentation, Basis of Accounting**

**a. Basis of Presentation**

**Government-wide Statements:** The statement of net assets and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

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

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

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

**Governmental Fund Financial Statements:** Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Those revenues considered susceptible-to-accrual are property taxes, hotel occupancy taxes,

**CITY OF KINGSVILLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

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

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

**3. Implementation of New Standards**

**Primary Government**

In the current year, the City implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions which establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. Complete OPEB information can be found in Note J.

Additionally, the City implemented GASB Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenue which establishes criteria that governments will use to ascertain whether certain transactions should be regarded as sales or collateralized borrowings and GASB Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations, which provides guidance on how to calculate and report the costs and obligations associated with pollution cleanup efforts. Neither of these Statements required reporting or disclosures in the financial statements of the City.

The City implemented GASB Statement No. 50, Pension disclosures, which modifies requirements related to financial reporting pension plans and by employers that provide defined benefit pensions.

The City will implement the following standards in future years if they are applicable to the City.

The GASB has issued Statement No. 51, "Accounting and Financial Reporting of Intangible Assets." This Statement establishes accounting and financial reporting requirements for intangible assets including easements, water rights, timber rights, patents, trademarks, and computer software. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009.

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

The GASB has issued Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments." This Statement is intended to improve how state and local governments report information about derivative instruments - financial arrangements used by governments to manage specific risks or make investments - in their financial statements. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2009.

**CITY OF KINGSVILLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**4. Financial Statement Amounts**

**a. Equity in Pooled Cash and Cash Equivalents**

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

**b. Property Taxes**

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

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

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

In order to obtain approval of its general obligation bonds by the Attorney General of the State, a satisfactory showing of adequate taxing power must be made. As a general rule the Attorney General will not approve new bonds if this will make the net debt exceed twenty-five percent of the assessed value. The 2007 tax rate was \$.76781 of which \$.50040 was distributed to the General Fund and \$.26735 was applied to the Debt Service Fund. Using the twenty-five percent rule, the City's legal margin is \$156,951,680.

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

**c. Inventory**

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

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

**CITY OF KINGSVILLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

d. Capital Assets

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

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

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

e. Receivable and Payable Balances

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

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

f. Restricted Assets

Certain debt proceeds of the City's enterprise funds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

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

g. Long-term Obligations

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

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



**CITY OF KINGSVILLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

h. Pension Plans

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

i. Fund Equity

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

j. Accumulated Unpaid Compensated Absences

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

k. Interfund Activity

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

**B. Compliance and Accountability**

1. Finance-Related Legal and Contractual Provisions

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

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

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

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

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

**CITY OF KINGSVILLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**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.

**1. Cash & Cash Equivalents**

At September 30, 2008, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$21,099,266 and the bank balance was \$17,909,919. The City's cash deposits at September 30, 2008 and during the year ended September 30, 2008, were entirely covered by FDIC insurance or properly secured by collateral held by the City's agent in the City's name. The discretely presented component unit had a total of \$166,350 held in cash and cash equivalents which was fully secured by FDIC insurance.

**2. Investments**

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

Investment Accounting Policy

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

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

## CITY OF KINGSVILLE

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

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

Investment	Reported Amount	Fair Value	Maturity
MBIA (Rated @ AAA/V1+)	\$ 16,763,596	\$ 16,763,596	3 Month Avg.
	<u>\$ 16,763,596</u>	<u>\$ 16,763,596</u>	

#### Analysis of Specific Deposit and Investment Risks:

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

1. Credit Risks

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

2. Custodial Credit Risk

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

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

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

3. Concentration of Risk

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

4. Interest Rate Risk

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

5. Foreign Currency Risk

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

**CITY OF KINGSVILLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**D. Receivables**

	General	Special Revenue/ Other Governmental	Debt Service	Enterprise	Primary Government Total
Receivables:					
Accounts	\$ 4,588,580	\$ --	\$ --	\$ 1,581,310	\$ 6,169,890
Taxes - Property	585,495	--	57,763	--	643,258
Taxes - Franchise & Sales	90,482	2,746	--	--	93,228
Special Assessments	152,647	--	--	--	152,647
Gross Receivables	5,417,204	2,746	57,763	1,581,310	7,059,023
Less: Allowance for uncollectable	(3,855,735)	--	(23,238)	(511,389)	(4,390,362)
Net total receivable	\$ 1,561,469	\$ 2,746	\$ 34,525	\$ 1,069,921	\$ 2,668,661

The component unit has no account receivable at year end.

**E. Capital Assets**

Capital asset activity for the year ended September 30, 2008, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 469,540	\$ --	\$ --	\$ 469,540
Construction in progress	--	178,534	--	178,534
Total capital assets not being depreciated	469,540	178,534	--	648,074
<i>Capital assets being depreciated:</i>				
Road Network	18,568,151	--	--	18,568,151
Buildings and improvements	3,675,875	--	--	3,675,875
Equipment	2,344,123	26,390	(9,285)	2,361,228
Vehicles	3,536,311	1,099,936	(376,388)	4,259,859
Total capital assets being depreciated	28,124,460	1,126,326	(385,673)	28,865,113
Less accumulated depreciation for:				
Road Network	(10,070,718)	(296,095)	--	(10,366,813)
Buildings and improvements	(1,989,564)	(56,685)	--	(2,046,249)
Equipment	(1,575,996)	(226,597)	9,285	(1,793,308)
Vehicles	(2,431,988)	(349,263)	360,830	(2,420,422)
Total accumulated depreciation	(16,068,266)	(928,641)	370,115	(16,626,792)
Total capital assets being depreciated, net	12,056,194	197,685	(15,558)	12,238,321
Governmental activities capital assets, net	\$ 12,525,734	\$ 376,219	\$ (15,558)	\$ 12,886,395

**CITY OF KINGSVILLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-type activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 352,354	\$ --	\$ --	\$ 352,354
Construction in progress	9,759,028	722,943	(10,095,027)	386,944
Total capital assets not being depreciated	10,111,382	722,943	(10,095,027)	739,298
<i>Capital assets being depreciated:</i>				
Buildings and improvements	25,035,275	10,095,027	(51,730)	35,078,572
Equipment	2,593,122	88,230	(23,465)	2,657,887
Vehicles	3,135,043	--	--	3,135,043
Total capital assets being depreciated	30,763,440	10,183,257	(75,195)	40,871,502
Less accumulated depreciation for:				
Buildings and improvements	(20,605,121)	(659,112)	--	(21,264,233)
Equipment	(1,777,441)	(142,459)	18,335	(1,901,565)
Vehicles	(2,279,801)	(221,598)	--	(2,501,399)
Total accumulated depreciation	(24,662,363)	(1,023,169)	18,335	(25,667,198)
Total capital assets being depreciated, net	6,101,077	9,160,088	(56,860)	15,204,304
Business-type activities capital assets, net	\$ 16,212,459	\$ 9,883,031	\$ (10,151,887)	\$ 15,943,603
Depreciation was charged to functions as follows:				
General Government	\$ 39,479			
Public Safety	466,987			
Public Works	419,337			
City/County	2,838			
	\$ 928,641			

**F. Interfund Balances and Activity**

**1. Due To and From Other Funds**

Balances due to and due from other funds at September 30, 2008, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Other Governmental Funds	\$ 510,755	Short-term loans
General Fund	Debt Service Fund	29,880	Short-term loans
Utility Fund	General Fund	232,001	Short-term loans
Utility Fund	Utility Fund	4,472	Short-term loans
Internal Service Fund	General Fund	371,474	Short-term loans
Internal Service Fund	Utility Fund	98,929	Short-term loans
Internal Service Fund	Other Governmental Funds	30,219	Short-term loans
Utility Fund	Internal Service Fund	674,518	Short-term loans
Debt Service Fund	Utility Fund	45,009	Short-term loans
Utility Fund	Debt Service Fund	2,197	Short-term loans
Total		\$ 1,999,454	

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

**CITY OF KINGSVILLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

2. Transfers To and From Other Funds

Transfers to and from other funds at September 30, 2008, consisted of the following:

Transfers From	Transfers To	Amount	Reason
Utility Fund	General Fund	\$ 1,250,000	Supplement other funds sources
	Total	\$ 1,250,000	

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, 2008 is as follows:

	All Governmental Fund Types
Deferred Taxes	\$ 383,848
Deferred Assessments/Interest	493,811
Other	6,478
Total Deferred Revenue	\$ 884,137

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, 2008, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>Governmental activities:</b>					
Certificates of obligation	\$ 7,403,000	\$ --	\$ 878,792	\$ 6,524,208	\$ 952
Capital leases	--	181,772	--	181,772	22,736
Total long-term debt	7,403,000	181,772	878,792	6,705,980	23,688
Accumulated compensated absences*	880,246	789,907	789,810	880,343	173,816
Other post-employment benefits	--	286,869	--	286,869	--
Governmental activity Total long-term debt	\$ 8,283,246	\$ 1,258,548	\$ 1,668,602	\$ 7,873,192	\$ 197,504
<b>Business-type activities:</b>					
Revenue bonds-payable	\$ 845,000	\$ --	\$ 155,000	\$ 690,000	\$ 155,000
Certificates of obligation (1)	13,612,000	--	671,208	12,935,792	708,000
Total long-term debt	14,457,000	--	826,208	13,630,792	863,000
Landfill closure cost	3,019,326	280,696	--	3,300,022	--
Other post-employment benefits	--	58,756	--	58,756	--
Accumulated compensated absences*	83,324	31,203	36,725	77,802	38,500
Business-type activities Long-term liabilities	\$ 17,559,650	\$ 370,655	\$ 862,933	\$ 17,067,372	\$ 901,500

(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**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

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

<u>Liability</u>	<u>Activity Type</u>
Compensated absences	Governmental activities
Compensated absences	Business-type activities

	<u>2008</u>	<u>2007</u>
Revenue bonds payable:		
\$2,000,000 Utility System Revenue Bonds Series 1995; due in annual installments of \$155,000 to \$190,000 through April 15, 2012; interest at 3.95% to 5.8%.	\$ 695,000	\$ 845,000
Total Revenue Bonds Payable	<u>\$ 695,000</u>	<u>\$ 845,000</u>
Certificates of obligation payable:	<u>2008</u>	<u>2007</u>
\$11,780,000 Certificates of Obligation Series 2005 for General Improvements; due in annual installments of \$220,000 to \$990,000 through August 2025; interest at 3.00% to 4.125%. (100% Utility Fund).	\$ 11,165,000	\$ 11,375,000
\$3,305,000 Certificates of Obligation, Series 2001 for General Improvements; due in annual installments of \$365,000 to \$400,000 through August 1, 2011; interest at 4.3% to 5.7%. (100% Utility Fund).	1,145,000	1,495,000
\$3,000,000 Certificates of Obligation Series 1998 for General Improvements; due in annual installments of \$155,000 to \$225,000 through February 1, 2018; interest at 4% to 5%.	2,000,000	2,145,000
\$2,485,000 Certificates of Obligation Series 2002A for General Improvements; due in annual installments of \$90,000 to \$215,000 through February 1, 2023; interest at 3.0% to 4.7%.	2,040,000	2,160,000
\$3,960,000 Certificates of Obligation Series 2002 for General Improvements; due in annual installments of \$655,000 to \$695,000 through February 1, 2011; interest at 3.125% to 3.5%. (Split General Fund 84.80% and Utility Fund 15.20%).	2,025,000	2,640,000
\$1,200,000 Public Property Financial Contractual Contracual Obligation Series 2007 for General Improvements; Due in annual installments of \$120,000 to \$150,000 through August 1, 2017; interest at 4.11%. (General Fund 71.667%, Utility Fund 35.83337%).	1,085,000	1,200,000
Total Certificates of Obligation Payable	<u>\$ 19,460,000</u>	<u>\$ 21,015,000</u>

**CITY OF KINGSVILLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

2. Debt Service Requirements

Debt service requirements on long-term debt at September 30, 2008, are as follows:

Governmental Activities			
Year Ending September 30,	Principal	Interest	Total
2009	\$ 952,000	\$ 256,770	\$ 1,208,770
2010	1,018,417	220,016	1,238,433
2011	1,089,625	180,184	1,269,809
2012	394,833	150,748	545,581
2013	418,042	132,866	550,908
2014-2018	2,166,291	368,934	2,535,225
2019-2022	485,000	58,009	543,009
Totals	\$ 6,524,208	\$ 1,367,527	\$ 7,891,735

Business-type Activities					
Year Ending September 30,	Certificates of Obligation		Revenue Bonds		Total
	Principal	Interest	Principal	Interest	
2009	\$ 708,000	\$ 545,412	\$ 155,000	\$ 40,070	\$ 1,448,482
2010	731,583	519,329	170,000	31,235	1,452,147
2011	755,375	492,007	180,000	21,460	1,448,842
2012	430,167	463,997	190,000	11,020	1,095,184
2013	646,958	449,111	--	--	1,096,069
2014-2018	3,523,709	1,817,029	--	--	5,340,738
2019-2023	4,200,000	985,912	--	--	5,185,912
2024-2028	1,940,000	131,850	--	--	2,071,850
Totals	\$ 12,935,792	\$ 5,404,647	\$ 695,000	\$ 103,785	\$ 19,139,224

3. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of September 30, 2008, as follows:

Year Ending September 30:	
2009	\$ 30,734
2010	30,734
2011	30,734
2012	30,734
2013	30,734
2014-2015	61,469
Total Minimum Rentals	215,139
Less: Amount representing interest	33,367
Present value of net minimum lease payments	\$ 181,772

The effective interest rate on capital leases is 4.400%.



**CITY OF KINGSVILLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**I. Pension Plan**

**1. Texas Municipal Retirement System**

Retirement Systems

The City participates in funding a retirement plan in which all City employees, except firefighters, are provided benefits through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 821 administered by TMRS, an agent multiple-employer public employee retirement system. An independent board of trustees administers the plan. The fiscal year of the pension fund ends December 31. The most recently available financial statements of the City employees pension fund is for the year ended December 31, 2007.

The plan provides service retirement, death, disability, and withdrawal benefits. State law governs benefit and contribution provisions. Amendments may be made by the Legislature of the State of Texas.

At its December 8, 2007 meeting, the TMRS Board of Trustees adopted actuarial assumptions to be used in the actuarial valuation for the year ended December 31, 2007. A summary of actuarial assumptions and definitions can be found in the December 31, 2007 TMRS Comprehensive Annual Financial Report (CAFR).

Since its inception, TMRS has used the Unit Credit actuarial funding method. This method accounts for liability accrued as of the valuation date, but does not project the potential future liability of provisions adopted by a city. Two-thirds of the cities participating in TMRS have adopted the Updated Service Credit and Annuity Increases provisions on an annually repeating basis. For the December 31, 2007 valuation, the TMRS Board determined that the Projected Unit Credit (PUC) funding method should be used, which facilitates advance funding for future updated service credits and annuity increases that are adopted on an annually repeating basis. In addition, the Board also adopted a change in the amortization period from a 25-year "open" to a 25-year "closed" period. TMRS Board of Trustee rules provide that, whenever a change in actuarial assumptions or methods results in a contribution rate increase in an amount greater than 0.5%, the amortization period will be increased to 30 years, unless a city requests that the period remain at 25 years. For cities with repeating features, these changes would likely result initially in higher required contributions and lower funded ratios; however, the funded ratio should show steady improvement over time. To assist in this transition to higher rates, the Board also approved an eight-year phase-in period, which will allow cities the opportunity to increase their contributions gradually (approx. 12.5% each year) to their full rate (or their required contribution rate).

If the changes in actuarial funding method and assumptions had not been adopted for the 2007 valuation, the city's unfunded actuarial accrued liability would have been \$26,413,940 and the funded ratio would have been 80.1%.

In addition, TMRS is currently working on its legislative package for 2009. There is a possibility that the investment rate of return (IRR) assumption of 7% would need to be lowered if desired legislation for the 2009 session is unsuccessful. Maintaining a 7% IRR assumption is contingent in part on the continued diversification of the TMRS portfolio, from an almost exclusive bond portfolio to a portfolio that includes equities as well. If state legislation needed to facilitate the continued diversification is not enacted, TMRS may have to revisit the continued diversification of the portfolio and consider reducing the assumed IRR. A reduction in the IRR would result in increased actuarial accrued liabilities, thus causing further increases in city contribution rates, following the December 31, 2009 actuarial valuation.

Contributions

While the contribution requirements are not actuarially determined, State law requires that a qualified actuary approve each plan of benefits adopted. The actuary of the benefit plan had certified that the contribution commitment by the participants and the City provides an adequate financing arrangement. Contributions for fiscal year ended 9/30/08 are as follows:

	<u>City Employees</u>
City	823,659
Employees	571,758
Total	<u>1,395,417</u>

# CITY OF KINGSVILLE

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

### Annual Pension Cost and Net Pension Obligation

The City's annual pension cost of \$823,659 for fiscal year ended September 30, 2008, was equal to the City's required and actual contributions. Three-year trend information is as follows:

	City Employees
City's Annual Pension Cost (APC)	
2006	729,018
2007	728,435
2008	823,659
Percentage of APC contributed	
2006	100%
2007	100%
2008	100%
Net Pension Obligation	
2006	--
2007	--
2008	--

### Pension Plan

\*New actuarial cost method and assumptions were adopted by the Board of Trustees at their December, 2007 meeting, to be effective for the 12/31/07 valuation.

	2005	2006	2007*
A. <u>Plan Provisions</u>			
1. Total # of participating entities	811	821	827
City Specific:			
2. Employee deposit rate	7.0%	7.0%	7.0%
3. Matching ratio (city to employee)	1.5 to 1	1.5 to 1	1.5 to 1
4. Years required for vesting	5	5	5
5. Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20	60/5, 0/20
6. Updated service credit	100%	100%	100%
annually repeating (Y/N)	Y	Y	Y
7. Annuity increase to retirees	70%	70%	70%
annually repeating (Y/N)	Y	Y	Y
8. Supplemental death benefit			
for active employees (Y/N)	N	N	N
for retirees (Y/N)	N	N	N

### B. Funding Policy

Cities are required to contribute at an actuarially determined rate; these rates are provided to the city on an annual basis, following the completion of the actuarial valuation. Note that there is a time delay in the valuation and when the rate becomes effective - for example, the January 1, 2007 contribution rate is based on the 12/31/2005 valuation results; if a change in plan provisions is elected by the city, this rate can change. The actuary determines contribution rates on a calendar-year basis; the city discloses the annual pension costs (which equal the required contributions) based on the calculated rate(s) for the city's fiscal year.

**CITY OF KINGSVILLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**C. Actuarial Information**

1.	Actuarial cost method	Unit Credit	Unit Credit	Projected Unit Credit
2.	Amortization method	Level percent of payroll	Level percent of payroll	Level percent of payroll
3.	Amortization period	25 years - open period	25 years - open period	30 years - closed period
4.	Asset valuation method	Amortized cost	Amortized cost	Amortized cost
5.	Assumptions			
	Investment return	7.0%	7.0%	7.0%
	Projected salary increases	None	None	Varies by age and service
	Inflation	3.5%	3.5%	3.0%
	Cost-of-living adjustments	None	None	2.1% (3.0% CPI)
6.	City-specific assumptions			
	Payroll growth assumption	4.0%	4.0%	3.0%
	Withdrawal rates for Male/Female (low, mid/low, mid, mid/high, or high)	Mid/High	Mid/High	Mid-High/High

**D. Schedule of Funding Information**

1.	Actuarial valuation date	12/31/2005	12/31/2006	12/31/2007
2.	Actuarial value of assets	20,681,659	21,200,009	21,156,012
3.	Actuarial accrued liability (AAL)	25,342,844	26,116,397	29,866,943
4.	Unfunded/(Overfunded) actuarial accrued liability (UAAL or OAAL)	4,661,185	4,916,388	8,710,931
5.	Funded ratio	81.6%	81.2%	70.8%
6.	Annual covered payroll (actuarial)	7,433,342	7,324,221	7,643,277
7.	UAAL or OAAL as % of covered payroll	62.7%	67.1%	114.0%

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

**Plan Description**

The Fire Fighters' Pension Commissioner is the administrator of the Texas Statewide Emergency Services Personnel Retirement Fund, a cost-sharing multiple employer pension system established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without monetary remuneration. The Texas Statewide Emergency Services Personnel Retirement Fund is considered a component unit of the State of Texas financial reporting entity and is included in the State's financial reports as a pension trust fund. At August 31, 2008 there were 8,254 member departments participating in the pension system.

The table below summarizes the pension system membership of the City as of August 31, 2008:

Retirees and beneficiaries currently receiving benefits	15
Terminated members entitled to benefits but not yet receiving them	N/A *
Current active members (vested and nonvested)	20

\* N/A "Not Available"

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

## CITY OF KINGSVILLE

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

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

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

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

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

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

#### Annual Required Contributions Made

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

In addition to the contributions for dues and prior service made to the Texas Statewide Emergency Services Personnel Retirement Fund, some cities are required to make additional deposits. These additional deposits are for retirees and beneficiaries that have been in the H.B. 258 Texas Local Fire Fighters Retirement Act (TLFFRA) Fund before merging into S.B. 411. For Kingsville, this additional deposit was \$6,842.

#### Annual Required Contributions

The employer annual pension cost of \$6,842 for fiscal year ended August 31, 2007 was equal to the required and actual contributions. Three-year information is as follows:

	2006	2007	2008
Annual Required Contribution	\$ 7,552	\$ 6,738	\$ 6,842
Percentage of Required Cost Contributed	100%	100%	100%

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

#### Plan

#### Address

Fire Fighters' Retirement System

P.O. Box 12577  
Austin, TX 78711

**CITY OF KINGSVILLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

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

Post-Post-Employment Health Care Benefits

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

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, 2008, a total of 13 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 Year Ending 2008

Normal Cost	\$ 181,514
Minimum Amortization of UAL	150,818
Interest Adjustment to Year-end	13,293
Annual Required Contribution	345,625
ARC adjustment	--
Interest Adjustment to Net OPEB Obligation	--
OPEB Cost	345,625
Contributions Made	55,279
Increase in Net OPEB Obligation	290,346
Net OPEB Obligation - beginning of year	--
Net OPEB Obligation - end of year	\$ 290,346

**CITY OF KINGSVILLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

Funded Status and Funding Progress

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

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

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

Actuarial Methods and Assumptions

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

1. Valuation Date 10/01/2007
2. Discount Rate 4.0%
3. Payroll 3.0% per annum
4. Medical Claim Costs Age-neutral claim costs were derived from the actual claim experience, trended to the valuation date and adjusted for the risk characteristics of the group.
5. Stop-Loss Premiums Monthly premiums as of 10/1/2007 are as follows:
 

Specific:	\$ 29.30
Aggregate	\$ 5.35
6. Expenses Expenses per enrollee per month for retiree only coverage as of October 1, 2007 are as follows:
 

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

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

**CITY OF KINGSVILLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

7. Contributions

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

8. Medical Trend

UP-1994

9. Pre-Retirement Mortality

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

Post-Retirement Mortality

RP-2000 Combined Healthy Mortality Table (no adjustment for males and 1-year setback for females).

10. Employee Turnover and Retirement

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

11. Participation by future retirees

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

12. Dependent status

Dependents are not eligible for retiree coverage.

**K. Commitments and Contingencies**

1. Contingencies

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

2. Litigation

No reportable litigation was pending against the City at September 30, 2008.

**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, 2008 for the following funds:

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

**CITY OF KINGSVILLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

Budget amendments approved during the year included the following:

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

**M. Compensated Absences**

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

	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, 2007, the liability for accrued vacation leave and accrued sick leave is approximately \$958,145. The amount applicable to the General Fund and Enterprise Fund of \$880,343 and \$77,802, respectively, and have been recorded in its respective fund.

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

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

The South Texas Water Authority (STWA) was created in 1979 as a conservation and reclamation district to finance, construct and operate a regional water supply system which will supply treated water on a wholesale basis to the incorporated cities of Kingsville, Bishop, Driscoll, and Agua Dulce and to the unincorporated community of Banquete. Each of these cities was totally reliant on ground water from the Goliad Formation, an aquifer which underlies Nueces, Kleberg and several adjacent counties. Withdrawal of water from the Goliad Formation created numerous zones of depression or declines in the water table. Additionally, some locations in the area as well as a number of individual wells were producing water of marginal quality particularly in regard to dissolved solids and chloride levels. The Authority's system, which was completed and accepted on September 1, 1984, consists of pipeline facilities originating at the City of Corpus Christi O.N. Stevens Water Treatment Plant at Calallen, Texas, with terminal ground storage facilities located at Driscoll (150,000 gallons), Bishop (750,000), Kingsville (5,000,000), Banquete and Agua Dulce (150,000). The Authority is also authorized to contract the sale of water to non-members. Contracts have been entered into with Coastal Bend Youth City, Ricardo Water Supply Corporation and Nueces Water Supply Corporation. The Authority has the ability to levy property taxes in its district not to exceed \$.20 per \$100 assessed valuation. The Authority purchases treated water from the City of Corpus Christi and delivers it into ground storage facilities constructed by it and located at the designated delivery point in each customer city. Use and resale of such water by the customer city is subject to all of the terms, conditions, and restrictions set forth in the Authority's water supply contract with Corpus Christi. The price of water will be uniform among the STWA customer cities and will be based on water rates as discussed below.



**CITY OF KINGSVILLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**PRICES AND TERMS**

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

**1. Handling Charge**

- a. The Handling Charge shall be designed to cover all of the Authority's expenses other than the Cost of Water, including operation and maintenance expenses and amounts budgeted to be paid in the current year for capital improvements, plus an amount sufficient to accumulate and maintain a reasonably adequate reserve fund as stated in subparagraph b, less tax receipts and all other income and revenue. The initial Handling Charge, commencing on the effective date of this Contract and remaining in effect during the initial Contract Year, was \$0.2923 per thousand gallons of water delivered and was changed to \$0.3069 as of September 2007.
- b. Each Contract Year the Authority may adjust the Handling Charge to cover reasonable increases in the Authority's expenses and to accumulate and maintain a reasonable amount of reserve funds, provided that the increase in any one Contract Year may not exceed 5% of the above stated initial Handling Charge and that the total reserve funds of the Authority reasonably projected at its maximum during any Fiscal Year shall not exceed \$1.171 million. If the actual or projected reserve exceeds \$1.171 million, the Handling Charge shall be reduced accordingly for the next Contract year.
- c. The adjustment in the Handling Charge may exceed an increase of 5% in any Contract Year if the Authority obtains prior written approval of Customers representing in the aggregate not less than 75% of the water purchased from the Authority during its preceding Fiscal Year.
- d. Notice of a change in Handling Charge shall be delivered to the City on or before the 10th day of August of each Contract Year. The notice shall state the amount of the new Charge and the reason and calculations for the adjustment. The new Handling Charge shall be effective commencing at the beginning of the next Contract Year.
- e. The City may object to the Handling Charge for any Contract Year after the initial Year by delivering to the Authority a notice stating the nature of the City's objection to the Charge. The objection shall be resolved by following the dispute resolution procedures established in the contract. If the dispute is not resolved by the beginning of the subject contract Year, the City shall pay at the new rate until the dispute is resolved. The Handling Charge determined through the dispute resolution procedure shall be effective as the beginning of that Contract Year unless otherwise agreed by the parties.
- f. Any change in the Handling Charge, by agreement, dispute resolution, or otherwise shall apply to all Customers of the Authority, in accordance with the contract.
- g. At the end of the term of this Contract, the City may request a retroactive adjustment in the price of water delivered in the last year of the Contract if the Authority's reserve fund exceeds \$1.171 million on the last day of that last Contract Year. The request shall be resolved by use of the dispute resolution procedures stated in the contract.

**2. Cost of Water**

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

**CITY OF KINGSVILLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**GUARANTEED PURCHASE**

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

**O. Risk Management**

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

**2. Health Insurance**

The City began to self-insure for health insurance due to the high cost of commercial health insurance, effective October 1, 2001. A stop loss policy which covers health claims in excess of \$75,000 per individual with a maximum lifetime coverage of \$925,000 is kept in force. In addition, the City's aggregate stop loss coverage is \$1 million and the City maintains aggregate coverage of its group health expenses at 100% of projected claims. Settlements have not exceeded insurance coverage during the current year.

All funds of the City participate in the program and make payments to the Self-Insurance Fund based on estimates of amounts needed to pay prior and current year claims. The claims liability of \$180,782 at September 30, 2008 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 2008 and 2007 were:

	Beginning-of Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2007	\$ 157,372	\$ 1,605,127	\$ 1,518,369	\$ 244,130
2008	244,130	1,407,020	1,470,368	180,782

**3. Litigation Tort Claims**

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

## CITY OF KINGSVILLE

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

#### P. Closure and Postclosure Care Cost

State and federal laws and regulations require that the City place a final cover on its landfill when closed and perform maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, expense provisions and related liabilities are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure costs is based on the amount of the landfill used during the year. The amount of the liability is based on what it would cost to have all such closure and postclosure care performed in the current year, and is assigned to periods based on cumulative landfill use. The estimated liability for landfill closure and postclosure care costs recorded in the General Long-Term Debt Account Group at September 30, 2008 is \$3,300,022 based on 78.7.0% usage (filled) of the landfill through September 30, 2008. It is estimated that an additional \$891,187 will be recognized as closure and postclosure care expenses between the date of the balance sheet and the date the landfill is expected to be filled to capacity (2011). The estimated total current cost for the landfill closure and postclosure care of \$280,696 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, 2008. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

#### Q. Segment Information for Enterprise Funds

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

#### R. Non-Budgeted Funds

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

**REQUIRED SUPPLEMENTARY INFORMATION**



**CITY OF KINGSVILLE**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

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

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Taxes:</b>				
<b>General Property Taxes:</b>				
Current Taxes	\$ 2,993,579	\$ 2,993,579	\$ 2,952,563	\$ (41,016)
Delinquent taxes	95,360	95,360	131,665	36,305
Penalty & Interest	76,989	76,989	82,794	5,805
Late Rendition Fee	4,389	4,389	4,371	(18)
In Lieu of Tax Payments	100,000	100,000	100,000	-
Total General Property Taxes	3,270,317	3,270,317	3,271,393	1,076
City Sales Tax	3,704,703	3,704,703	3,891,968	187,255
Mixed Drink Tax	40,904	40,904	45,924	5,020
Bingo Tax	3,545	3,545	3,752	207
<b>Business Taxes:</b>				
Electric Franchise Tax	637,741	637,741	662,097	24,356
Telephone Franchise Tax	154,307	154,307	151,569	(2,738)
Gas Franchise Tax	85,850	85,850	93,648	7,798
Cable T.V. Franchise Tax	93,340	93,340	89,204	(4,136)
Total Business Taxes	971,238	971,238	996,518	25,280
Total Taxes	7,990,707	7,990,707	8,269,645	218,838
<b>Permits and Licenses:</b>				
Plumbing Permits	12,367	12,367	18,167	5,800
Electric Permits	35,728	35,728	29,898	(5,830)
Building Permits	73,380	73,380	69,853	(13,527)
Moving Permits	936	936	1,800	864
Other Permits	54,300	54,300	54,954	654
Amusement Licenses	2,161	2,161	750	(1,411)
Beer & Mixed Drink Licenses	3,978	3,978	2,485	(1,493)
Electrical Licenses	2,376	2,376	4,240	1,864
Contractor Licenses	29,113	29,113	25,120	(3,993)
Solicitor Licenses	149	149	-	(149)
Food Handler Licenses	19,238	19,238	12,165	(7,073)
Other Licenses	483	483	835	352
Total Permits and Licenses	234,209	234,209	210,267	(23,942)
<b>Charges for Services:</b>				
<b>General Service Fees:</b>				
Zoning Fees	5,000	5,000	3,216	(1,784)
Platting Fees	1,500	1,500	4,472	2,972
Police Accident Reports	4,000	4,000	3,340	(660)
Arrest Fees	4,000	4,000	595	(3,405)
Fire Reports	100	100	88	(12)
Fire Services	15,000	15,000	28,438	11,438
Ambulance Service	353,673	382,793	448,329	65,536
Other Service Fees	21,000	40,060	40,907	847
Total General Service Fees	404,273	452,453	527,385	74,932
City/County Services:				
Weed Control	3,400	3,400	8,924	5,524

**CITY OF KINGSVILLE**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

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

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Sanitation Services:</b>				
Garbage Fees	2,375,938	2,539,764	2,580,999	41,235
Landfill Fees	138,438	160,600	444,688	284,088
Miscellaneous	4,392	17,072	23,595	6,523
Total Sanitation Services	2,518,768	2,704,756	3,036,602	331,846
Total Charges for Services	2,926,441	3,173,289	3,585,591	412,302
<b>Fines and Forfeits:</b>				
Court Fines	466,858	516,584	494,254	(22,330)
Confiscated Revenue	--	--	47,945	47,945
Minor Fines	74	74	308	234
Collection of State Taxes	14,001	14,001	12,572	(1,429)
Other Court Fines	15,423	15,423	14,577	(846)
Total Fines and Forfeits	496,356	546,082	569,656	23,574
<b>Interest and Miscellaneous:</b>				
Interest from Investments	134,988	134,988	267,879	132,891
Auction Revenue	6,259	6,259	10,346	4,087
Sale of City Publications	1,150	1,150	539	(611)
Sale of Recycle Item	22,842	22,842	20,997	(1,845)
Miscellaneous	500	52,413	102,436	50,023
Total Interest and Miscellaneous	165,739	217,652	402,197	184,545
Gain or Loss on Sale of Property	200	200	--	(200)
Federal and state grants	--	--	4,597	4,597
<b>Total Revenues</b>	<b>11,813,652</b>	<b>12,162,139</b>	<b>12,981,853</b>	<b>819,714</b>
<b>Expenditures:</b>				
<b>City Administration Department</b>				
<b>City Commission:</b>				
Personal Services	70,391	67,991	64,734	3,257
Supplies	3,150	1,350	645	705
Services	38,545	34,545	29,546	4,999
Capital Outlay	70	70	--	70
Total City Commission	112,156	103,956	94,925	9,031
<b>City Manager:</b>				
Personal Services	169,292	171,506	170,715	791
Supplies	4,769	3,049	3,048	1
Services	15,056	17,912	17,768	144
Total City Manager	189,117	192,467	191,531	936

**CITY OF KINGSVILLE**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**EXHIBIT B-1**  
Page 3 of 7

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Municipal Building:</b>				
Supplies	1,142	2,519	1,625	894
Services	106,179	106,502	90,859	15,643
Maintenance	122	122	30	92
Building	12,612	11,612	10,768	844
Total Municipal Building	120,055	120,755	103,282	17,473
<b>Risk Management:</b>				
Personal Services	98,553	95,784	56,554	39,230
Supplies	5,925	9,316	9,316	--
Services	13,253	10,972	9,488	1,484
Maintenance	284	374	374	--
Total Risk Management	118,015	116,446	75,732	40,714
<b>City Special:</b>				
Personal Services	26,891	25,338	25,337	1
Supplies	30	130	54	76
Services	534,539	584,287	472,247	112,040
Capital Outlay	16,000	--	--	--
Total City Special	577,460	609,755	497,638	112,117
<b>Total City Administration Department</b>	<b>1,116,803</b>	<b>1,143,379</b>	<b>963,108</b>	<b>180,271</b>
<b>Management Services Department</b>				
<b>Personnel:</b>				
Personal Services	100,143	103,141	103,141	--
Supplies	2,706	2,459	2,445	14
Services	34,962	40,106	39,132	974
Total Personnel	137,811	145,706	144,718	988
<b>Municipal Court:</b>				
Personal Services	140,352	144,241	142,748	1,493
Supplies	1,700	1,655	802	853
Services	1,281	766	702	64
Total Municipal Court	143,333	146,662	144,252	2,410
<b>Finance:</b>				
Personal Services	245,154	248,715	247,266	1,449
Supplies	4,508	4,683	4,320	363
Services	55,039	56,772	54,504	2,268
Capital Outlay	54	54	--	54
Total Finance	304,755	310,224	306,090	4,134



**CITY OF KINGSVILLE**

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2008

EXHIBIT B-1

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	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Purchasing:</b>				
Personal Services	95,143	98,391	97,006	1,385
Supplies	3,650	3,650	3,122	528
Services	9,775	9,755	3,347	6,408
Maintenance	200	200	--	200
Total Purchasing	108,768	111,996	103,475	8,521
<b>Computer Operations:</b>				
Personal Services	43,559	37,234	36,247	987
Supplies	3,145	3,170	2,477	693
Services	40,443	48,137	46,881	1,256
Maintenance	1,739	1,539	1,449	90
Total Computer Operations	88,886	90,080	87,054	3,026
Total Management Services Department	783,553	804,668	785,589	19,079
<b>Legal Department</b>				
Personal Services	135,279	146,353	136,788	9,565
Supplies	1,554	1,554	1,155	399
Services	46,696	38,094	17,393	20,701
Total Legal Department	183,529	186,001	155,336	30,665
<b>Urban Development Department</b>				
<b>Planning:</b>				
Personal Services	93,297	86,612	35,296	51,316
Supplies	2,150	2,850	2,196	654
Services	7,550	5,858	2,137	3,721
Maintenance	500	500	--	500
Total Planning	103,497	95,820	39,629	56,191
<b>Permits and Licenses:</b>				
Personal Services	148,156	152,660	144,519	8,141
Supplies	3,540	3,991	3,522	469
Services	3,364	4,336	4,167	169
Maintenance	798	898	874	24
Total Permits and Licenses	155,858	161,885	153,082	8,803
<b>Litter Abatement:</b>				
Personal Services	50,012	58,649	58,649	--
Supplies	6,569	7,769	4,787	2,982
Services	13,373	19,411	10,284	9,127
Maintenance	500	500	14	486
Building	29,600	38,122	34,349	3,773
Total Litter Abatement	100,054	124,451	108,083	16,368

**CITY OF KINGSVILLE**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**EXHIBIT B-1**  
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	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Engineering:				
<i>Personal Services</i>	66,530	67,850	64,762	3,088
<i>Supplies</i>	3,422	3,586	985	2,601
<i>Services</i>	8,374	8,210	3,432	4,778
<i>Maintenance</i>	750	750	7	743
Total Engineering	79,076	80,396	69,186	11,210
Total Urban Development Department	438,485	462,552	369,980	92,572
<b>Police Department</b>				
<i>Personal Services</i>	3,157,919	3,255,899	3,201,408	54,491
<i>Supplies</i>	199,453	223,459	163,139	60,320
<i>Services</i>	363,754	323,395	300,646	22,749
<i>Maintenance</i>	42,214	41,754	32,563	9,191
<i>Building</i>	10,000	10,000	4,844	5,156
<i>Debt Service</i>	9,613	16,663	15,039	1,624
<i>Capital Outlay</i>	209,222	209,222	38,384	170,838
Total Police Department	3,992,175	4,080,392	3,756,023	324,369
<b>Fire Department</b>				
<i>Personal Services</i>	2,010,014	2,058,285	2,044,142	14,143
<i>Supplies</i>	137,719	142,863	135,154	7,709
<i>Services</i>	153,690	158,823	152,608	6,215
<i>Maintenance</i>	25,376	26,277	26,277	--
<i>Building</i>	42,202	39,515	39,514	1
<i>Debt Service</i>	31,728	--	--	--
<i>Capital Outlay</i>	973,874	1,184,969	1,110,688	74,281
Total Fire Department	3,374,603	3,610,732	3,508,383	102,349
<b>Volunteer Fire Department</b>				
<i>Personal Services</i>	9,000	9,000	7,107	1,893
<i>Services</i>	51,559	51,559	51,559	--
Total Volunteer Fire Department	60,559	60,559	58,666	1,893
<b>Public Works Department</b>				
Public Works Administration:				
<i>Personal Services</i>	35,463	35,783	35,136	647
<i>Supplies</i>	6,345	4,902	3,498	1,404
<i>Services</i>	34,648	34,325	29,267	5,058
<i>Maintenance</i>	660	2,375	1,355	1,020
<i>Building</i>	9,532	10,087	10,081	6
<i>Capital Outlay</i>	3,285	3,285	2,326	959
Total Public Works Administration	89,933	90,757	81,663	9,094

**CITY OF KINGSVILLE**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**EXHIBIT B-1**  
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	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Garage:</b>				
Personal Services	330,465	331,594	307,458	24,136
Supplies	13,574	19,876	18,600	1,276
Services	4,862	6,162	4,404	1,758
Maintenance	2,096	3,896	3,352	544
Capital Outlay	4,401	4,401	--	4,401
<b>Total Garage</b>	<b>355,398</b>	<b>365,929</b>	<b>333,814</b>	<b>32,115</b>
<b>Sanitation:</b>				
Personal Services	724,957	691,717	687,231	4,486
Supplies	180,843	185,716	164,649	21,067
Services	6,730	164,607	163,035	1,572
Maintenance	135,807	112,940	112,421	519
Capital Outlay	431,918	431,918	--	431,918
<b>Total Sanitation</b>	<b>1,480,255</b>	<b>1,586,898</b>	<b>1,127,336</b>	<b>459,562</b>
<b>Street:</b>				
Personal Services	684,464	658,838	609,390	49,448
Supplies	76,806	97,504	92,141	5,363
Services	312,609	301,292	243,240	58,052
Maintenance	68,652	75,159	74,873	286
Fixed Asset Maintenance	939,006	965,506	444,840	520,666
Capital Outlay	28,173	34,563	6,390	28,173
<b>Total Street</b>	<b>2,109,710</b>	<b>2,132,862</b>	<b>1,470,874</b>	<b>661,988</b>
<b>Train Depot:</b>				
Supplies	500	500	153	347
Services	18,400	17,700	14,934	2,766
Building	1,100	1,800	1,113	687
<b>Total Train Depot</b>	<b>20,000</b>	<b>20,000</b>	<b>16,200</b>	<b>3,800</b>
<b>Landfill:</b>				
Personal Services	266,241	267,187	257,686	9,501
Supplies	93,252	106,480	100,053	6,427
Services	116,157	185,407	174,128	11,279
Maintenance	48,001	98,721	93,345	5,376
Building	4,150	11,434	10,236	1,198
Capital Outlay	12,113	12,113	--	12,113
<b>Total Landfill</b>	<b>539,914</b>	<b>681,342</b>	<b>635,448</b>	<b>45,894</b>

**CITY OF KINGSVILLE**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

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

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Recycling Center:</b>				
<i>Personal Services</i>	90,462	92,370	90,680	1,690
<i>Supplies</i>	2,095	3,224	2,611	613
<i>Services</i>	11,362	12,371	11,412	959
<i>Maintenance</i>	1,570	1,570	683	887
<i>Building</i>	304	904	819	85
<i>Capital Outlay</i>	50,000	--	--	--
<b>Total Recycling Center</b>	<b>155,793</b>	<b>110,439</b>	<b>106,205</b>	<b>4,234</b>
<b>Total Public Works Department</b>	<b>4,751,003</b>	<b>4,988,227</b>	<b>3,771,540</b>	<b>1,216,687</b>
<b>Health Department</b>				
<i>Personal Services</i>	237,293	217,053	215,977	1,076
<i>Supplies</i>	22,760	27,773	27,759	14
<i>Services</i>	16,850	16,740	15,985	755
<i>Maintenance</i>	4,600	7,151	7,113	38
<i>Building</i>	2,000	1,131	935	196
<i>Capital Outlay</i>	3,730	5,525	5,525	--
<b>Total Health Department</b>	<b>287,233</b>	<b>275,373</b>	<b>273,294</b>	<b>2,079</b>
<b>Parks and Recreation Department</b>				
<i>Services</i>	200,000	200,000	200,000	--
<b>Total Parks and Recreation Department</b>	<b>200,000</b>	<b>200,000</b>	<b>200,000</b>	<b>--</b>
<b>Library Department</b>				
<i>Personal Services</i>	162,267	159,879	154,582	5,297
<i>Supplies</i>	30,497	31,215	27,425	3,790
<i>Services</i>	34,458	36,652	28,720	7,932
<i>Maintenance</i>	10,325	10,325	9,722	603
<i>Building</i>	13,535	17,195	17,188	7
<b>Total Library Department</b>	<b>251,082</b>	<b>255,266</b>	<b>237,637</b>	<b>17,629</b>
<b>Total Expenditures</b>	<b>15,439,025</b>	<b>16,067,149</b>	<b>14,079,556</b>	<b>1,987,593</b>
<b>Excess (deficiency) of revenues (under) expenditures</b>	<b>(3,625,373)</b>	<b>(3,905,010)</b>	<b>(1,097,703)</b>	<b>2,807,307</b>
<b>Other financing sources (uses):</b>				
<i>Operating transfers in</i>	1,250,000	1,250,000	1,250,000	--
<i>Lease proceeds</i>	--	181,772	181,772	--
<b>Total other financing sources (uses)</b>	<b>1,250,000</b>	<b>1,431,772</b>	<b>1,431,772</b>	<b>--</b>
<b>Excess of revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>(2,375,373)</b>	<b>(2,473,238)</b>	<b>334,069</b>	<b>2,807,307</b>
<b>Fund balances/equity, October 1</b>	<b>8,863,376</b>	<b>8,863,376</b>	<b>8,863,376</b>	<b>--</b>
<b>Fund balances/equity, September 30</b>	<b>\$ 6,488,003</b>	<b>\$ 6,390,138</b>	<b>\$ 9,197,445</b>	<b>\$ 2,807,307</b>

# CITY OF KINGSVILLE

## REQUIRED SUPPLEMENTARY INFORMATION

### SCHEDULE OF FUNDING PROGRESS

#### TEXAS MUNICIPAL RETIREMENT SYSTEM

YEAR ENDED SEPTEMBER 30, 2008

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)
12/31/05	\$ 19,340,981	\$ 23,590,386	\$ 4,249,405	82.0%	\$ 7,445,582	57.1%
12/31/06	21,200,009	26,116,397	4,916,388	81.2%	7,324,224	67.1%
12/31/07	21,156,012	29,866,943	8,710,931	70.8%	7,643,277	114.0%

#### Other Post-employment Benefit Plan:

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

**CITY OF KINGSVILLE**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

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 & BUDGETARY COMPARISON SCHEDULES





**CITY OF KINGSVILLE**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2008**

	Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds (See Exhibit A-3)
<b>ASSETS</b>			
Assets:			
Equity in pooled cash and cash equivalents	\$ 36,218	\$ --	\$ 36,218
Receivables ( net of allowances for uncollectibles):			
Taxes	36,724	--	36,724
Accounts	547	--	547
Due from:			
Other governments:	116,008	--	116,008
Restricted assets:			
Cash and cash equivalents	--	501,371	501,371
Total Assets	<u>\$ 189,497</u>	<u>\$ 501,371</u>	<u>\$ 690,868</u>
<b>LIABILITIES AND EQUITY</b>			
Liabilities:			
Accounts payable	\$ 780	\$ --	\$ 780
Due to:			
Other funds	53,371	157,885	211,256
Other governments	119,070	--	119,070
Deferred revenues	6,478	--	6,478
Total Liabilities	<u>179,699</u>	<u>157,885</u>	<u>337,584</u>
Equity:			
Fund balances:			
Reserved for capital outlay	--	343,486	343,486
Unreserved, undesignated	9,798	--	9,798
Total equity	<u>9,798</u>	<u>343,486</u>	<u>353,284</u>
Total Liabilities and Equity	<u>\$ 189,497</u>	<u>\$ 501,371</u>	<u>\$ 690,868</u>

**CITY OF KINGSVILLE**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenue:			
Taxes	\$ 421,633	\$ --	\$ 421,633
Interest and miscellaneous	3,141	18,424	21,565
Federal and state grants	236,232	--	236,232
Total revenues	<u>661,006</u>	<u>18,424</u>	<u>679,430</u>
Expenditures:			
Current:			
General government and administration	130,316	--	130,316
Public Safety	107,983	--	107,983
Public works	--	38,000	38,000
Tourism	421,633	--	421,633
Debt service:			
Total expenditures	<u>659,932</u>	<u>38,000</u>	<u>697,932</u>
Excess (deficiency) of revenues (under) expenditures	1,074	(19,576)	(18,502)
Fund balances/equity, October 1	8,724	363,062	371,786
Fund balances/equity, September 30	<u>\$ 9,798</u>	<u>\$ 343,486</u>	<u>\$ 353,284</u>



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**CITY OF KINGSVILLE**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**SEPTEMBER 30, 2008**

	Tourism Fund	Federal Grants
<b>ASSETS</b>		
Assets:		
Equity in pooled cash and cash equivalents	\$ 188	\$ 29,745
Receivables ( net of allowances for uncollectibles):		
Taxes	36,724	--
Accounts	--	547
Due from:		
Other governments:	--	110,570
Total Assets	<u>\$ 36,912</u>	<u>\$ 140,862</u>
<b>LIABILITIES AND EQUITY</b>		
Liabilities:		
Accounts payable	\$ --	\$ --
Due to:		
Other funds	--	53,371
Other governments	36,912	82,158
Deferred revenues	--	1,971
Total Liabilities	<u>36,912</u>	<u>137,500</u>
Equity:		
Fund balances:		
Unreserved, undesignated	--	3,362
Total equity	<u>--</u>	<u>3,362</u>
Total Liabilities and Equity	<u>\$ 36,912</u>	<u>\$ 140,862</u>

State Grants	Other Special Revenues	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
\$ 2,530	\$ 3,755	\$ 36,218
--	--	36,724
--	--	547
5,438	--	116,008
<u>\$ 7,968</u>	<u>\$ 3,755</u>	<u>\$ 189,497</u>
\$ 780	\$ --	\$ 780
--	--	53,371
--	--	119,070
4,507	--	6,478
<u>5,287</u>	--	<u>179,699</u>
2,681	3,755	9,798
<u>2,681</u>	<u>3,755</u>	<u>9,798</u>
<u>\$ 7,968</u>	<u>\$ 3,755</u>	<u>\$ 189,497</u>

# CITY OF KINGSVILLE

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Tourism Fund	Federal Grants
Revenue:		
Taxes	\$ 421,633	\$ --
Interest and miscellaneous	--	--
Federal and state grants	--	180,000
Total revenues	<u>421,633</u>	<u>180,000</u>
Expenditures:		
Current:		
General government and administration	--	86,566
Public Safety	--	94,358
Tourism	421,633	--
Total expenditures	<u>421,633</u>	<u>180,924</u>
Excess (deficiency) of revenues (under) expenditures	--	(924)
Fund balances/equity, October 1	--	4,286
Fund balances/equity, September 30	<u>\$ --</u>	<u>\$ 3,362</u>



	State Grants	Other Special Revenues	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
\$	--	\$ --	\$ 421,633
	--	3,141	3,141
	56,232	--	236,232
	56,232	3,141	661,006
	41,999	1,751	130,316
	13,625	--	107,983
	--	--	421,633
	55,624	1,751	659,932
	608	1,390	1,074
	2,073	2,365	8,724
\$	<u>2,681</u>	<u>\$ 3,755</u>	<u>\$ 9,798</u>

**CITY OF KINGSVILLE**  
**TOURISM FUND**  
**SPECIAL REVENUE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**EXHIBIT C-5**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
<i>Hotel/Motel Occupancy Tax</i>	\$ 431,045	\$ 431,045	\$ 421,633	\$ (9,412)
Total Revenues	431,045	431,045	421,633	(9,412)
Expenditures:				
<i>Contracted Services</i>	431,045	431,045	421,633	9,412
Total Expenditures	431,045	431,045	421,633	9,412
Excess (deficiency) of revenues (under) expenditures	--	--	--	--
Fund balances/equity, October 1	--	--	--	--
Fund balances/equity, September 30	\$ --	\$ --	\$ --	\$ --

**CITY OF KINGSVILLE**  
**FEDERAL GRANTS FUND**  
**SPECIAL REVENUE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**EXHIBIT C-6**

	Project Authorization	Prior Years	Current Year	Total To Date
Revenues:				
<i>Federal and state grants</i>	\$ 500,596	\$ 207,395	\$ 180,000	\$ 387,395
Total Revenues	500,596	207,395	180,000	387,395
Expenditures:				
<i>General government and administration</i>	134,286	44,460	86,566	131,026
<i>Public Safety</i>	366,310	162,935	94,358	257,293
Total Expenditures	500,596	207,395	180,924	388,319
Excess (deficiency) of revenues (under) expenditures	\$ --	\$ --	(924)	\$ (924)
Fund balances/equity, October 1			4,286	
Fund balances/equity, September 30			\$ 3,362	

**CITY OF KINGSVILLE**  
**STATE GRANT FUNDS**  
**SPECIAL REVENUE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**EXHIBIT C-7**

	Project Authorization	Prior Years	Current Year	Total To Date
Revenues:				
<i>Federal and state grants</i>	\$ 57,845	\$ --	\$ 56,232	\$ 56,232
Total Revenues	57,845	--	56,232	56,232
Expenditures:				
<i>Public Safety</i>	15,845	--	13,625	13,625
<i>Public Works</i>	42,000	--	41,999	41,999
Total Expenditures	57,845	--	55,624	55,624
Excess (deficiency) of revenues (under) expenditures	\$ --	\$ --	608	\$ 608
Fund balances/equity, October 1			2,073	
Fund balances/equity, September 30			\$ 2,681	

DEBT SERVICE FUND

# CITY OF KINGSVILLE

## DEBT SERVICE FUND

### BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2008

EXHIBIT C-8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
<i>Ad Valorem Taxes</i>	\$ 1,649,278	\$ 1,649,278	\$ 1,669,504	\$ 20,226
<i>Interest from Investments</i>	--	--	18,698	18,698
Total Revenues	1,649,278	1,649,278	1,688,202	38,924
Expenditures:				
<i>Principal retired</i>	1,270,000	1,270,000	1,270,000	--
<i>Interest</i>	371,778	371,778	371,776	2
<i>Paying agent fees</i>	7,500	7,500	2,425	5,075
Total Expenditures	1,649,278	1,649,278	1,644,201	5,077
Excess (deficiency) of revenues (under) expenditures	--	--	44,001	44,001
Fund balances/equity, October 1	311,414	311,414	311,414	--
Fund balances/equity, September 30	\$ 311,414	\$ 311,414	\$ 355,415	\$ 44,001





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## CITY OF KINGSVILLE

C. O. SERIES 2001

CAPITAL PROJECTS FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2008

EXHIBIT C-9

	Project Authorization	Prior Years	Current Year	Total To Date
Revenues:				
Interest from Investments	\$ --	\$ 125,954	\$ 18,424	\$ 144,378
Total Revenues	--	125,954	18,424	144,378
Expenditures:				
Public Works	3,305,000	3,067,892	38,000	3,105,892
Total Expenditures	3,305,000	3,067,892	38,000	3,105,892
Excess (deficiency) of revenues (under) expenditures	(3,305,000)	(2,941,938)	(19,576)	(2,961,514)
Other financing sources (uses):				
Bond Proceeds	3,305,000	3,305,000	--	3,305,000
Excess of revenues and other financing sources over (under) expenditures and other financing uses	\$ --	\$ 363,062	(19,576)	\$ 343,486
Fund balances/equity, October 1			363,062	
Fund balances/equity, September 30			\$ 343,486	



TRUST AND AGENCY FUNDS

**CITY OF KINGSVILLE****COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES****ALL AGENCY FUNDS****YEAR ENDED SEPTEMBER 30, 2008****EXHIBIT C-10**

	Balance October 1, 2007	Additions	Deductions	Balance September 30, 2008
<b>Corporation Court Cash Bond Account Fund</b>				
<b>ASSETS</b>				
<i>Cash &amp; Investments</i>	\$ 13,993	\$ 188,238	\$ 178,329	\$ 23,902
Total Assets	\$ 13,993	\$ 188,238	\$ 178,329	\$ 23,902
<b>LIABILITIES</b>				
<i>Cash Bonds Held</i>	\$ 13,993	\$ 188,238	\$ 178,329	\$ 23,902
Total Liabilities	\$ 13,993	\$ 188,238	\$ 178,329	\$ 23,902
<b>TOTAL AGENCY FUNDS:</b>				
<b>ASSETS</b>				
<i>Cash &amp; Investments</i>	\$ 13,993	\$ 188,238	\$ 178,329	\$ 23,902
Total Assets	\$ 13,993	\$ 188,238	\$ 178,329	\$ 23,902
<b>LIABILITIES</b>				
<i>Cash Bonds Held</i>	\$ 13,993	\$ 188,238	\$ 178,329	\$ 23,902
Total Liabilities	\$ 13,993	\$ 188,238	\$ 178,329	\$ 23,902







# CITY OF KINGSVILLE

CONVENTION & VISITORS BUREAU

DISCRETELY PRESENTED COMPONENT UNIT

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2008

EXHIBIT C-11

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Contracted Services	\$ 369,467	\$ 369,467	\$ 365,979	\$ (3,488)
Interest from Investments	--	--	371	371
Total Revenues	369,467	369,467	366,350	(3,117)
Expenditures:				
Personal Services	124,663	124,663	116,672	7,991
Supplies	12,220	12,220	11,209	1,011
Services	134,609	134,609	124,073	10,536
Maintenance	1,000	1,000	459	541
Total Expenditures	272,492	272,492	252,413	20,079
Excess (deficiency) of revenues (under) expenditures	96,975	96,975	113,937	16,962
Fund balances/equity, October 1	116,431	116,431	116,431	--
Fund balances/equity, September 30	\$ 213,406	\$ 213,406	\$ 230,368	\$ 16,962





STATISTICAL SECTION

## Statistical Section

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

### 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

88-92

#### 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.

93-101

#### 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

102-108

#### 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.

109-110

#### Operating Information

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

111-115

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



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

SCHEDULE 1

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

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

# CITY OF KINGSVILLE

## CHANGES IN NET ASSETS, LAST FIVE FISCAL YEARS

	Fiscal Year				
	2008	2007	2006	2005	2004
<b>Expenses</b>					
<b>Governmental activities:</b>					
General government	\$ 2,438,913	\$ 2,569,502	\$ 2,303,626	\$ 2,238,161	\$ 2,813,029
Public safety	8,167,213	7,266,533	6,787,270	6,787,640	6,432,401
Public works	2,414,167	2,340,083	2,576,604	2,474,543	2,371,205
City/County	731,158	688,378	648,270	673,849	682,565
Tourism	421,633	312,153	290,697	288,215	264,132
Interest on long-term debt	292,623	300,810	300,163	328,631	357,424
Total governmental activities expenses	<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>
<b>Business-type activities:</b>					
Water	3,153,345	2,454,389	3,495,064	3,542,762	3,341,572
Wastewater	2,516,322	2,043,922	1,931,459	2,007,918	1,931,493
Transit	2,020,090	2,031,746	1,334,749	1,372,391	1,367,139
Total business-type activity expenses	<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>
Total primary government expenses	<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>
<b>Program Revenue (see schedule 3)</b>					
<b>Governmental activities</b>					
<b>Charges for services:</b>					
General government	\$ 284,438	\$ 250,769	\$ 254,972	\$ 282,481	\$ 874,749
Public safety	2,980,370	2,637,213	2,191,585	1,452,667	1,097,017
Public works	-	-	-	240	3,029
City/County	8,924	5,871	6,776	3,525	4,183
Tourism	421,633	312,153	290,697	288,215	264,132
Operating grants and contributions	260,506	168,700	177,828	473,600	885,712
Capital grants and contributions	30,000	55,609	600,341	1,131,399	-
Total governmental activities program revenues	<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>
<b>Business-type activities:</b>					
<b>Charges for services:</b>					
Water	4,325,645	3,834,915	4,026,953	3,676,035	3,296,486
Wastewater	3,036,567	2,772,879	2,825,020	2,799,958	2,747,268
Solid waste	2,958,287	2,519,463	2,578,493	2,070,306	1,872,741
Operating grants and contributions	650	21,031	28,441	24,230	299,718
Capital grants and contributions	-	-	-	86,251	-
Total business-type activities program revenues	<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>
Total primary government program revenues	<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 ASSETS, LAST FIVE FISCAL YEARS

SCHEDULE 2

	Fiscal Year				
	2008	2007	2006	2005	2004
<b>Net (Expense)/Revenue</b>					
Governmental activities	\$ (10,479,836)	\$ (10,047,144)	\$ (9,384,431)	\$ (9,158,912)	\$ (9,791,934)
Business-type activities	2,631,392	2,618,231	2,697,635	1,733,709	1,576,009
<b>Total primary government net expenses</b>	<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>
<b>General Revenues and Other Changes in Net Assets</b>					
Governmental activities					
Taxes					
Property taxes	\$ 4,835,723	\$ 4,147,121	\$ 4,012,188	\$ 3,733,214	\$ 3,536,180
Franchise taxes	996,518	985,016	1,012,220	1,026,424	1,038,640
Sales taxes	3,891,958	3,784,310	3,795,341	3,390,122	3,032,676
Other taxes	49,676	44,886	39,183	39,132	27,952
Unrestricted grants and contributions					
Payment in lieu of taxes	100,000	100,000	100,000	100,000	100,000
Investment earnings	506,573	391,675	170,314	130,266	90,738
Miscellaneous (loss)	5,311	693	(30,052)	119	(41,966)
Transfers	1,699,969	2,293,521	1,961,699	1,936,252	1,371,639
<b>Total governmental activities</b>	<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>
Business-type activities					
Investment earnings	249,258	559,280	603,158	353,232	26,406
Other	(5,130)	-	30,775	5,161	18,433
Transfers	(1,699,968)	(2,293,522)	(1,961,699)	(1,936,252)	(1,371,639)
<b>Total business-type activities</b>	<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>
<b>Total primary government</b>	<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>
<b>Changes in Net Assets</b>					
Governmental activities (loss)	\$ 1,605,892	\$ 1,700,078	\$ 1,676,642	\$ 1,196,617	\$ (636,075)
Business-type activities	1,175,552	883,989	1,369,869	155,850	249,209
<b>Total primary government (loss)</b>	<u>\$ 2,781,444</u>	<u>\$ 2,584,067</u>	<u>\$ 3,046,511</u>	<u>\$ 1,352,467</u>	<u>\$ (386,866)</u>

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

# **CITY OF KINGSVILLE**

## **FUND BALANCES, GOVERNMENTAL FUNDS, LAST TEN FISCAL YEAR**

	Fiscal Year			
	1999	2000	2001	2002
General Fund				
Restricted	\$ 436,975	\$ 446,155	\$ 426,950	\$ 422,840
Unrestricted	<u>1,733,307</u>	<u>1,882,143</u>	<u>1,819,367</u>	<u>2,006,541</u>
Total general fund	<u>\$ 2,170,282</u>	<u>\$ 2,328,298</u>	<u>\$ 2,246,317</u>	<u>\$ 2,429,381</u>
All Other Governmental Funds				
Restricted	\$ -	\$ -	\$ -	\$ -
Unrestricted, reported in:				
Special revenue funds	262,025	659,582	973,149	609,999
Capital projects funds	-	-	2,611,845	772,264
Debt service funds	<u>-</u>	<u>17,830</u>	<u>408,614</u>	<u>326,450</u>
Total all other governmental funds	<u>\$ 262,025</u>	<u>\$ 677,412</u>	<u>\$ 3,993,608</u>	<u>\$ 1,708,713</u>

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

SCHEDULE 3

Fiscal Year					
2003	2004	2005	2006	2007	2008
\$ 3,380,142	\$ 2,226,519	\$ 1,589,496	\$ 1,035,938	\$ 2,167,647	\$ 1,553,672
<u>2,324,845</u>	<u>2,972,504</u>	<u>4,032,056</u>	<u>5,936,909</u>	<u>6,695,729</u>	<u>7,643,773</u>
\$ 5,704,987	\$ 5,199,023	\$ 5,621,552	\$ 6,972,847	\$ 8,863,376	\$ 9,197,445
\$ 48,188	\$ 7,844	\$ 8,699	\$ 9,331	\$ 66,454	\$ 28,416
651,579	33,559	41,016	332,879	793,897	1,521,263
487,518	626,779	379,116	343,697	363,062	353,284
<u>364,499</u>	<u>69,062</u>	<u>108,402</u>	<u>274,014</u>	<u>311,414</u>	<u>355,415</u>
\$ <u>1,551,784</u>	\$ <u>737,244</u>	\$ <u>537,233</u>	\$ <u>959,921</u>	\$ <u>1,534,827</u>	\$ <u>2,258,378</u>



# CITY OF KINGSVILLE

## CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS, LAST TEN FISCAL YEAR

	Fiscal Year			
	1999	2000	2001	2002
<b>Revenues</b>				
Property Taxes	\$ 3,201,892	\$ 3,389,587	\$ 3,898,689	\$ 3,788,364
Taxes-other	3,763,277	4,002,264	4,079,631	4,301,650
Licenses, fees, and permits	122,266	142,928	236,243	179,355
Fines and penalties	648,867	1,172,546	1,187,955	707,762
Charges for services	2,559,282	2,618,004	2,580,039	2,852,929
Special assessment	-	4,174	-	172,419
Intergovernmental	591,019	1,391,844	657,660	419,203
Investment earnings/other	109,653	271,197	301,265	138,621
Donations	-	-	-	-
Total revenues	10,996,256	12,992,544	12,941,482	12,560,303
<b>Expenditures</b>				
General government	1,737,057	2,213,106	2,096,895	2,228,427
Public safety	5,117,253	6,244,767	5,932,293	6,077,785
Public works	2,766,086	3,472,070	2,838,705	3,096,539
City/county	613,903	584,151	675,667	721,590
Tourism	220,540	278,572	228,626	255,405
Government	-	-	74,831	-
Other	-	-	1,312	2,616
Capital Outlay	-	731,825	723,641	1,822,528
Debt Service				
Interest	378,894	274,260	270,160	366,808
Principal	1,065,000	1,145,000	1,015,000	1,045,000
Total expenditures	11,898,733	14,943,751	13,857,130	15,616,698
Excess of revenues over (under) expenditures	(902,477)	(1,951,207)	(915,648)	(3,056,395)
<b>Other Financing Sources (uses)</b>				
Lease Proceeds	-	-	148,100	-
Bonds issued	-	1,400,000	3,305,000	-
Refunding bonds issued	-	-	-	-
Transfers in	936,140	914,066	699,689	1,000,000
Transfers out	(100,845)	(24,708)	-	-
Total other financing sources (uses)	835,295	2,289,358	4,152,789	1,000,000
Net change in fund balances	\$ (67,182)	\$ 338,151	\$ 3,237,141	\$ (2,056,395)
Debt services as a percentage of noncapital expenditures	12.13%	10.00%	9.78%	11.02%

## SCHEDULE 4

Fiscal Year					
2003	2004	2005	2006	2007	2008
\$ 3,816,412	\$ 3,569,222	\$ 3,804,469	\$ 4,141,313	\$ 4,266,405	\$ 4,940,897
4,175,064	4,463,397	4,743,894	5,137,441	5,126,365	5,359,785
592,442	803,815	226,716	172,814	189,269	210,267
1,167,684	803,192	1,163,398	1,844,000	2,230,194	2,519,475
2,840,098	3,080,519	3,128,451	3,211,482	3,225,782	3,585,591
40,500	3,029	240	-	3,966	-
968,461	709,566	455,182	174,136	211,535	240,829
118,869	127,253	202,335	282,200	511,883	628,723
-	176,146	3,299	2,890	1,842	-
<u>13,719,530</u>	<u>13,736,139</u>	<u>13,727,984</u>	<u>14,966,276</u>	<u>15,767,241</u>	<u>17,485,567</u>
2,410,041	2,947,294	2,357,112	2,398,046	2,673,852	2,461,771
7,409,439	6,265,404	6,644,503	6,703,918	7,411,077	8,848,662
4,738,879	4,113,344	3,472,610	3,561,348	3,291,447	3,772,521
687,404	674,392	672,019	655,411	686,184	710,931
265,401	264,132	288,215	290,697	312,153	421,633
-	-	-	-	-	-
71,161	248,936	60,258	2,532	-	-
-	-	-	-	-	-
316,527	462,722	411,195	378,281	362,456	374,201
<u>925,000</u>	<u>1,045,000</u>	<u>885,000</u>	<u>910,000</u>	<u>975,000</u>	<u>1,270,000</u>
<u>16,823,852</u>	<u>16,021,224</u>	<u>14,790,912</u>	<u>14,900,233</u>	<u>15,712,169</u>	<u>17,859,719</u>
<u>(3,104,322)</u>	<u>(2,285,085)</u>	<u>(1,062,928)</u>	<u>66,043</u>	<u>55,072</u>	<u>(374,152)</u>
-	-	-	-	-	181,772
5,223,000	-	-	450,000	1,200,000	-
-	-	-	-	-	-
1,107,971	1,131,652	1,340,861	1,338,041	1,250,000	1,250,000
<u>(107,971)</u>	<u>(134,786)</u>	<u>(56,280)</u>	<u>(88,041)</u>	<u>-</u>	<u>-</u>
<u>6,223,000</u>	<u>996,866</u>	<u>1,284,581</u>	<u>1,700,000</u>	<u>2,450,000</u>	<u>1,431,772</u>
\$ <u>3,118,678</u>	\$ <u>(1,288,219)</u>	\$ <u>221,653</u>	\$ <u>1,766,043</u>	\$ <u>2,505,072</u>	\$ <u>1,057,620</u>
7.38%	9.41%	8.76%	8.65%	8.51%	9.21%

**CITY OF KINGSVILLE****SCHEDULE 5**

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

<b>Fiscal Year</b>	<b>Real Property</b>	<b>Mineral Property</b>	<b>Personal Property</b>	<b>Less: Tax-Exempt Property</b>	<b>Total Taxable Assessed Value</b>	<b>Total Direct Tax Rate</b>	<b>Estimated Actual Taxable Value</b>
1999	386,795,094	17,766,437	55,712,272	53,084,350	407,189,453	0.70007	460,273,803
2000	429,954,809	17,664,382	56,308,828	62,011,068	441,916,951	0.68145	503,928,019
2001	456,554,839	16,286,706	55,975,519	65,104,236	463,712,828	0.70145	528,817,064
2002	471,715,351	18,343,119	59,568,136	65,976,633	483,649,973	0.70145	549,626,606
2003	473,289,371	19,935,752	60,834,420	62,248,898	491,810,645	0.69527	554,059,543
2004	483,998,442	21,427,249	58,866,750	61,340,271	502,952,170	0.68511	564,292,441
2005	494,578,206	21,411,787	70,088,910	67,093,679	518,985,224	0.70196	586,078,903
2006	518,890,658	24,066,085	70,375,100	65,948,903	547,382,940	0.71000	613,331,843
2007	575,350,800	31,069,213	78,941,550	59,056,703	626,304,860	0.68544	675,476,989
2008	600,156,971	28,662,138	76,930,280	53,267,496	652,481,893	0.76781	638,767,459

Source: Kleberg County Appraisal District

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

**CITY OF KINGSVILLE**

SCHEDULE 6

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

Fiscal Year	City Direct Rates			Overlapping Rates		
	Basic Rate	General Obligation Debt Service	Total Direct Rate	School District	County	STWA
1999	0.37419	0.32588	0.70007	1.50	0.68	0.14
2000	0.35939	0.32206	0.68145	1.50	0.72	0.13
2001	0.35193	0.34952	0.70145	1.50	0.69	0.12
2002	0.43650	0.26495	0.70145	1.62	0.69	0.12
2003	0.44399	0.25128	0.69527	1.63	0.63	0.06
2004	0.42980	0.25128	0.68511	1.59	0.61	0.06
2005	0.44924	0.25272	0.70196	1.60	0.61	0.06
2006	0.45633	0.25367	0.71000	1.45	0.61	0.06
2007	0.50040	0.26741	0.68544	1.41	0.65	0.06
2008	0.54154	0.26033	0.76781	1.34	0.68	0.06

Source: Kleberg County Appraisal District

# CITY OF KINGSVILLE

PRINCIPAL PROPERTY TAX PAYERS,  
CURRENT YEAR AND NINE YEARS AGO

SCHEDULE 7

Taxpayer	2008			1999		
	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	14,974,450	1	2.29%	7,311,150	2	1.80%
Wal-Mart Stores Inc.	5,114,850	6	0.78%			
Wal-Mart Stores East LP	6,805,960	3	1.04%	12,139,553	1	2.98%
Kingsville Two	5,787,540	4	0.89%			
Eddie Yaklin Ford Lincoln Mercury Ltd.	5,581,270	5	0.86%			
Southwestern Bell Telephone Co.	4,824,300	7	0.74%	5,999,110	3	1.47%
HEB Grocery Inc	4,479,860	8	0.69%	5,053,652	4	1.24%
Kingsville Square LTD	3,463,800	10	0.53%			
Collegiate Kingsville Partners L.P.	7,025,900	2	1.08%			
Ticona Polymers, Inc.	3,561,290	9	0.55%			
Kleberg First National Bank				3,366,867	5	0.83%
Alpha Lake Ltd				3,179,140	6	0.78%
University Square Apartments				2,490,870	7	0.61%
RGV Inc..				2,095,820	8	0.51%
Apple Creek				1,972,918	9	0.48%
K. A. Childs				1,948,984	10	0.48%
Total	\$ 61,619,220		9.44%	\$ 45,558,064		11.19%

Source: Kleberg County Appraisal District

# **CITY OF KINGSVILLE**

## **PROPERTY TAX LEVIES AND COLLECTIONS, LAST TEN FISCAL YEARS**

**SCHEDULE 8**

Fiscal Year Ended September 30.	Taxes Levied for the Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years(1)	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
1999	2,830,648	2,672,191	94.4%	146,056	2,818,247	99.56%
2000	3,003,723	2,825,009	94.1%	161,607	2,986,616	99.43%
2001	3,249,432	3,060,005	94.2%	170,783	3,230,788	99.43%
2002	3,391,973	3,193,026	94.1%	178,768	3,371,794	99.41%
2003	3,429,931	3,237,999	94.4%	168,475	3,406,474	99.32%
2004	3,447,050	3,250,187	94.3%	163,841	3,414,028	99.04%
2005	3,653,715	3,455,881	94.6%	143,661	3,599,542	98.52%
2006	3,901,561	3,726,279	95.5%	106,337	3,832,616	98.23%
2007	4,136,029	3,911,104	94.6%	122,359	4,033,463	97.52%
2008	4,734,428	4,530,260	95.7%	-	4,530,260	95.69%

Source: Kleberg County Appraisal District

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

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

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

	Calendar Year				
	1999	2000	2001	2002	2003
Building materials, hardware, etc.	\$ 31,015	\$ 21,591	\$ 19,595	\$ 5,492	\$ 9,891
General merchandise	-	7,557	4,716	4,797	46,093
Food stores	1,539	815	491	579	11,039
Automotive dealers and gasoline	51,977	52,208	29,549	23,025	15,866
Apparel and accessory stores	4,007	4,709	11,795	14,472	3,738
Home furniture, furnishing, and equipment	19,752	18,919	20,410	16,668	3,944
Eating and drinking places	147,600	155,316	154,254	134,932	24,131
All other outlets	27,533	26,857	25,169	25,801	12,783
<b>Total</b>	<b>\$ 283,423</b>	<b>\$ 287,972</b>	<b>\$ 265,979</b>	<b>\$ 225,766</b>	<b>\$ 127,485</b>
City direct sales tax rate	1.5%	1.5%	1.5%	1.5%	1.5%

Source: Texas Comptroller of Public Accounts

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

SCHEDULE 9

Calendar Year				
2004	2005	2006	2007	2008
\$ 19,611	\$ 18,040	\$ 19,277	\$ 20,422	\$ 22,706
45,251	45,847	48,039	48,275	50,463
11,074	11,832	12,793	13,915	15,905
16,005	16,104	18,134	18,190	18,959
3,698	4,388	4,597	4,204	3,770
3,982	3,993	3,223	3,294	-
27,694	28,526	30,359	32,427	35,987
12,931	14,291	15,806	17,851	18,137
<u>\$ 140,246</u>	<u>\$ 143,021</u>	<u>\$ 152,228</u>	<u>\$ 158,578</u>	<u>\$ 165,927</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 Direct Rate</u>	<u>Kleberg County</u>	<u>State</u>
1999	1.50%	0.50%	6.25%
2000	1.50%	0.50%	6.25%
2001	1.50%	0.50%	6.25%
2002	1.50%	0.50%	6.25%
2003	1.50%	0.50%	6.25%
2004	1.50%	0.50%	6.25%
2005	1.50%	0.50%	6.25%
2006	1.50%	0.50%	6.25%
2007	1.50%	0.50%	6.25%
2008	1.50%	0.50%	6.25%

**Source:** Texas Comptroller of Public Accounts**Notes:** The city sales tax rate may be changes only with the approval of state legislature.



# **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
1999	5,245,000	-	-	1,800,000	450,000
2000	4,100,000	1,400,000	-	1,700,000	450,000
2001	7,100,000	1,140,000	132,657	1,595,000	-
2002	6,325,000	870,000	105,118	1,485,000	-
2003	10,903,000	590,000	76,177	1,370,000	1,222,000
2004	7,683,000	300,000	45,852	1,250,000	3,687,000
2005	7,408,000	-	13,970	1,125,000	15,042,000
2006	7,273,000	-	-	990,000	13,897,000
2007	7,403,000	-	-	845,000	13,612,000
2008	6,524,208	-	181,772	695,000	12,935,792

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

SCHEDULE 11

<u>Total Primary Government</u>	<u>Percentage of Personal Income</u>	<u>Per Capital</u>
7,495,000	1.85%	296.53
7,650,000	1.71%	299.12
9,967,657	2.06%	388.91
8,785,118	1.66%	337.41
14,161,177	2.59%	537.81
12,965,852	2.34%	490.91
23,588,970	4.12%	890.86
22,160,000	3.83%	835.22
21,860,000	3.53%	817.10
20,336,772	3.05%	760.54

**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			
1999	5,245,000		0.0130%	207.51
2000	4,100,000		0.0093%	160.32
2001	7,100,000		0.0153%	270.70
2002	6,325,000		0.0130%	242.92
2003	10,903,000		0.0220%	414.07
2004	7,683,000		0.0153%	290.89
2005	7,408,000		0.0143%	279.98
2006	7,273,000		0.0133%	274.12
2007	7,403,000		0.0122%	276.72
2008	6,524,208		0.0109%	243.60

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, 2008

**SCHEDULE 13**

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Governmental Unit			
Debt repaid with property taxes			
Kingsville ISD	\$ 42,054,993	100%	\$ 42,054,993
Kleberg County	375,000	50%	187,500
South Texas Water Authority	-	0%	0
Subtotal, overlapping debt			42,242,493
City direct debt			7,702,585
Total direct and overlapping debt			\$ 49,945,078

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

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

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

	Fiscal Year			
	1999	2000	2001	2002
Debt limit	\$ 101,088,892	\$ 110,194,297	\$ 115,807,187	\$ 120,912,493
Total net debt applicable to limit	<u>5,904,163</u>	<u>5,482,170</u>	<u>4,527,295</u>	<u>6,868,550</u>
Legal debt margin	\$ <u>95,184,729</u>	\$ <u>104,712,127</u>	\$ <u>111,279,892</u>	\$ <u>114,043,943</u>
Total net debt applicable to the limit as a percentage of debt limit	5.84%	4.98%	3.91%	5.68%

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

SCHEDULE 14

Fiscal Year					
2003	2004	2005	2006	2007	2008
\$ 123,782,082	\$ 125,781,620	\$ 129,498,770	\$ 136,836,546	\$ 150,649,270	\$ 163,120,473
<u>11,118,807</u>	<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>
\$ <u>112,663,275</u>	\$ <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>
8.98%	8.25%	7.30%	6.81%	4.71%	3.78%

Legal Debt Margin Calculation for Fiscal Year 2008

Assessed Value	\$ <u>652,481,893</u>
Debt limit (25% of assessed value)	<u>163,120,473</u>
Debt applicable to limit:	
General obligation bonds	6,524,208
Less: Amount set aside for repayment of general obligation debt	<u>(355,415)</u>
Total net debt applicable to limit	<u>6,168,793</u>
Legal debt margin	\$ <u>156,951,680</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	
1999	4,363,617	3,200,878	1,162,739	95,000	98,874	6.00
2000	4,746,591	3,640,289	1,106,302	100,000	104,104	5.42
2001	5,001,443	3,926,418	1,075,025	110,000	87,297	5.45
2002	4,634,657	3,791,113	843,544	110,000	85,908	4.31
2003	5,035,993	3,477,154	1,558,839	115,000	119,047	6.66
2004	5,195,633	3,842,774	1,352,859	120,000	121,562	5.60
2005	6,086,253	3,634,213	2,452,040	240,000	324,670	4.34
2006	6,605,466	3,482,212	3,123,254	505,000	583,460	2.87
2007	6,375,409	3,329,444	3,045,965	525,000	556,922	2.82
2008	7,285,503	3,820,260	3,465,243	435,000	480,813	3.78

Sanitation C. O. Bonds Series 2001 (b)						
Fiscal Year	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
1999	-	-	-	-	-	-
2000	-	-	-	-	-	-
2001	-	-	-	-	-	-
2002	-	-	-	-	-	-
2003	-	-	-	-	-	-
2004	-	1,592,760	(1,592,760)	310,000	97,792	-3.91
2005	2,892,724	1,642,222	1,250,502	325,000	85,065	3.05
2006	2,799,958	1,784,879	1,015,079	325,000	87,048	2.46
2007	2,851,654	1,487,099	1,364,555	335,000	75,023	3.33
2008	3,036,568	1,936,988	1,099,580	391,209	80,436	2.33

**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
1999	25,276	405,831	16,056	27.5	N/A	4996	6.6%
2000	25,575	446,207	17,447	26.0	12.3	4819	5.9%
2001	25,631	483,965	18,882	29.2	N/A	4760	6.5%
2002	26,037	529,072	20,320	28.4	N/A	4644	6.2%
2003	26,331	546,289	20,747	28.3	N/A	4620	6.2%
2004	26,412	554,705	21,002	28.3	N/A	4541	6.0%
2005	26,479	572,794	21,632	28.3	N/A	4339	5.0%
2006	26,532	578,636	21,809	28.4	N/A	4246	4.2%
2007	26,753	619,025	24,761	27.9	N/A	4156	4.4%
2008	26,782	619,952	26,740	27.8	N/A	4026	4.5%

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	2008			1999		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Naval Air Station (Military)	1,830	1	14.72%	1,799	1	14.09%
Texas A&M - Kingsville	1,593	2	12.82%	902	3	7.07%
Kingsville I.S.D	683	3	5.50%	730	4	5.72%
King Ranch	337	4	2.71%	450	8	3.52%
Wal-Mart	334	5	2.69%	339	9	2.66%
Spohn Kleberg Memorial Hospital	300	6	2.41%	530	6	4.15%
Hoest Celanese	290	7	2.33%	940	2	7.36%
Kleberg County	275	8	2.21%			
City of Kingsville	260	9	2.09%			
Border Patrol	242	10	1.95%			
HEB Grocery				240	10	1.88%
Mundy Corporation				484	7	3.79%
Calling Solutions				700	5	5.48%
<b>Total</b>	<b>\$ 6,144</b>		<b>49.43%</b>	<b>\$ 7,114</b>		<b>55.72%</b>

Source: City of Kingsville

**CITY OF KINGSVILLE**

SCHEDULE 18

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

	Full-time-Equivalent Employees as of September 30,									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
City Commission	5	5	5	5	5	5	5	5	5	5
General Government	33	34	37	37	36	37	37	37	33	33
Fire	35	33	33	33	33	33	33	30	33	33
Health	12	12	12	12	12	12	12	12	11	12
Library	10	10	10	10	10	10	10	10	8	8
Police	63	64	64	63	67	67	67	67	63	60
Public Works	96	98	110	96	97	99	98	99	97	96
Task Force	<u>12</u>	<u>12</u>	<u>16</u>	<u>15</u>	<u>12</u>	<u>13</u>	<u>13</u>	<u>12</u>	<u>11</u>	<u>12</u>
Total	<u>266</u>	<u>268</u>	<u>287</u>	<u>271</u>	<u>272</u>	<u>276</u>	<u>275</u>	<u>272</u>	<u>261</u>	<u>259</u>

Source: City of Kingsville

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

# CITY OF KINGSVILLE

OPERATING INDICATORS BY FUNCTION/PROGRAM,  
LAST TEN FISCAL YEARS

Function/Program	Fiscal Year				
	1999	2000	2001	2002	2003
General government					
Building permits issued	N/A	N/A	N/A	N/A	2063
Building inspections conducted	N/A	N/A	N/A	N/A	N/A
Police					
Physical arrest	2599	2218	2384	2653	2433
Parking violations	125	101	84	76	37
Traffic violations	6175	5890	7088	4967	3947
Fire					
Emergency responses	1742	2002	2006	2028	2113
Fire extinguishers	501	572	572	405	359
Inspections	292	737	0	0	189
Refuse Collections					
Refuse collected (tons per day)	83.12	82.46	55.95	59.03	68.28
Recyclables collected (tons per day)	1.41	0.90	1.08	1.13	1.02
Other public works					
Street resurfacing (miles)	N/A	N/A	N/A	N/A	N/A
Potholes repaired	N/A	N/A	N/A	N/A	N/A
Parks and recreation					
Athletic field permits issued					
Community center admissions					
Library					
Volumes in collection	86355	87002	87372	60205	58300
Total volumes borrowed	54691	50625	48919	47690	48306
Health					
Environmental Health					
Consumer Health					
Weed Control					
Animal Control					
Water					
New connections	43	29	36	48	38
Water main breaks	162	386	536	439	377
Average daily consumption (thousands of gallons)	3754	4138	4198	4047	3412
Peak daily consumption (thousands of gallons)	5209	5395	5411	5753	4615
Wastewater					
Average daily sewer treatment (thousands of gallons)	2000	2000	2000	2000	2000

Sources: various city departments

SCHEDULE 19

Fiscal Year				
2004	2005	2006	2007	2008
2186	2821	2523	2355	2301
N/A	N/A	1337	1477	1934
1838	1902	1791	2208	1829
29	16	70	158	111
2829	2449	4334	5561	3796
1980	1883	1973	2108	2159
338	363	424	438	521
374	376	234	300	409
79.74	97.13	76.03	75.52	81.94
0.39	1.05		1.12	0.70
3.52	4.43	3.20	6.00	3.60
2100	2200	2000	1900	2900
59973	61648	63086	65306	66015
51784	51791	53209	56446	50526
16861	16298	17670	17153	5028
2329	1984	1854	2222	2440
2964	2533	3224	2575	2527
6516	7406	7925	7484	10956
80	45	45	99	50
334	415	537	780	445
3184	3184	3579	3059	3447
4420	4987	4955	4462	4778
2000	2000	2000	2000	1700

# CITY OF KINGSVILLE

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

Function/Program	Fiscal Year				
	1999	2000	2001	2002	2003
Police					
Stations	1	1	1	1	1
Patrol units	39	56	46	51	63
Fire stations	2	2	2	2	2
Refuse collections					
Collection trucks	N/A	N/A	N/A	12	15
Other public works					
Street (miles)	94.4	104	104	104	104
Highway (miles)					
Streetlights	N/A	N/A	N/A	N/A	N/A
Traffic signals	4	4	4	4	4
Parks and recreation					
Acreage	195	195	195	195	195
Playgrounds	9	9	9	9	9
Baseball/Softball diamonds	12	12	12	12	12
Soccer/football fields	12	12	12	12	12
Community centers	2	2	2	2	2
Water					
Water mains (miles)	113	113	113	113	113
Fire hydrants	608	623	658	667	674
Storage capacity (thousands of gallons)	10,382	9,594	9,594	9,594	9,594
Wastewater					
Sanitary sewers (miles)	90.9	90.9	90.9	90.9	90.9
Storm sewers (miles)	15.3	15.3	15.5	15.5	15.5
Treatment capacity (thousand of gallons)	4,000	4,000	4,000	4,000	4,000

Sources: Various city departments

SCHEDULE 20

Fiscal Year				
2004	2005	2006	2007	2008
1	1	1	1	1
63	54	53	45	43
2	2	2	2	2
18	18	18	18	18
104	105.25	105.52	105.52	105.52
N/A	546	554	554	554
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
113	114.72	115.72	115.72	115.94
681	686	692	692	696
9,594	9,594	9,679	9,679	9,764
91.11	92.4	94.6	94.6	96.1
15.5	15.77	15.98	15.98	15.98
4,000	4,000	4,000	4,000	4,000





OTHER  
SUPPLEMENTARY  
INFORMATION

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

JOHN L. WOMACK, CPA

JOHN R. WOMACK, CPA  
MARGARET KELLY, CPA

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

**Independent Auditor's Report**

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

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

**Members of the City Commission:**

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Kingsville as of and for the year ended September 30, 2008, which collectively comprise the City of Kingsville's basic financial statements and have issued our report thereon dated May 29, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Kingsville's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Kingsville's financial statements that is more than inconsequential will not be prevented by the City of Kingsville's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item 08-1 and 08-2 to be significant deficiencies in internal control over financial reporting.

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



PRIVATE COMPANIES PRACTICE SECTION, AICPA DIVISION FOR CPA FIRMS

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 08-1 and 08-2 to be a material weakness.

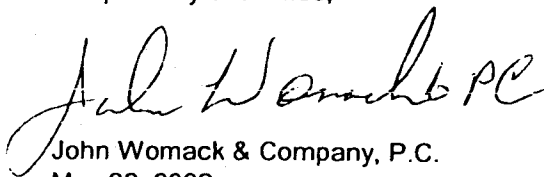
Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Kingsville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as item 08-3.

We also noted other matters that we reported to management of City of Kingsville in a separate letter dated May 29, 2009.

This report is intended solely for the information and use of management, others within the entity and the City Commission and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "John Womack PC".

John Womack & Company, P.C.  
May 29, 2009

**CITY OF KINGSVILLE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

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

**1. Financial Statements**

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

One or more material weaknesses identified?

X

Yes

       No

One or more significant deficiencies identified that are not considered to be material weaknesses?

       Yes

X

None Reported

Noncompliance material to financial statements noted?

       Yes

X

No

**2. Federal Awards**

A Single Audit was not required in the current year.

**B. Financial Statement Findings**

**08-1 Internal Control - Bank Reconciliations**

**Condition:**

The City has not reconciled the pooled cash accounts and other bank accounts on a timely basis during the year or at year-end.

**Criteria:**

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

**Cause:**

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

**Effect:**

The effect of the unreconciled bank accounts was inaccuracy in monthly reporting, and, potentially, an inability to recognize fraud or other inaccuracies.

**Recommendation:**

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

**08-2 Internal Control - Reconciliation of Asset and Liability Accounts**

**Condition:**

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

## **CITY OF KINGSVILLE**

### **SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**Criteria:**

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

**Cause:**

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

**Effect:**

The effect of the unreconciled bank accounts was inaccuracy in monthly reporting, and, potentially, an inability to recognize fraud or other inaccuracies.

**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.

#### **08-3 State Compliance - Public Funds Investment Act**

**Condition:**

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

**Criteria:**

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

**Cause:**

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

**Effect:**

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

**Recommendation:**

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

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

NONE

**CITY OF KINGSVILLE****SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
<b>07-1 State Compliance - Budget</b>  The General Fund Budgetary Comparison contains excess expenditures over appropriations. The adopted budget should be amended as necessary throughout the year. Our recommendation is that the City review budgeting procedures in order to insure that necessary amendments are made in a timely manner.	<b>Implemented</b>	<b>N/A</b>
<b>07-2 Internal Control - Task Force</b>  The City had a significant deficiency in internal control over certain areas of Task Force operations during the year. First, there was a lack of control over cash in the imprest fund. Second, there was a lack of controls over credit card purchases, including the inability to support expenditures with proper documentation. We recommend that the City implement policies and procedures over the reimbursement of the imprest fund, as well as over credit card purchases, to ensure the safeguarding of City assets and the proper control, documentation, and recording of City expenditures.	<b>Implemented</b>	<b>N/A</b>
<b>07-3 Internal Control - Prior Period Adjustments</b>  The City had a significant deficiency in internal control over reporting resulting in prior period adjustments for expenditures not recorded in the internal service fund in the prior year, as well as a correction of amounts previously reported as revenue in the Police Forfeiture Funds. We recommend that reconciliations be made on a timely basis to ensure that all expenditures are recorded in the proper period, and further review of interim financial statements be established to reduce risk of material misstatement.	<b>Implemented</b>	<b>N/A</b>

**CITY OF KINGSVILLE**  
**CORRECTIVE ACTION PLAN**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**08-1 Internal Control - Bank Reconciliations**

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

**08-2 Internal Control - Reconciliation of Asset and Liability Accounts**

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

**08-3 State Compliance - Public Funds Investment Act**

The City will review the Public Funds Investment Act, and implement policies and procedures to ensure full compliance with the Act. Mark Rushing, Finance Director will coordinate these efforts.