

City of Kingsville

Comprehensive Annual Financial Report

Fiscal Year Ended September 30, 2010



Texas

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Comprehensive Annual Financial Report

September 30, 2010

CITY OF KINGSVILLE, TEXAS

City Commission

(for the fiscal year ended September 30, 2010)

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

City Manager

Vincent J. Capell

Prepared By:

Department of Finance

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

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For The Year Ended September 30, 2010

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INTRODUCTORY
SECTION

CITY OF KINGSVILLE

P. O. BOX 1458 – KINGSVILLE, TEXAS 78364



May 31, 2011

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, 2010, 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, 2010, 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, 2010, 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 final 2010 results have not been completed as of this date. 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 13.93 square miles. The City may expand its jurisdiction, by adding territory adjoining or lying adjacent to the City, by ordinance pursuant to its regularly updated and statutorily required annexation plan.

Form of Government and City Services

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

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

The City is a full service municipality, providing a full range of services. The City's public safety services include police protection, fire protection, building inspection, and a specialized emergency management operation. Law enforcement is provided through the Police Department with 65 employees, which includes 48 police officers and 17 support personnel. The City's Fire Department operates two fire stations, and includes an emergency medical service comprised of two staffed ambulances, with a third ambulance available if needed. Fire protection and emergency medical services are provided with 33 employees, which include 32 fire fighters and 1 support personnel. Of the 32 fire fighters 10 have their Paramedic or Emergency Medical Technician certification.

The City has a combined utility system (System) comprised of water and wastewater. The City's water system, consisting of 115.94 miles of waterlines, serves all residents of the City, as well as several other customers and industries within Kleberg County and a 2

mile radius of the City. The City's water supply is primarily provided by seven water wells. The second water supply source is with STWA which maintains a 42" water line to the City of Corpus Christi. The City's water supply is now sufficient to continue serving the City for the next several decades.

As of May 2010, the City completed the Carriage Park Drainage Project which included 3,550 feet of storm pipes, inlets, outfall structures and 2,500 feet of ditch. City staff has determined the drainage problem areas in the entire city and probable solutions of drainage problem for these areas. The City has completed the process of designing, installing and constructing three major drainage systems with the Carriage Park project as the last one. This drainage improvement project was part of a 5-yr plan for drainage improvement for the City.

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

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

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

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

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

The City of Kingsville has financial accountability for the legally separate Convention and Visitor's Bureau, which is reported separately within the City of Kingsville's financial statements. Additional information on these legally separate entities can be found in Note A-1, page 47, of the financial statements.

Annual Budget Process

State laws and the City Charter require the preparation and filing of a balanced annual operating budget. Following a City Manager and department head meeting in May, departments are required to submit requests to the Finance Department by the last week of May for the development of the annual operating budget. Under the direction of the City Manager, the Director of Finance uses these requests to develop a proposed balanced operating budget for presentation to the City Commission by the beginning of August. Following a month of budget discussions and deliberations with City Commission, a public hearing is scheduled for the first week of September and adoption of the budget ordinance and supporting fee schedules occur no later than September 30th. The operating budget is prepared by fund, department, function, and organizational unit or project levels.

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

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

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

FINANCIAL CONDITION

Local Economy

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

Major Revenues

The City's major sources of revenue are property, sales and other taxes, and business fees. The September 30, 2010, period showed the following changes in these sources from the prior year: (1) an increase of 1.82% in property tax receipts due to an increase in the property values, (2) a decrease of 4.48% in sales tax, and (3) an increase of 3.05% 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 95.8% to 96.1%. Current fiscal year collected taxes to date, as a percent of the net current tax levy, have increased slightly from 95.8% to 96.1%.

Real property assessed values, over the last fiscal year, increased 4.96%. Sales tax decreased from \$3,872,834 to \$3,699,421 over the last fiscal year.

Employment

The local unemployment rate increased to 6.7% in September 2010 from 6.4% in September 2009 and the number of jobs in the community increased from 15,703 in September 2009 to 17,776 in September 2010. During the same period, personal income rose from \$28,095 to \$28,101 or 0.03%.

Diversification of Economy

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

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

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

The land in the City of Kingsville region has strong mineral deposits, rich soil and an excellent climate, with the principle crops being grain, sorghum, and cotton. The region

produces a large supply of livestock including cattle, hogs, and poultry. The oil and gas industry is a major factor in the growth and stability within the trade area. This industry provides a secondary market for petroleum by-products and chemicals.

Transportation

A primary component of the City's transportation system is the 2,457-acre Corpus Christi International Airport, which is only 45 minutes from the City of Kingsville. Currently, the Airport is served by approximately 24-30 daily flights from three major domestic carriers that use the Airport's 7,508 and 6,080 feet of lighted runways for a total of 13,588 feet. The Airport serviced 16,560 airline arrivals and departures and 16,560 passengers in fiscal year 2010. Additionally, airport safety has been enhanced through a multi-jurisdictional cooperative effort with other civil and military law enforcement agencies.

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

Major Initiatives

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

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

The City received a \$345K grant from the federal Office of Economic Adjustment for implementation of the Joint Land Use Study (JLUS) which includes part of the City's

master plan, and for GIS equipment to assist with implementation. This grant was completed in September 2010.

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

With the Certificate of Obligations the city has received, the City has updated the Waste Water treatment plants.

City Growth and Development

In fiscal year 2010, the City continued previous year's projects and completed upgrades of lift stations and sewer force mains with a total cost of \$1,740,051; rehabilitation of 3 elevated storage tanks and one ground storage tank with a total cost of \$1,224,050; rehabilitation of the clarifier and stairs with a cost of \$2,544,856; upgrade on the SCADA system for the wastewater treatment plant with a total cost of \$37,899; and installation of blowers at the North and South Wastewater Plants with a total cost of \$1,089,033. All of the above projects were paid for with 2005 Certificates of Obligation bond funds.

The city has been conducted smoke tests starting in fiscal year 2008-2009 for the Inflow and Infiltration (I&I) study of existing sanitary sewer lines and completed testing through fiscal year 2009-2010.

Economic Development

The City received a \$300k grant from the Office of Community and Rural Affairs (ORCA) for a major water line improvement project for economically disadvantage areas. The City is completed the project of the installation of 12,000 linear feet of water line utilizing ORCA grant funds and matching City funds. The design and construction of Sector III Landfill Cell is completed. The estimated cost for this project was \$1.2 million. The City is in the process of implemented a sanitary sewer pipe and manhole rehabilitation project to reduce the inflow and infiltration as per the recommendation of the overflow study (I&I study) done in fiscal year 2008-2009.

Current Construction Projects

- ❖ The Taiwan Restaurant underwent a remodeling project costing approximately \$10,500 and was completed in the summer of 2010.
- ❖ The Santa Gertrudis Independent School District, located on the King Ranch, began construction of a new elementary and middle school and administration office in the spring of 2009 and completed the project in May 2010. The project value is approximately \$3 million and consists of over 54,000 square feet.
- ❖ The new Chemcel Credit Union bank building of 4,97 square feet has been completed. It is located at Carlos Truan Blvd. and Highway 77 Frontage Rd. and will open in February 2010. The project value was \$780,000.
- ❖ The new Harvey Elementary School on Kenedy Ave. was completed by December 2010. The 66,487 square foot building has a value of \$9,252,020.

- ❖ Harrell and Kleberg Elementary Schools have both undergone remodeling and additions in 2009-2010.
- ❖ Sellers Market re-located to 220 1/2 E. Kleberg Ave. A new fire suppression system has been installed in the previous location at 205 E. Kleberg Ave. for a new tenant.
- ❖ Brink's Seafood, a new business, remodeled and moved into the old Long John Silvers building on S. 14th St.
- ❖ The First Community Bank completed construction of their new bank building in March 2010. The new bank of 5,778 square feet and a value of \$195,000 is located on Brahma Blvd. near General Cavazos Blvd.
- ❖ The Douglas Community Center construction project was completed in 2010.
- ❖ Big House BBQ Restaurant opened in October 2009 on King St. near Highway 77, with a project value of \$13,000.
- ❖ A new Pet Store opened in 2010 and is located downtown at 214 E. Kleberg Ave.
- ❖ The new Western Finance business opened in 2010 at 225 1/2 E. Kleberg Ave.
- ❖ Auto Pro, a new business, of 2,400 square feet and a value of approximately \$25,000 opened in August 2010.

Future Construction Projects

- ❖ The Law Office of Sam R. Fugate plans to relocate after a new office is constructed at 6th St. and Henrietta St. This project is estimated to cost \$265,000 and should be completed in early 2011.
- ❖ Manhattan Plaza, a new merchant plaza, including Subway, is planned to be constructed at corner of 14th St. and E. Fordyce Ave. The value of the project is more than \$400,000.
- ❖ Uresti Home Health is expanding their existing building to add 4,032 square feet with an approximate value of \$11,030.
- ❖ A new retail store is being proposed to be built at King St. and May St. A building permit will probably be issued in late 2010.
- ❖ Cadillac Cowgirls, a retail clothing store, is remodeling the parts of the store that burned in a recent fire.
- ❖ Los Cabos, a local restaurant, is planning to remodel an existing building for a value of \$6,000 and to open at the beginning of fiscal year 2010-2011.
- ❖ Manana Appliance, a new retail store, is planning to build a \$1,200 square foot building with a value of \$90,000.
- ❖ Tangles, a local hair salon, plans to remodel an existing building for a value of \$5,000.

Residential Developments

- ❖ University Oak Apartments with six units is planned to start construction in fiscal year 2010-2011. The value of this project is approximately \$220,000.
- ❖ The local Housing Authority is planning to add new housing called Heights of Corral with 89,211 square feet and an estimated value of \$512,000.
- ❖ The construction of Paulson Falls Phase III is underway. Sixty-three (63) new Single family residences will be built in 2010-2011.

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

Tourism

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

Financing of Major Capital Projects

During the 2010 fiscal year, the City continued to utilize the three bond issues from the previous fiscal years to fund projects and capital assets planned and approved during the past fiscal year. These are major initiatives that represent a significant long term commitment to revitalization strategies that support commercial and industrial growth and improved quality of life for current residents.

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 on the depository checking account 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

0.48% and the total interest earned was \$124,737, 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, 2009. The funded ratio of actuarial accrued liability for the Volunteer Fire Fighter's TESRS was 95% as of August 31, 2010, at the date of the last actuarial reports. 100% of the City's Annual Pension Cost (APC) was contributed for both plans. As a matter of policy, in 2010 the City contributed approximately \$100 per volunteer firefighter toward pension financing each year, with no contribution from the individual firefighters.

The City also provides pension benefits for its other employees, both uniformed police officers and full time firefighters, and all other civilian employees. These benefits are provided through a non-institutional, joint contributory, defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 833 plans administered by TMRS, an agent multiple-employer public employee retirement system. Employees contributed 7% of their salary and the City contributed 11.42% of salaries. The funded ratio of actuarial accrued liability for the City employees' plan, TMRS, was 71.4% at the date of the last actuarial reports.

CAFR Program

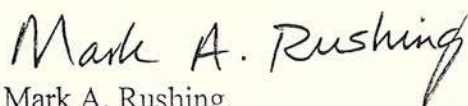
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Kingsville for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2009 continuing to confirm compliance with both GAAP and legal requirements. This was the twenty-second consecutive year that the City has received this prestigious award. A Certificate of Achievement is valid for a period of one year only. We believe that this CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility certification.

ACKNOWLEDGEMENTS

The preparation of this report is possible only because of the dedication of the staff members in the Department of Finance, including Caron S. Vela, Accounting Manager; Teresa Vasquez, Assistant Accountant II; Sally Saenz, Assistant Accountant I; Norma Cavazos, Assistant Accountant I; J. Chris Newton, Assistant Accountant II; Diana Medina, Collections Manager; Yolanda Vasquez, Municipal Court Manager; Antonio Verdin, current Information Systems Technician and Rudy Najera, previous Information Systems Technician. Special thanks must be given to the City Manager for his continued guidance and support.

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

Respectfully submitted,



Mark A. Rushing
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Kingsville
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2009

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President

Executive Director



As of September 30, 2010



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

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

Members of the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Kingsville as of and for the year ended September 30, 2010, 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, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2011, on our consideration of City of Kingsville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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



PRIVATE COMPANIES PRACTICE SECTION, AICPA DIVISION FOR CPA FIRMS

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

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "John Womack & Co. P.C.", written in dark ink.

John Womack & Company, P.C.
April 25, 2011

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, 2010. The MD&A should be read in conjunction with the transmittal letter found in the Introductory Section of this report and the City's Financial Statements which follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities by \$ 25 million.
- The fund balance of the General Fund increased from \$8.6 million to \$8.7 million. This represents a .76% increase over the prior year's fund balance, and furthermore, represents 61.30% of the \$14.2 million in expenditures. The General Fund's undesignated and unreserved fund balance was \$4.5 million, or 32.1% of general fund expenditures.
- Total assets, excluding component units, were \$55.8 million; total liabilities, excluding component units, were \$30.7 million.
- The ratio of total assets to total liabilities for governmental activities was 2.36 times; for business-type activities the ratio was 1.54 times.
- The current ratio (current assets to current liabilities) was 2.65 times for governmental activities and 6.05 times for business-type activities.
- Total net assets were \$25 million, which was a decrease from \$25.3 million for the prior year, or about .99%. Governmental activities' net assets decreased by 8.75%, while business-type activities net assets increased by 10.88%.

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

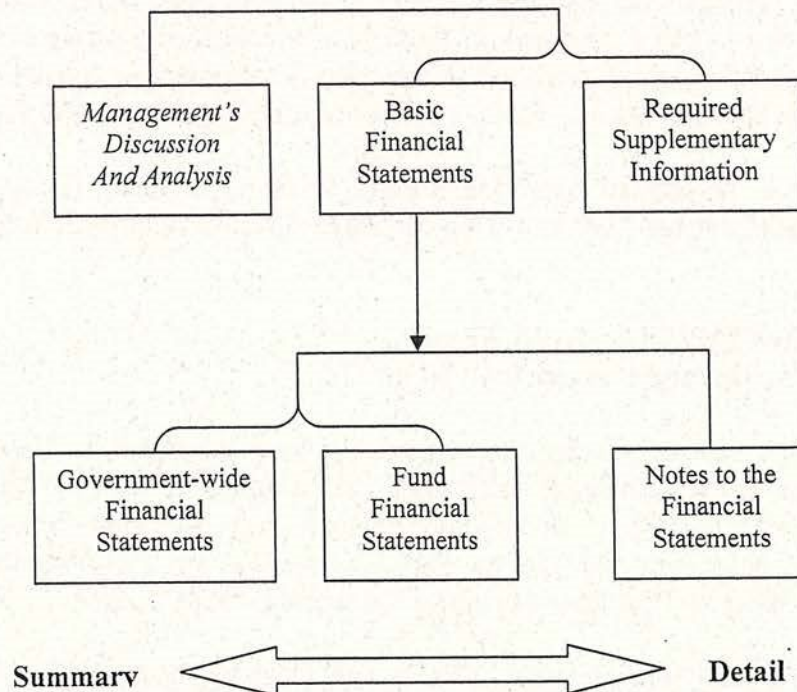


Figure A-1 shows how the required parts of this annual financial report are arranged and relate to one another. In addition to these required elements, a section with combining statements that provides details about the non-major governmental funds and internal service funds is included.

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, 2010, the net assets totaled \$25 million, \$251 thousand less than the prior year. The composition of these net assets is \$13.9 million for governmental activities and \$11 million for business-type activities, which is comprised primarily of the Combined Utility System.

A large portion of the City's net assets, 41.0%, 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 3.1% of its net assets set aside for the retirement of debt. Approximately 41.6% of the City's governmental activities' net assets are unrestricted in their use for City activities.

Table A-1: Net Assets for Governmental and Business-type Activities
September 30, 2010 and 2009 (in thousands of dollars)

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current & other assets	\$11,512	\$13,799	\$13,615	\$14,137	\$25,127	\$27,936
Capital assets	12,749	13,305	17,981	16,990	30,730	30,295
Total assets	24,261	27,104	31,596	31,127	55,857	58,231
Long-term liabilities	5,941	5,013	18,247	2,454	24,188	7,467
Other liabilities	4,347	6,778	2,252	18,665	6,599	25,443
Total liabilities	10,288	11,791	20,499	21,119	30,787	32,910
Net assets	13,973	15,313	11,097	10,008	25,070	25,321
Net assets						
Investment in capital assets						
net of related debt	7,243	7,230	3,028	1,029	10,271	8,259
Restricted	912	2,947	2,226	1,704	3,138	4,651
Unrestricted	5,819	5,137	5,843	7,275	11,662	12,412
Total net assets	\$13,974	\$15,314	\$11,097	\$10,008	\$25,071	\$25,322

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

The Combined Utility System's net assets were \$9.5 million, which is 38% of total net assets and is \$333 thousand less than the prior year. The Combined Utility System contributed all of the total unrestricted business-type net assets.

Changes in Net Assets

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

Table A-2: Changes in Net Assets at September 30, 2010 and 2009
(in thousands of dollars)

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenue:						
Program revenue:						
Charges for services	\$3,140	\$3,742	\$10,051	\$11,697	\$13,191	\$15,439
Operating grants and contributions	487	294	1	173	488	467
Capital grants and contributions	0	176		0	0	176
General revenues:						
Property taxes	5,567	5,352		0	5,567	5,352
Sales taxes	3,699	3,873		0	3,699	3,873
Other taxes	1,026	1,040		0	1,026	1,040
Investment earnings	148	239	79	29	227	268
Other	37	(24)	0	0	37	(24)
Total revenues	14,104	14,692	10,131	11,899	24,235	26,591
Expenses:						
General government	2,853	2,482		0	2,853	2,482
Public safety	8,450	8,175		0	8,450	8,175
Public works	2,839	2,770		0	2,839	2,770
Health & other public services	782	762		0	782	762
Tourism	421	441		0	421	441
Interest on long-term debt	191	263		0	191	263
Water and wastewater		0	5,748	5,889	5,748	5,889
Solid waste		0	3,201	2,692	3,201	2,692
Total expenses	15,536	14,893	8,949	8,581	24,485	23,474
Increase in net assets before transfers	(1,432)	(201)	1,182	3,318	(250)	3,117
Transfers	1,003	1,973	(1,003)	(1,973)	0	0
Increase (decrease) in net assets	(429)	1,772	179	1,345	(250)	3,117
Net assets, beginning	15,313	13,746	10,008	8,663	25,321	22,409
Prior period adjustment	(910)	(204)	910	0	0	(204)
Net assets, ending	\$13,974	\$15,313	\$11,097	\$10,008	\$25,071	\$25,322

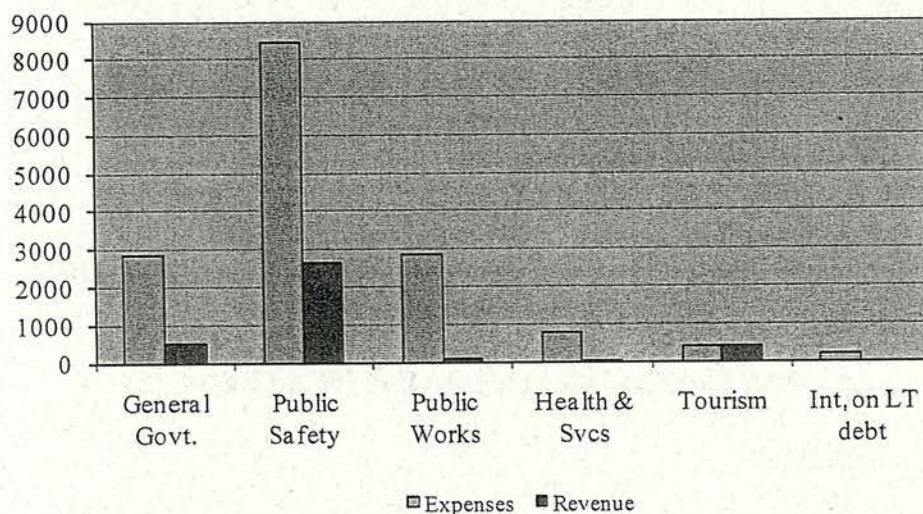
Governmental Activities

As shown in Table A-2, revenues were split between governmental activities and business-type activities 58.2% and 41.8%, respectively, with expenses for each at 63.5% and 36.5%. Net assets decreased 8.8% from the prior period for governmental activities, increased 10.8% for business-type activities, and decreased 1.0% overall.

- The cost of all *governmental* activities for the fiscal year 2010 was \$15.5 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 (\$3.1 million), and
 - Other governments and organizations that subsidized certain programs with grants and contributions (\$487 thousand).
- Charges for services comprised 21% of governmental activities revenues including transfers and 110% of business-type activities' revenues including transfers.
- Taxes contributed 68% of governmental activities revenues including transfers. Investment earnings, with interest rates, generated 1.0% and .8% of governmental activities revenues and business-type activities, respectively.
- Public Safety (including Police, Fire, Emergency Management, Municipal Court, and Inspections) expenses accounted for 54.4% of governmental activities expenses and 18.3% 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 \$5.8 million.
- General government comprises 18.4% of all governmental activities' expenses.

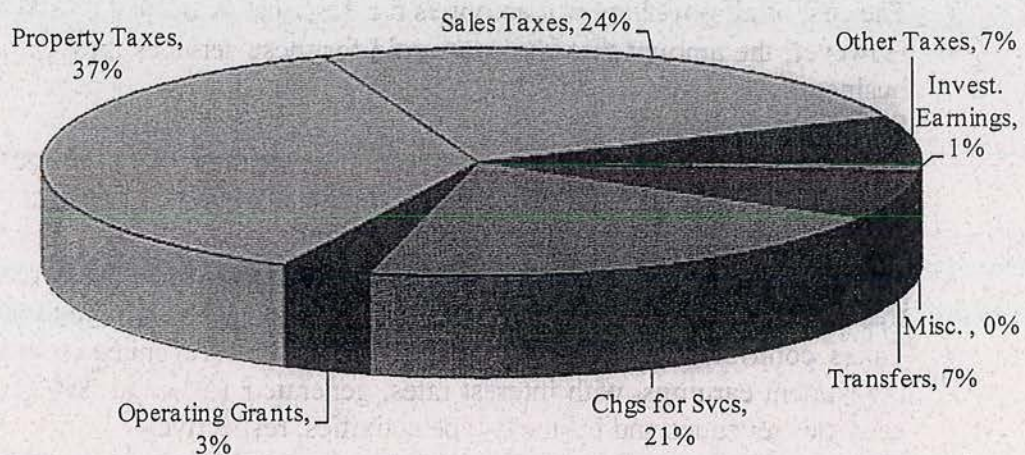
Graph 1 presents the cost of each of the City's major governmental functions, as well as the associated program revenues.

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



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

Graph 2: Revenue by Source – Governmental Activities



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

The Combined Utilities System of water and wastewater accounted for 64.2% of the expenses generated for business-type activities, with solid waste accounting for an additional 35.7%. It had operating revenues of \$6.5 million, operating income of \$1.2 million, and income before transfers of \$777 thousand, with a net loss after transfers of \$333 thousand for the fiscal year. Compared to the 2009 fiscal year, the System's operating revenues were down by \$1.8 million, the operating income was down by \$1.7 million and net income after transfers was \$1.6 million lower. The major causes of these results were:

- Increased operating revenues are largely the result of an unusually dry spring and summer during 2010, which caused water revenues to decrease by \$1.04 million, or 21.46% less than the preceding year.
- The operating expenses decreased by over \$153 thousand, primarily due to decreased supplies costs and water supply contract costs.
- Wastewater fund revenue was down by \$669 thousand, also due to a decrease in water sales, to which wastewater revenue is tied.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds

- Total assets of the General Fund increased \$798 thousand from \$11.2 million to \$12 million between 2009 and 2010. Most of this overall increase in total assets is

- from an increase in investments of \$1.6 million, a reduction in Due From Other Funds of \$829 thousand, and a reduction in Restricted Cash and Cash equivalents of \$98 thousand over the previous Fiscal Year 2008-09.
- Total liabilities of the General Fund increased by \$731 thousand to approximately \$3.3 million, a 28.1% increase. The majority of the increase is attributed to a \$447 thousand increase in Current Accounts Payable, a \$172 thousand reduction in Accrued Wages Payable (due to less days were required to be accrued), and a \$444 thousand increase in Due to Other Funds for Fiscal Year 2009-2010 over Fiscal Year 2008-2009. This brings the ratio of total assets to total liabilities to 3.61 times in 2010 from 4.32 times in 2009.
 - General Fund revenues are \$298 thousand above the final budget (see the Budgetary Results of the General Fund section below for more details on the cause of the increase).
 - General Fund expenditures are \$510 thousand below the final budget (see the Budgetary Results of the General Fund section below for more details on the cause of the decrease).
 - General Fund Excess (deficiency) of revenue (under) expenditures before other financing sources (uses) was a negative (\$608) thousand in Fiscal Year 2009-10 as opposed to a negative (\$208) thousand in Fiscal Year 2008-09. The net effect is about \$400 thousand down when comparing last fiscal year to this fiscal year.
 - The General Fund Unreserved and Undesignated fund balance decreased about \$80 thousand in Fiscal Year 2009-2010 to \$4.5 million from \$4.6 million in Fiscal Year 2008-2009. The Unreserved Designated for Landfill Closure /Post Closure increased by \$305 thousand.
 - Total assets of the Police Forfeiture Fund decreased about \$693 thousand from \$4.7 million to \$4 million between 2009 and 2010. Most of this overall decrease in total assets is from increased Investments of \$600 thousand, an increase in Due From Other Fund of \$24 thousand, and a reduction in Restricted Cash and Cash equivalents of \$1.2 million as compared to the previous Fiscal Year 2008-09.
 - Total liabilities of the Police Forfeiture Fund dropped by \$933 thousand from \$2.5 million in Fiscal Year 2008-09 to approximately \$1.6 million in Fiscal Year 2009-10. This brings the quick ratio (current assets to current liabilities) to 2.47 times in 2010 from 1.85 times in 2009. This is because they still had \$524 thousand in unsettled seizures pending at September 30, 2010.
 - The Police Forfeiture Fund unreserved and undesignated fund balance increased by \$247 thousand from approximately \$2.2 million in year 2009 to \$2.4 million and 2010.
 - The fund balance of the Debt Service Fund increased \$33 thousand from about \$398 thousand in 2009 to \$431 thousand in 2010. This was an 8.38% increase from 2009 to 2010. The City has implemented a strategy to build up the Debt Service Fund Balance to safeguard against adverse economic times that could occur in the future as a conservative measure. This is balanced with structuring the Debt Service Fund Balance to minimize the balance being carried to no more than required for the cash flow necessary to service the City's debt.

Budgetary Results of the General Fund

General Fund taxes and business fee revenues were over \$8.8 million, which was \$74 thousand above the final budget. Electric Franchise Tax revenues were higher than the final budget by \$97 thousand. This positive variance is the result of a surge in City of Kingsville economy combined with a spike in retail electric sales pricing during the summer months. Municipal Court Fines revenue came in lower than the final budget by \$54 thousand. The City of Kingsville had budgeted at prior year's level and implemented collection initiatives late in F/Y 2009-10, but the collection rate did not come in as anticipated.

Sanitation Total Charges for Services revenues were \$208 thousand more than the final budget. Sanitation Services Garbage Fees revenue were higher than the final budget by \$169 thousand or about 5.93% of the Final Budget for Fiscal Year 2009-10 for Garbage Fees. This resulted from budgeting conservatively. The City of Kingsville frequently budgets only 95% of the expected Garbage Fees revenues. The Sanitation Services Garbage Fees revenue in Fiscal Year 2008-09 was also in this range at 5.53%. Sanitation Services Miscellaneous revenue were higher than the final budget by \$69 thousand. This revenue variance is due to a higher than anticipated amount of sanitation penalty and interest. The city budgeted too conservatively the projected revenue which caused this to indicate a favorable variance. Sanitation Services Landfill Fees revenue were lower than the final budget by \$35 thousand. The city in this case, didn't budget conservatively enough in landfill fees which caused an unfavorable budget variance to occur.

Charges for Services – Other Services revenues were lower than the final budget by \$50 thousand because a street paving joint venture with Texas A & M Kingsville, a local university, was originally planned to be completed before the fiscal year end but didn't get completed until a couple of months into Fiscal Year 2010-11. Charges for services, including zoning fees, solid waste fees, health service fees, and other fees were higher than the final budget by \$226 thousand.

Ambulance Service revenues were higher than the final budget by \$80 thousand and Uncollectable Accounts expenditures were higher than the final budget by \$37 thousand. This was caused by budgeting estimated revenues net of Bad Debt expenditures and not budgeting the Bad Debt Expenditures separately. The Fiscal Year 2010-2011 budget has estimated Ambulance Service revenues in the aggregate with the Bad Debt Expenditures budgeted separately.

City Special Services expenditures were lower than the final budget by \$52 thousand. This favorable budget variance is mainly the result of \$10 thousand less in Tax Appraisal Professional Services expenditures, \$12 thousand less in Joint Land Use Study grant cash match, \$5 thousand budgeted for an economic consultant that was not needed (the work was spread over several departments and absorbed in-house), and \$6 thousand less in property/casualty insurance expenditures as a result of revaluation of property values in a comprehensive review process.

Municipal Court Personal Services expenditures were lower than the final budget by \$24 thousand. Employees in the department were budgeted full-time, but for various reason/s worked less than full-time.

Planning Department Personal Services expenditures were lower than the final budget by \$46 thousand. This was the result of conservative budgeting. A new grant to assist in supplementing the City's Planning Department labor resources came in higher than expected at Fiscal Year end September 30, 2010.

Fire Department Total expenditures were lower than the final budget by \$94 thousand. Of this amount, \$50 thousand is related to Personal Services for the Fire Department or about 2.29% of the Fire Department Personal Services final budget. Police Department total expenditures were also lower than the final budget by \$122 thousand. Of this amount, \$95 thousand is related to Personal Services for the Police Department or about 2.62% of the Police Department Personal Services final budget. In Fiscal Year 2009-10, both of these departments Personal Services were budgeted conservatively. The City budgets at 100% of the City of Kingsville Compensation Plan. In both departments, employee turnover is offset by retirement pay-off (that can't always be planned in advance). The final result was a positive variance for this fiscal year. The other expenditures in these departments were also conservatively budgeted with managerial oversight contributing to the positive variances.

Garage Personal Services expenditures were lower than the final budget by \$50 thousand. A key position in the department turned over and the replacement went unfilled for several months. The Street Department Personal Services expenditures were also lower than the final budget by \$41 thousand due to turnover in the Street Department.

Sanitation Department Total expenditures were higher than the final budget by \$63 thousand and Landfill Department expenditures were higher than the final budget by \$4 thousand. This was the result of some unanticipated expenditures that occurred within the department in Fiscal Year 2009-10. Key personnel in this department turned over at year end.

The other financing uses (unfavorable) budget variance of approximately \$574 thousand consists of two separate unbudgeted items. First, the City reconciled the capital outlay for the 1998 Bond Issue and determined that the General Fund had been inadvertently over funded \$139 thousand while the Utility Fund was under funded a like amount. Therefore \$139 thousand was moved from the General Fund to the Utility Fund. The second item relates to a \$435 thousand transfer out of the General Fund to the Debt Service Fund for principal and interest payments. This transfer out was a planned event, but not a part of the officially adopted budgeted.

General Fund total revenues came in almost \$298 thousand above the final budget. The General Fund expenditures came in \$510 thousand below the final budget. However, these two favorable variances combined for a \$608 thousand deficiency of revenues under expenditures (before other financing uses).

Budget Amendments of the General Fund

In Lieu of General Property Tax Payment revenue was amended up by \$15 thousand for estimated increased revenues coming from the Kingsville Housing Authority. The Housing Authority application was approved in the middle of Fiscal Year 2009-10 and not known when the original budget was adopted. The budget was amended for a \$15 thousand increase in estimated Charges for Ambulance Services revenue and was used to provide an increased appropriation in the same amount for remodeling a bay to store an emergency vehicle at the Fire Department. Salaries and Wages appropriations in the Fire Department were amended down by \$18 thousand resulting from less than budgeted salaries were expended during the first part of the fiscal year due to turnover in the department. An additional \$11 thousand was amended for building remodeling at the Volunteer Fire Department.

Charges for Services - Other Services revenue was increased \$50 thousand for a street patch and repaving project pursuant to an inter-local agreement with Texas A & M Kingsville. The Street Department budget was amended an increase of \$50 thousand to provide additional resources to accomplish this City Commission initiative with TAMUK. The City Commission addressed a Street Paving Lien collection initiative in the summer of 2010; as a result the Street Paving Lien revenue was amended up \$15 thousand. The Sanitation Services Landfill Fees revenue budget was amended up by \$232 thousand. Historically the Landfill Closure / Post-Closure revenue had not been budgeted.

The City Commission increased the City Special Department capital expenditure budget by \$69 thousand for the purchase of replacement sirens for the emergency warning system. In addition, the City Commission decreased the City Special Department Insurance Property/Liability expenditure budget by \$27 thousand.

Additional information on the City's Original Budget to Final Budget and Final Budget to Actual can be found on Exhibit B-1, pages 72-79.

Non-major Governmental Funds

Four special revenue funds comprise this portion of the financial statements. Total assets for the combined funds were \$532 thousand, total liabilities were \$521 thousand, and total fund balances were \$11 thousand, with \$11 thousand in undesignated and unreserved fund balances.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Table A-3: Capital Assets (net of depreciation) at September 30, 2010 and 2009
(In thousands of dollars)

	Governmental Activities			Business-type Activities		
	2010	2009	% Change 09-10	2010	2009	% Change 09-10
Land	\$470	\$470	0.00%	\$352	\$352	0.00%
Building and improvements	1,851	1,574	17.60%	11,981	12,890	-7.05%
Equipment	548	838	-34.61%	817	587	39.18%
Vehicles	2,180	2,200	-0.91%	2,003	1,315	52.32%
Road network	7,665	7,933	-3.38%	0	0	N/A
Construction in progress		289	N/A	2,729	1,673	63.12%
Total	<u>\$12,714</u>	<u>\$13,304</u>	-4.43%	<u>\$17,882</u>	<u>\$16,817</u>	6.33%

As shown in Table A-3, at September 30, 2010, the City had invested \$30 million (net of depreciation) in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads and bridges, and its utility system. Additional information on the City's Capital Assets can be found on Note E, page 56-57 of the Notes to the Financial Statements.

Long-term Debt

Table A-4 indicates that total long-term debt decreased by \$1.3 million from 2009 to 2010 or 5%. Of that, landfill closure costs increased \$254 thousand or 7.1%, while compensated absences decreased 3.8%. Certificates of Obligation decreased \$1.8 million which is about an 8.73% reduction from the previous Fiscal Year. Other Post-Employment Benefits increased by \$178 thousand and Net Pension Obligation increased \$315 thousand in compliance with GASB 45 recognition. Total debt outstanding at fiscal year-end was \$21.5 million, down from \$23.1 million for the prior year.

In addition, there were overall reductions of \$2 million in certificates of obligation bonds and revenue bonds (Combined Utility System) through scheduled principal payments. Governmental Activities certificate of obligations had \$957 thousand in debt reduction and the Business-type had a reduction of \$1.1 million in certificate of obligations and revenue bonds. Additional information on the City's Long-Term Obligations can be found on Note H, Item # 1-3, and page 58-61 of the Notes to the Financial Statements.

The 2009-2010 tax rates were \$0.56672 for the General Fund and \$0.23515 for the Debt Service Fund, totaling \$0.80187 per \$100 of assessed value. Therefore, the City's tax margin of \$1.69813 per \$100 of assessed value could increase taxes \$11.4 million each year based on the assessed value of \$671,285,466. A brief discussion of the ad valorem tax limitations of the Constitution of the State of Texas and the City Charter are found in Note A, Item #4b, page 47 of the Notes to the Financial Statements.

Table A-4: Long-Term Liabilities at September 30, 2010 and 2009
(in thousands of dollars)

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Combined tax & revenue	\$0	\$0	\$0	\$0	\$0	\$0
certificates of obligation						
Certificates of obligation	5,336	6,293	14,484	15,422	19,820	21,715
Capital Leases	135	159	0	0	135	159
Other post-employment benefits	570	432	155	115	725	547
Net Pension Obligation	400	155	116	46	516	201
Revenue bonds payable	0	0	370	540	370	540
Total debt	6,441	7,039	15,125	16,123	21,566	23,162
Compensated absences	866	898	82	88	948	986
Landfill closure cost	0	0	3,854	3,600	3,854	3,600
Total long-term debt	<u>\$7,307</u>	<u>\$7,937</u>	<u>\$19,061</u>	<u>\$19,811</u>	<u>\$26,368</u>	<u>\$27,748</u>

Bond Ratings

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

The Utility System revenue bonds were issued through the Texas Water Development Board and insured by Ambac. The bond issue only had an insured rating and in late 2010 Ambac's rating fell to non-investment grade. Therefore, the revenue bonds are non-rated due to the fact these bonds were issued through the Texas Water Development Board instead of the open market.

FISCAL YEAR 2010-2011 ADOPTED OPERATING BUDGET

City of Kingsville City Special Professional Services was up \$40 thousand for a City Manager search and \$35 thousand for professional service to hire a consultant with expertise in the area of single member districts, if a referendum in Fiscal Year 2010-11 were to pass. The City Special equipment budget was reduced by the \$69 thousand amount for emergency warning sirens budgeted in Fiscal Year 2009-2010, but an appropriation was not needed in the Fiscal Year 2010-2011.

The adopted budget for fiscal year 2010-2011 sets general fund revenues from all sources (including inter-fund transfers) at \$14.3 million, which is \$17 thousand or .12% less than the prior year's final budget. Property taxes were estimated to increase \$499 thousand or 12.81% when compared to the prior year budget. With steady 3 to 6 percent increases in assessed values each year for the previous five tax years (and a 5.09% increase for the 2010 tax year) along with no increase in the general fund's property tax rate, a conservative revenue forecasting approach was applied by management for Fiscal Year 2010-2011.

City sales tax, which comprises 24.3% of general fund revenues, is budgeted for Fiscal Year 2010-2011 at \$3.4 million or approximately \$219 thousand less than the prior year's revenue realized. The City of Kingsville Commission general budgets only 96 or 97% of projected sales tax revenues. The electric franchise fees were also budgeted conservatively at \$48 thousand lower than the Fiscal Year 2009-2010 actuals.

The FY 2010-11 Solid Waste revenue budget increased \$20 thousand for Landfill Fees and \$22 thousand for Garbage Fees compared to Fiscal Year 2009-2010 actual revenue realized. The City went through an extensive evaluation of Solid Waste Fees and adopted a phase in of increased rates over a two year period. FY 2009-2010 was the second year of the phase in period. FY 2010-2011 Solid Waste Department revenues are for a second full year at the new rates. The City Commission designated in the adoption of the new rates that all of the additional revenues generated by the increased rates are to be reserved for the replacement of capital outlay and/or the payment of debt incurred for the Solid Waste Department.

General Fund expenditures, including transfers for the FY 2010-2011 budget were set at \$14.3 million, \$426 thousand less than the prior year's final budget, or 2.89% less. Increases in budgeted expenditures for the Police and Fire department, along with expenditures for the Street Department account for more than half of all increases in total expenditures budgeted in FY 2010-2011 from the prior year's final budget. The FY 2010-2011 budgets for the Police and Fire Departments both include a 1% to 3% salary and benefits pay increase due to contract negotiations with the their respective unions. As a result, the Police Department salaries and benefits budget increased \$66 thousand and the Fire Department salaries and benefits budget increased \$155 thousand.

The purchase of newer and more technologically advanced Solid Waste trucks and equipment in FY 2009-2010 also provided for continued reductions in the FY 2010-2011

vehicle and machinery maintenance budgets. The budget for the Solid Waste Department - State Fees was increased by \$80 thousand.

A new Emergency Management Department was created by the City for FY 2009-2010. The City had previously operated under an inter-local agreement with Kleberg County to provide these Emergency Management administrative services. The FY 2010-2011 Emergency Management Department expenditure budget is approximately \$23 thousand down from \$47 thousand the previous fiscal year. The reduction is because there were start-up expenditures to the City in Fiscal Year 2009-2010 that did not need to be budgeted in Fiscal Year 2010-2011.

A new Planning Department Director of Development Services was created by the City for FY 2009-2010. Approximately \$19 thousand of this department's salary and benefits budget was funded by grant monies. In FY 2010-2011, these monies were not available to off-set salaries for this position in the Planning Department. The Main Street Tourism Development Services Department was also created by the City for FY 2009-2010. The majority (\$39 thousand) of this department's expenditures continues to be funded by Hotel Occupancy Tax monies.

In Fiscal Year 2009-2010, the City of Kingsville successfully completed a Chapter 380 Economic Development Agreement with a developer to repair street and bridge infrastructure and stimulate residential housing development in the City of Kingsville. The \$232 thousand in expenditures for this initiative budgeted in Fiscal Year 2009-2010 were not needed in Fiscal Year 2010-2011. In addition, the City was able to reduce \$407 thousand in Street and Bridge Repairs expenditures from the General Fund budget. The City of Kingsville will be utilizing additional Certificate of Obligation funds of \$922 thousand for Fiscal Year 2010-2011 for Street and Bridge Repairs. This increased the available resources for the Street Department to accomplish City Commission initiatives of repairing street and bridge infrastructure and stimulate residential housing development by \$283 thousand or 44.28 %.

CITY'S FINANCIAL MANAGEMENT

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

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

The City of Kingsville
Director of Finance
P.O. Box 1458
Kingsville, Texas 78364
(361) 595-8009 (phone) (361) 595-8035 (fax)
or visit our web site at : www.cityofkingsville.com

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CITY OF KINGSVILLE
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010

	Primary Government			Component
	Governmental	Business-type	Total	Unit
	Activities	Activities		
ASSETS				
Cash and cash equivalents	\$ 4,716,864	\$ 50	\$ 4,716,914	\$ 271,940
Equity in pooled cash and cash equivalents	--	3,239,409	3,239,409	--
Investments	4,400,000	2,650,000	7,050,000	--
Receivables (net of allowances for uncollectibles):				
Taxes	1,251,764	--	1,251,764	--
Accounts	105,833	1,386,641	1,492,474	--
Accrued Interest	18,117	15,717	33,834	--
Internal Balances	(1,664,537)	1,664,535	(2)	--
Due from other governments	516,383	3,941	520,324	60,218
Inventory, at cost	180,851	214,691	395,542	4,761
Restricted assets:				
Cash and cash equivalents	1,693,276	3,747,238	5,440,514	--
Equity in pooled cash and cash equivalents	293,465	578,440	871,905	--
Accounts	--	114,554	114,554	--
Long-term assets:				
Bond issuance costs	34,619	99,162	133,781	--
Land and construction in progress	469,540	3,081,169	3,550,709	--
Capital assets, net of related depreciation	12,244,736	14,800,916	27,045,652	15,324
Total Assets	24,260,911	31,596,463	55,857,374	352,243
LIABILITIES				
Accounts payable	1,474,722	632,558	2,107,280	2,373
Accrued wages payable	75,256	15,273	90,529	--
Payable from restricted assets:				
Accrued interest payable	31,590	105,736	137,326	--
Customer deposits	697,538	683,576	1,381,114	--
Due to:				
Other governments	688,902	1,217	690,119	--
Others	293	--	293	--
Unearned revenues	12,091	--	12,091	--
Liabilities due within one year:				
Accumulated unpaid compensated absences	177,171	38,500	215,671	--
Leases payable	24,781	--	24,781	2,709
Contractual obligations payable	1,164,744	775,252	1,939,996	--
Liabilities due beyond one year:				
Accumulated unpaid compensated absences	689,085	43,428	732,513	--
Leases payable	110,518	--	110,518	11,897
Accrued other post-employment benefits	570,363	154,518	724,881	--
Net Pension Obligation	399,484	116,596	516,080	--
Contractual obligations payable	4,171,246	14,078,755	18,250,001	--
Landfill closure costs	--	3,854,048	3,854,048	--
Total Liabilities	10,287,784	20,499,457	30,787,241	16,979
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	7,242,987	3,028,078	10,271,065	--
Restricted For:				
Debt Service	468,829	320,452	789,281	--
Capital Projects	442,712	1,905,093	2,347,805	--
Unrestricted	5,818,599	5,843,383	11,661,982	335,264
Total Net Assets	\$ 13,973,127	\$ 11,097,006	\$ 25,070,133	\$ 335,264

The accompanying notes are an integral part of this statement.

CITY OF KINGSVILLE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2010

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government			
General government and administration	\$ 2,853,471	\$ 160,225	\$ 333,122
Public safety	8,450,026	2,476,666	143,343
Public works	2,838,815	60,302	10,390
City/County	782,399	20,302	--
Tourism	421,233	422,584	--
Interest on long-term debt	190,913	--	--
Total Government Activities	<u>15,536,857</u>	<u>3,140,079</u>	<u>486,855</u>
Business-type Activities:			
Water Improvement	3,474,155	3,769,784	700
Solid Waste	3,201,052	3,572,534	--
Wastewater	2,273,372	2,708,503	--
Total Business-type Activities	<u>8,948,579</u>	<u>10,050,821</u>	<u>700</u>
Total Primary Government	<u>\$ 24,485,436</u>	<u>\$ 13,190,900</u>	<u>\$ 487,555</u>
COMPONENT UNIT:			
Kingsville Convention & Visitors Bureau	<u>\$ 326,973</u>	<u>\$ 349,928</u>	<u>\$ --</u>

General Revenues:

Property Taxes
Sales Taxes
Franchise Taxes
Bingo Taxes
Alcoholic Beverage Taxes
Unrestricted Investment Earnings
Miscellaneous Income

Transfers

Total General Revenues

Change in Net Assets

Net Assets - Beginning

Prior Period Adjustment

Net Assets - Ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-type Activities	Total	Component Unit
\$ (2,360,124)		\$ (2,360,124)	
(5,830,017)		(5,830,017)	
(2,768,123)		(2,768,123)	
(762,097)		(762,097)	
1,351		1,351	
(190,913)		(190,913)	
<u>(11,909,923)</u>		<u>(11,909,923)</u>	
--	\$ 296,329	296,329	
--	371,482	371,482	
--	435,131	435,131	
--	<u>1,102,942</u>	<u>1,102,942</u>	
<u>(11,909,923)</u>	<u>1,102,942</u>	<u>(10,806,981)</u>	
			\$ 22,955
5,567,439	--	5,567,439	--
3,699,421	--	3,699,421	--
976,187	--	976,187	--
6,029	--	6,029	--
43,562	--	43,562	--
147,868	78,863	226,731	6
36,672	--	36,672	--
1,002,840	(1,002,838)	2	--
<u>11,480,018</u>	<u>(923,975)</u>	<u>10,556,043</u>	<u>6</u>
(429,905)	178,967	(250,938)	22,961
15,313,334	10,007,737	25,321,071	312,303
(910,302)	910,302	--	--
<u>\$ 13,973,127</u>	<u>\$ 11,097,006</u>	<u>\$ 25,070,133</u>	<u>\$ 335,264</u>

CITY OF KINGSVILLE

BALANCE SHEET - GOVERNMENTAL FUNDS SEPTEMBER 30, 2010

	General Fund	Police Forfeiture Fund
ASSETS		
Assets:		
Cash and cash equivalents	\$ 11,702	\$ 2,912,777
Equity in pooled cash and cash equivalents	78,952	--
Investments	6,150,000	600,000
Receivables (net of allowances for uncollectibles):		
Taxes	1,214,120	--
Accounts	503,859	865
Assessments	147,492	--
Accrued Interest	384,255	--
Due from:		
Other funds	1,203,229	24,359
Other governments	64,740	--
Inventory, at cost	180,851	--
Restricted assets:		
Cash and cash equivalents	1,960,042	510,887
Equity in pooled cash and cash equivalents	44,071	37,201
Accounts	114,554	--
Total Assets	\$ 12,057,867	\$ 4,086,089
LIABILITIES AND EQUITY		
Liabilities:		
Accounts payable	\$ 1,143,570	\$ 75,291
Accrued wages payable	70,995	4,261
Payable from restricted assets:		
Customer deposits	--	523,753
Due to:		
Other funds	925,198	736,292
Other governments	308,896	311,414
Others	293	--
Deferred revenues	887,945	--
Total Liabilities	3,336,897	1,651,011
Equity:		
Fund balances:		
Reserved for inventory	186,270	--
Reserved for debt service	--	--
Reserved for capital outlay	49,735	--
Reserved for municipal court building security	43,237	--
Reserved for municipal court technology	--	483
Unreserved		
Designated for landfill	3,341,626	--
Designated for sanitation capital outlay	513,496	--
Designated for capital outlay	12,008	--
Unreserved, undesignated	4,574,598	2,434,595
Total equity	8,720,970	2,435,078
Total Liabilities and Equity	\$ 12,057,867	\$ 4,086,089

The accompanying notes are an integral part of this statement.

EXHIBIT A-3

Debt Service Fund	Capital Improvements Fund	Other Governmental Funds	Total Governmental Funds
\$ --	\$ --	\$ --	\$ 2,924,479
--	--	52,959	131,911
--	--	--	6,750,000
37,644	--	--	1,251,764
3,151	--	37,966	545,841
--	--	--	147,492
--	--	--	384,255
434,912	65,724	--	1,728,224
--	10,435	441,208	516,383
--	--	--	180,851
234,242	874,074	--	3,579,245
130,931	99,948	--	312,151
--	--	--	114,554
<u>\$ 840,880</u>	<u>\$ 1,050,181</u>	<u>\$ 532,133</u>	<u>\$ 18,567,150</u>
\$ --	\$ --	\$ 85,644	\$ 1,304,505
--	--	--	75,256
--	--	--	523,753
372,051	358,243	354,768	2,746,552
--	--	68,592	688,902
--	--	--	293
37,644	--	12,091	937,680
<u>409,695</u>	<u>358,243</u>	<u>521,095</u>	<u>6,276,941</u>
--	--	--	186,270
431,185	--	--	431,185
--	691,938	--	741,673
--	--	--	43,237
--	--	--	483
--	--	--	3,341,626
--	--	--	513,496
--	--	--	12,008
--	--	11,038	7,020,231
<u>431,185</u>	<u>691,938</u>	<u>11,038</u>	<u>12,290,209</u>
<u>\$ 840,880</u>	<u>\$ 1,050,181</u>	<u>\$ 532,133</u>	<u>\$ 18,567,150</u>

CITY OF KINGSVILLE
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010**

Total fund balances - governmental funds balance sheet \$ 12,290,209

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.	12,714,276
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	427,676
The assets and liabilities of certain internal service funds are included in governmental activities in the SNA.	(43,206)
The assets and liabilities of internal service funds are included in governmental activities in the SNA.	606,726
Payables for capital leases which are not due in the current period are not reported in the funds.	(135,299)
Payables for bond interest which are not due in the current period are not reported in the funds.	(31,590)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(866,256)
Payables for contracts which are not due in the current period are not reported in the funds.	(5,335,990)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.	(969,847)
Other long-term assets are not available to pay for current period expenditures and are deferred in the funds.	34,618
Solid waste assets and liabilities are included in the general fund but are included in business activities in SNA.	(4,718,191)

Net assets of governmental activities - Statement of Net Assets \$ 13,973,127

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, 2010

	General Fund	Police Forfeiture Fund
Revenue:		
Taxes	\$ 8,683,023	\$ --
Licenses and permits	194,004	--
Charges for services	4,106,266	--
Fines and forfeitures	461,169	1,524,955
Special assessments	19,910	--
Interest and miscellaneous	158,747	31,488
Gain or loss on sale of property	298	--
Donations	2,007	--
Reimbursements-Interdepartmental Revenue	--	--
Federal and state grants	--	--
Total revenues	<u>13,625,424</u>	<u>1,556,443</u>
Expenditures:		
Current:		
General government and administration	2,727,326	10,336
Public Safety	6,783,929	1,306,890
Public works	3,940,445	--
City/County	745,418	--
Tourism	--	--
Other expenses	37,237	--
Debt service:		
Principal retired	--	--
Interest	--	--
Paying agent fees	--	--
Total expenditures	<u>14,234,355</u>	<u>1,317,226</u>
Excess (deficiency) of revenues (under) expenditures	(608,931)	239,217
Other financing sources (uses):		
Transfers in	1,250,000	--
Transfers out	(574,890)	--
Total other financing sources (uses)	<u>675,110</u>	<u>--</u>
Net change in fund balances	66,179	239,217
Fund balances/equity, October 1	8,654,791	2,195,861
Fund balances/equity, September 30	<u>\$ 8,720,970</u>	<u>\$ 2,435,078</u>

The accompanying notes are an integral part of this statement.

EXHIBIT A-5

Debt Service Fund	Capital Improvements Fund	Other Governmental Funds	Total Governmental Funds
\$ 1,611,840	\$ --	\$ 422,304	\$ 10,717,167
--	--	--	194,004
--	--	280	4,106,546
--	--	--	1,986,124
--	--	--	19,910
5,379	14,677	2,805	213,096
--	--	--	298
--	--	--	2,007
--	60,302	--	60,302
--	--	484,049	484,049
<u>1,617,219</u>	<u>74,979</u>	<u>909,438</u>	<u>17,783,503</u>
--	--	260,634	2,998,296
--	19,315	140,991	8,251,125
--	2,413,714	85,968	6,440,127
--	5,365	--	750,783
--	--	420,379	420,379
--	--	--	37,237
1,590,000	--	--	1,590,000
426,821	--	--	426,821
1,975	--	--	1,975
<u>2,018,796</u>	<u>2,438,394</u>	<u>907,972</u>	<u>20,916,743</u>
(401,577)	(2,363,415)	1,466	(3,133,240)
434,912	--	--	1,684,912
--	--	--	(574,890)
<u>434,912</u>	<u>--</u>	<u>--</u>	<u>1,110,022</u>
33,335	(2,363,415)	1,466	(2,023,218)
397,850	3,055,353	9,572	14,313,427
<u>\$ 431,185</u>	<u>\$ 691,938</u>	<u>\$ 11,038</u>	<u>\$ 12,290,209</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, 2010

Net change in fund balances - total governmental funds \$ (2,023,218)

Amounts reported for governmental activities in the Statement of Activities
("SOA") are different because:

Capital outlays are not reported as expenses in the SOA.	393,578
The depreciation of capital assets used in governmental activities is not reported in the funds.	(912,166)
Trade-in or disposal of capital assets decrease net assets in the SOA but not in the funds.	(91,682)
Donations of capital assets increase net assets in the SOA but not in the funds.	19,910
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(2,225)
Expenses not requiring the use of current financial resources are not reported as expenditures in the funds.	(382,633)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	957,199
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	23,737
Bond issuance costs and similar items are amortized in the SOA but not in the funds.	(11,796)
(Increase) decrease in accrued interest from beginning of period to end of period.	19,810
The net revenue (expense) of internal service funds is reported with governmental activities.	269,878
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	30,864
Solid waste activities are included in the general fund, but are included in the business activities in the SOA.	<u>1,278,840</u>

Change in net assets of governmental activities - Statement of Activities \$ (429,905)

The accompanying notes are an integral part of this statement.

CITY OF KINGSVILLE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2010

	Enterprise Fund	Nonmajor Internal Service Fund
	Utility Fund	Insurance Fund
ASSETS		
Current assets:		
Cash and cash equivalents	\$ --	\$ 1,016,208
Equity in pooled cash and cash equivalents	3,436,893	--
Investments	--	300,000
Receivables (net of allowances for uncollectibles):		
Accounts	973,496	--
Due from:		
Other funds	1,470,081	265,623
Other governments	3,941	--
Inventory, at cost	214,691	--
Restricted assets - noncurrent:		
Cash and cash equivalents	2,165,850	--
Equity in pooled cash and cash equivalents	703,741	--
Total current assets	<u>8,968,693</u>	<u>1,581,831</u>
Noncurrent assets:		
Bond issuance costs	99,162	--
Capital assets:		
Land	132,354	--
Utility plant	34,210,928	--
Equipment	1,211,529	--
Vehicles	1,713,579	--
Construction in progress	1,423,087	--
Total capital assets	<u>38,691,477</u>	<u>--</u>
Less accumulated depreciation	<u>(25,282,517)</u>	<u>--</u>
Net capital assets	<u>13,408,960</u>	<u>--</u>
Total noncurrent assets	<u>13,508,122</u>	<u>--</u>
Total Assets	\$ <u>22,476,815</u>	\$ <u>1,581,831</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 624,558	\$ 178,217
Accrued wages payable	15,273	--
Due to:		
Other funds	96,014	621,365
Other governments	1,217	--
Accumulated unpaid compensated absences	38,500	--
Current liabilities payable from restricted assets:		
Accrued interest payable	86,789	--
Contractual obligations payable	487,000	--
Customer deposits	683,576	173,785
Total current liabilities	<u>2,032,927</u>	<u>973,367</u>
Long-term liabilities, net of current portion		
Accumulated unpaid compensated absences	43,428	--
Accrued other post-employment benefits	118,108	--
Net pension obligation	73,508	--
Contractual obligations payable	10,680,000	--
Total long-term liabilities, net of current portion	<u>10,915,044</u>	<u>--</u>
Total Liabilities	<u>12,947,971</u>	<u>973,367</u>
Net Assets:		
Invested in capital assets, net of related debt	2,241,961	--
Restricted for:		
Debt service	320,452	--
Self insurance	--	608,464
Capital outlay	1,905,093	--
Unrestricted	5,061,338	--
Total net assets	<u>9,528,844</u>	<u>608,464</u>
Total Liabilities and Net Assets	\$ <u>22,476,815</u>	\$ <u>1,581,831</u>

The accompanying notes are an integral part of this statement.

CITY OF KINGSVILLE

EXHIBIT A-7R

**RECONCILIATION OF THE PROPRIETARY FUND STATEMENT OF NET ASSETS
TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010**

Utility Fund Net Assets - Proprietary Funds Statement of Net Assets	\$	9,528,844
---	----	-----------

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

Solid Waste is a business-type activity that is included in the general fund. Assets and liabilities relating to Solid Waste are included in business-type activities in the government-wide statement of net assets.	1,524,956
---	-----------

The assets and liabilities of certain internal service funds are included in business type activities in the SNA.	43,206
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Net Assets of Business-type Activities - Statement of Net Assets	\$	<u>11,097,006</u>
--	----	-------------------

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

CITY OF KINGSVILLESTATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Enterprise Fund	Nonmajor Internal Service Fund
	Utility Fund	Insurance Fund
OPERATING REVENUES:		
Water	\$ 3,821,467	\$ --
Other income	27,839	4,400
Wastewater	2,651,639	--
Insurance premiums	--	2,240,559
Federal Revenue	700	--
Total Operating Revenues	<u>6,501,645</u>	<u>2,244,959</u>
OPERATING EXPENSES:		
Personal services	1,990,958	--
Supplies	130,470	--
Services	1,137,670	1,975,081
Maintenance	403,333	--
Water supply contract	350,389	--
Uncollectable accounts	62,300	--
Depreciation and amortization	1,160,087	--
Total Operating Expenses	<u>5,235,207</u>	<u>1,975,081</u>
Operating Income (Loss)	<u>1,266,438</u>	<u>269,878</u>
NON-OPERATING REVENUES (EXPENSES):		
Interest	9,986	--
Gain or loss on sale of property	13,358	--
Interest and fiscal agent charge	(512,321)	--
Total Non-operating Revenues (Expenses)	<u>(488,977)</u>	<u>--</u>
Net Income (Loss) before Transfers	<u>777,461</u>	<u>269,878</u>
TRANSFERS IN (OUT):		
From General Fund	139,979	--
To General Fund	(1,250,000)	--
Total Transfers In (Out)	<u>(1,110,021)</u>	<u>--</u>
Net income (loss)	<u>(332,560)</u>	<u>269,878</u>
Net assets, October 1	9,861,404	338,586
Net assets, September 30	<u>\$ 9,528,844</u>	<u>\$ 608,464</u>

The accompanying notes are an integral part of this statement.

CITY OF KINGSVILLE

EXHIBIT A-8R

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2010

Change in net assets-utility fund

\$ (332,560)

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.

511,527

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

\$ 178,967

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, 2010

	Utility Fund	Internal Service Fund
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 6,664,050	\$ --
Cash Receipts (Payments) for Quasi-external Operating Transactions with Other Funds	--	2,208,110
Cash Payments to Employees for Services	(1,959,432)	--
Cash Payments to Other Suppliers for Goods and Services	(1,919,796)	(1,917,493)
Net Cash Provided (Used) by Operating Activities	<u>2,784,822</u>	<u>290,617</u>
Cash Flows from Non-capital Financing Activities:		
Proceeds from Borrowings	98,707	36,849
Payments for Borrowings	(617,611)	(42,847)
Transfers From Other Funds	139,979	--
Transfers To Other Funds	(1,250,000)	--
Net Cash Provided (Used) by Non-capital Financing Activities	<u>(1,628,925)</u>	<u>(5,998)</u>
Cash Flows from Capital and Related Financing Activities:		
Principal and Interest Paid	(980,818)	--
Acquisition or Construction of Capital Assets	(633,865)	--
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>(1,614,683)</u>	<u>--</u>
Cash Flows from Investing Activities:		
Purchase of Investment Securities	--	(300,000)
Interest and Dividends on Investments	9,985	--
Net Cash Provided (Used) for Investing Activities	<u>9,985</u>	<u>(300,000)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(448,801)	(15,381)
Cash and Cash Equivalents at Beginning of Year	6,755,283	1,031,588
Cash and Cash Equivalents at End of Year	<u>\$ 6,306,482</u>	<u>\$ 1,016,207</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ 1,266,438	\$ 269,878
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation	1,160,087	--
Provision for Uncollectible Accounts	62,300	--
Change in Assets and Liabilities:		
Decrease (Increase) in Receivables	163,484	--
Decrease (Increase) in Due from Other Governments	(700)	--
Decrease (Increase) in Inventories	(120,084)	--
Increase (Decrease) in Accounts Payable	222,150	57,588
Increase (Decrease) in Accrued Wages Payable	(31,664)	--
Increase (Decrease) in Accrued Other Employment and Post Employment Benefits	69,483	--
Increase (Decrease) in Accumulated Compensated Absences	(6,293)	--
Increase (Decrease) in Due to Other Governments	(649)	--
Increase (Decrease) in Customer Deposits	270	(36,849)
Total Adjustments	<u>1,518,384</u>	<u>20,739</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,784,822</u>	<u>\$ 290,617</u>

The accompanying notes are an integral part of this statement.

CITY OF KINGSVILLE
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2010

	<u>Agency Funds</u>
ASSETS	
Assets:	
Cash and cash equivalents	\$ 20,667
Total Assets	\$ 20,667
LIABILITIES AND EQUITY	
Liabilities:	
Payable from restricted assets:	
Customer deposits	\$ 20,667
Total Liabilities	20,667
Equity:	
Fund balance	--
Total equity	--
Total Liabilities and Equity	\$ 20,667

The accompanying notes are an integral part of this statement.

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

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, 2010.

1. Reporting Entity

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

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

a. Blended Component Units

The City did not have a Blended Component Unit at September 30, 2010.

b. Discretely Presented Component Unit

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

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

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

CITY OF KINGSVILLE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2010

c. Related Organizations and Jointly Governed Organizations

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

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

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

Internal service funds of a government (which traditionally provide services primarily to other funds of the government) are presented in the summary form as part of the proprietary fund financial statements. The City's internal service fund accounts for major medical activities. Since the principal users of the internal services are the City's governmental activities, financial statements of internal service funds are consolidated into the governmental column when presented at the government-wide level in the Statement of Net Assets. The net activity of these services is offset against the appropriate functional activity in the Statement of Activities. This complies with the City's policy of eliminating internal activity from the government-wide statements.

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

b. Measurement Focus, Basis of Accounting

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

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

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

3. Implementation of New Standards

The City has adopted all current GASB pronouncements that are applicable to its operations and activities. No new statements required adoption for the year ended September 30, 2010. The accounting principles governing the reported amounts, financial presentations, and disclosures are subject to change from time to time based on new pronouncements and/ or rules issued by various standards-setting bodies. The GASB has issued the following new statements that are potentially applicable to the City of Kingsville and its component units.

- Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions
- Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles State and Local Governments
- Statement No. 56, Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards
- Statement No. 57, Other Post Employment Benefit Measurements by Agent Employers and Agent Multiple-Employer Plans
- Statement No. 58, Accounting and Reporting for Chapter 9 Bankruptcies

Statement No. 54 will require the City to restate its fund balances in its fund-level financial statements based on a new hierarchy based on the extent to which the City is bound to honor them.

New pronouncements not yet in effect as of September 30, 2010, are not expected to have any significant impact on the City's financial position, results of operations, or cash flows. The City is currently studying these new pronouncements and will adopt them, as applicable, for the fiscal year ending September 30, 2011.

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

4. Financial Statement Amounts

a. Equity in Pooled Cash and Cash Equivalents

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

b. Real Property and Sales Taxes

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

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

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

In order to obtain approval of its general obligation bonds by the Attorney General of the State, a satisfactory showing of adequate taxing power must be made. As a general rule the Attorney General will not approve new bonds if this will make the net debt exceed twenty-five percent of the assessed value. The 2009 tax rate was \$.80187 of which \$.56672 was distributed to the General Fund and \$.23515 was applied to the Debt Service Fund. Using the twenty-five percent rule, the City's legal margin is \$179,487,122.

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.

Taxpayer Name	Nature of Operations	Assessed Valuation	% of Total Taxable Valuation
AEP Texas Central Company	Electric Utility	17,571,180	9.79%
Kingsville Two	Apartments	7,409,690	4.13%
Collegiate Kingsville Partners LP	Apartments	6,841,560	3.81%
HBC Holding LTD	Apartments	6,761,360	3.77%
Eddie Yaklin Ford Lincoln Mercury Ltd	Auto Dealership	6,302,690	3.51%
Wal-Mart Stores East LP #01-0442	Retail	6,291,430	3.50%
Wal-Mart Stores Inc. # 01-0442	Retail	5,114,850	2.85%
Lowes Home Centers Inc.	Retail	5,055,180	2.82%
HEB Grocery Inc.	Grocery	4,568,520	2.54%
Lowes Home Centers Inc.	Retail	4,502,880	2.51%

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

c. Inventory

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

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

d. Capital Assets

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

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

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

Impairment losses related to capital assets are recognized and measured when there has been a significant, unexpected decline in the service utility of capital assets. The events or changes in circumstances which lead to impairment determinations are not considered to be normal or ordinary. The service utility of a capital asset is the usable capacity which, at acquisition, was expected to be used or provide service. Common indicators of impairment include - evidence of physical damage where the level of damage is such that restoration efforts are needed to restore service utility; enactment of laws or approval of regulations as well as changes in environmental factors ; technological developments, or other evidence of obsolescence; changes in the manner of duration of use of capital assets; or construction stoppage due to lack of funding. There were no impairment charges during fiscal 2010.

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.

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

g. Long-term Obligations

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

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

h. Pension Plans

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

i. Fund Equity

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

j. Accumulated Unpaid Compensated Absences

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

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.

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

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

<u>Fund</u>	<u>Department/Category</u>	<u>Amount</u>
General	Sanitation	\$ 65,711
General	Other Expenditures	37,237
General	Other Uses	574,890
Debt Service	Principal Retired	305,000
Debt Service	Interest	129,911

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

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

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

C. Deposits and Investments

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

Cash and Investments

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

1. Cash & Cash Equivalents

At September 30, 2010, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$14,298,409 and the bank balance was \$14,448,160. The City's cash deposits at September 30, 2010 and during the year ended September 30, 2010, 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 \$271,940 held in cash and cash equivalents of which \$250,000 was secured by FDIC insurance and \$21,940 was unsecured.

CITY OF KINGSVILLE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2010

2. Investments

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

Investment Accounting Policy

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

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

Investment	Reported Amount	Fair Value
Certificates of Deposit - Kleberg Bank	\$ 7,050,000	\$ 7,050,000
	<u>\$ 7,050,000</u>	<u>\$ 7,050,000</u>

Analysis of Specific Deposit and Investment Risks:

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

1. Credit Risks

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

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

2. Custodial Credit Risk

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

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

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

3. Concentration of Risk

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

4. Interest Rate Risk

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

5. Foreign Currency Risk

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

D. Receivables

	General	Debt Service	Enterprise	Enterprise Restricted	Primary Government Total
Receivables:					
Accounts	\$ 615,295	\$ 77,752	\$ 2,025,955	\$ 114,554	\$ 2,833,556
Taxes - Property	666,680				666,680
Taxes - Franchise & Sales	824,088				824,088
Special Assessments	497,913				497,913
Gross Receivables	2,603,976	77,752	2,025,955	114,554	4,822,237
Less: Allowance for uncollectable	(1,284,023)	(40,108)	(639,314)	--	(1,963,445)
Net total receivable	\$ 1,319,953	\$ 37,644	\$ 1,386,641	\$ 114,554	\$ 2,858,792

The component unit has no accounts receivable at year end.

CITY OF KINGSVILLE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2010

E. Capital Assets

Capital asset activity for the year ended September 30, 2010, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 469,540	\$ --	\$ --	\$ 469,540
Construction in progress	289,382	7,525	(296,907)	--
Total capital assets not being depreciated	758,922	7,525	(296,907)	469,540
Capital assets being depreciated:				
Road Network	18,568,151	--	--	18,568,151
Buildings and improvements	3,665,875	338,200	(145,000)	3,859,075
Equipment	2,709,562	174,853	(315,477)	2,568,939
Vehicles	4,720,429	189,819	(601,853)	4,308,395
Total capital assets being depreciated	29,664,017	702,872	(1,062,329)	29,304,559
Less accumulated depreciation for:				
Road Network	(10,634,895)	(268,082)	--	(10,902,977)
Buildings and improvements	(2,091,825)	(61,080)	145,000	(2,007,905)
Equipment	(1,871,230)	(408,166)	258,322	(2,021,074)
Vehicles	(2,520,354)	(174,838)	567,325	(2,127,867)
Total accumulated depreciation	(17,118,304)	(912,166)	970,647	(17,059,823)
Total capital assets being depreciated, net	12,545,713	(209,295)	(91,682)	12,244,736
Governmental activities capital assets, net	\$ 13,304,635	\$ (201,770)	\$ (388,589)	\$ 12,714,276
<u>Business-type activities:</u>				
Capital assets not being depreciated:				
Land	\$ 352,354	\$ --	\$ --	\$ 352,354
Construction in progress	1,845,412	883,403	--	2,728,815
Total capital assets not being depreciated	2,197,766	883,403	--	3,081,169
Capital assets being depreciated:				
Buildings and improvements	34,926,759	55,241	--	34,982,000
Equipment	2,362,095	432,625	(120,564)	2,674,157
Vehicles	3,985,101	1,015,796	(423,650)	4,577,247
Total capital assets being depreciated	41,273,955	1,503,662	(544,214)	42,233,403
Less accumulated depreciation for:				
Buildings and improvements	(22,036,267)	(965,055)	--	(23,001,322)
Equipment	(1,774,639)	(202,553)	120,564	(1,856,628)
Vehicles	(2,670,367)	(327,820)	423,650	(2,574,537)
Total accumulated depreciation	(26,481,273)	(1,495,428)	544,214	(27,432,487)
Total capital assets being depreciated, net	14,792,682	8,234	--	14,800,916
Business-type activities capital assets, net	\$ 16,990,448	\$ 891,638	\$ --	\$ 17,882,086

CITY OF KINGSVILLE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2010

Depreciation was charged to functions as follows:

General Government	\$	63,911
Public Safety		387,278
Public Works		442,076
City/County		18,902
	\$	<u>912,166</u>

F. Interfund Balances and Activity

1. Due To and From Other Funds

Balances due to and due from other funds at September 30, 2010, consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Other Governmental Funds	\$ 851,072	Short-term loans
General Fund	Debt Service Fund	307,148	Short-term loans
General Fund	Utility Fund	45,009	Short-term loans
Utility Fund	General Fund	232,001	Short-term loans
Utility Fund	Debt Service Fund	64,903	Short-term loans
Utility Fund	Other Governmental Funds	1,173,177	Short-term loans
Debt Service Fund	General Fund	434,912	Short-term loans
Internal Service Fund	General Fund	192,560	Short-term loans
Internal Service Fund	Utility Fund	51,005	Short-term loans
Internal Service Fund	Other Governmental Funds	22,058	Short-term loans
Other Governmental Funds	Other Governmental Funds	24,359	Short-term loans
Other Governmental Funds	General Fund	65,725	Short-term loans
	Total	\$ <u>3,463,929</u>	

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

2. Transfers To and From Other Funds

Transfers to and from other funds at September 30, 2010, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
General Fund	Utility Fund	\$ 139,978	Supplement other funds sources
General Fund	Debt Service Funds	434,912	Supplement other funds sources
Utility Fund	General Fund	1,250,000	Supplement other funds sources
	Total	\$ <u>1,824,890</u>	

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

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, 2010 is as follows:

	All Governmental Fund Types
Deferred Taxes	\$ 427,676
Deferred Assessments/Interest	497,913
Other	12,091
Total Deferred Revenue	<u>\$ 937,680</u>

H. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended September 30, 2010, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
Certificates of obligation	\$ 6,293,192	\$ --	\$ 957,199	\$ 5,335,993	\$ 1,164,744
Capital leases	159,036	--	23,737	135,299	24,781
Total long-term debt	6,452,228	--	980,936	5,471,292	1,189,525
Accumulated compensated absences*	897,120	573,433	604,297	866,256	177,171
Other post-employment benefits	432,363	138,000	--	570,363	--
Net Pension Obligation	154,848	244,636	--	399,484	--
Governmental activity Total long-term debt	<u>\$ 7,936,559</u>	<u>\$ 956,069</u>	<u>\$ 1,585,233</u>	<u>\$ 7,307,395</u>	<u>\$ 1,366,696</u>
<u>Business-type activities:</u>					
Revenue bonds-payable	\$ 540,000	\$ --	\$ 170,000	\$ 370,000	\$ 180,000
Certificates of obligation (1)	15,421,808	--	937,801	14,484,007	595,252
Total long-term debt	15,961,808	--	1,107,801	14,854,007	775,252
Landfill closure cost	3,599,723	254,325	--	3,854,048	--
Other post-employment benefits	114,982	39,536	--	154,518	--
Accumulated compensated absences*	88,221	70,874	77,167	81,928	38,500
Net Pension Obligation	46,509	70,086	--	116,595	--
Business-type activities Long-term liabilities	<u>\$ 19,811,243</u>	<u>\$ 434,821</u>	<u>\$ 1,184,968</u>	<u>\$ 19,061,096</u>	<u>\$ 813,752</u>

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

* Other long-term liabilities

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

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

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	<u>2010</u>	<u>2009</u>
Revenue bonds payable:		
\$2,000,000 Utility System Revenue Bonds Series 1995; due in annual installments of \$180,000 to \$190,000 through April 15, 2012; interest at 3.95% to 5.8%.	\$ 370,000	\$ 540,000
Total Revenue Bonds Payable	<u>\$ 370,000</u>	<u>\$ 540,000</u>
Certificates of obligation payable:		
\$11,780,000 Certificates of Obligation Series 2005 for General Improvements; due in annual installments of \$230,000 to \$990,000 through August 2025; interest at 3.00% to 4.125%. (100% Utility Fund).	\$ 10,720,000	\$ 10,945,000
\$3,305,000 Certificates of Obligation, Series 2001 for General Improvements; paid in full 8/1/2010.	--	380,000
\$2,485,000 Certificates of Obligation Series 2002A for General Improvements; due in annual installments of \$135,000 to \$215,000 through February 1, 2023; interest at 3.0% to 4.7%.	1,720,000	1,895,000
\$3,960,000 Certificates of Obligation Series for General Improvements; due in an annual installment of \$695,000 on February 1, 2011; interest at 3.125% to 3.5%. (Split General Fund 84.80% and Utility Fund 15.20%.)	695,000	1,370,000
\$1,200,000 Public Property Financial Contractual Contracual Obligation Series 2007 for General Improvements; due in annual installments of \$135,000 to \$150,000 through August 1, 2017; interest at 4.11%. (General Fund 71.667%, Utility Fund 35.83337%).	835,000	965,000
\$4,270,000 Certificates of Obligation Series 2009 for Capital Outlay; due in annual installments of \$285,000 to \$700,000 through February 1, 2021; interest at 3.00% to 3.85%. (General Fund 15.831%, Utility Fund 84.169%).	4,025,000	4,270,000
\$1,890,000 General Obligation Refunding Series 2009; due in annual installments of \$200,000 to \$260,000 through February 1, 2018; interest at 2.25% to 3.75%. (100% General Fund).	<u>1,825,000</u>	<u>1,890,000</u>
Total Certificates of Obligation Payable	<u>\$ 19,820,000</u>	<u>\$ 21,715,000</u>

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

2. Debt Service Requirements

Debt service requirements on long-term debt at September 30, 2010, are as follows:

Governmental Activities			
Year Ending September 30,	Principal	Interest	Total
2011	\$ 1,164,742	\$ 174,279	\$ 1,339,021
2012	525,108	147,115	672,223
2013	545,152	130,093	675,245
2014	566,526	111,672	678,198
2015	752,192	132,188	884,380
2016-2020	1,473,555	155,167	1,628,722
2021-2022	308,718	21,716	330,434
Totals	\$ 5,335,993	\$ 872,230	\$ 6,208,223

Business-type Activities					
Year Ending September 30,	Certificates of Obligation		Revenue Bonds		Total
	Principal	Interest	Principal	Interest	
2011	\$ 595,256	\$ 577,451	\$ 180,000	\$ 21,460	\$ 1,374,167
2012	989,862	559,445	190,000	11,020	1,750,327
2013	1,189,848	527,769	--	--	1,717,617
2014	1,228,474	488,519	--	--	1,716,993
2015	1,242,808	444,919	--	--	1,687,727
2016-2020	4,626,468	1,545,060	--	--	6,171,528
2021-2025	4,611,291	621,594	--	--	5,232,885
Totals	\$ 14,484,007	\$ 4,764,757	\$ 370,000	\$ 32,480	\$ 19,651,244

3. Advance Refunding of Debt

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

GASB Statement No. 7, "Advance Refundings Resulting in Defeasance of Debt," provides that refunded debt and assets placed in escrow for the payment of related debt service be excluded from the financial statements. As of September 30, 2010, outstanding balances of bond issues that have been refunded and defeased in-substance by placing existing assets and the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments are as follows:

Bond Issue	Original Amount	Defeased Balance as of 9/30/10
Series 1998	\$ 3,000,000	\$ 1,680,000
Total	\$ 3,000,000	\$ 1,680,000

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

4. Capital Leases

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

<u>Year Ending September 30:</u>	
2011	\$ 30,734
2012	30,734
2013	30,734
2014	30,734
2015	30,734
Total Minimum Rentals	<u>153,670</u>
Less: Amount representing interest	<u>18,372</u>
Present value of net minimum lease payments	<u>\$ 135,299</u>

The effective interest rate on capital leases is 4.400%.

I. Pension Plan

1. Texas Municipal Retirement System

Plan Description

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

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

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

	Plan Year 2008	Plan Year 2009	Plan Year 2010
Employee deposit rate	7.0%	7.0%	7.0%
Matching ratio (city to employee)	1.5 to 1	1.5 to 1	1.5 to 1
Years required for vesting	5	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20	60/5, 0/20
Updated service credit	100%	100%	100%
repeating, transfers (Y/N)	Y	Y	Y
Annuity increase (to retirees)	70%	70%	70%
CPI repeating (Y/N)	Y	Y	Y

Contributions:

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

CITY OF KINGSVILLE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2010

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

Annual Required Contribution (ARC)	\$ 1,354,212
Interest on Net Pension Obligation	14,095
Adjustment to the ARC	(11,619)
Annual Pension Cost (APC)	1,356,688
Contributions made	1,041,964
Increase (decrease) in net pension obligation	314,724
Net Pension Obligation/(Asset), Beginning of year	201,357
Net Pension Obligation/(Asset), End of year	\$ 516,081

Three Year Trend Information

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

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

1.	Valuation Date	12/31/07	12/31/08	12/31/09
2.	Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
3.	Amortization method	Level percent of payroll	Level percent of payroll	Level percent of payroll
4.	Amortization period	30 years - closed period	29 years - closed period	28 years - closed period
5.	Asset valuation method	Amortized cost	Amortized cost	10 -year Smoothed Market
6.	Amortization Period for New Gains/ Losses	30 Years	30 Years	30 Years
7.	Assumptions			
	Investment return	7.0%	7.5%	7.5%
	Projected salary increases	Varies by age and service	Varies by age and service	Varies by age and service
	Inflation	3.0%	3.0%	3.0%
	Cost-of-living adjustments	2.1%	2.1%	2.1%

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

The funded status as of December 31, 2009, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/09	\$ 23,123,074	\$ 32,383,854	71.4%	\$ 9,260,780	\$ 8,665,138	106.9%

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

2. Texas Statewide Emergency Services Personnel Retirement Fund

Plan Description

The Fire Fighters' Pension Commissioner is the administrator of the Texas Emergency Services Retirement System (TESRS), a cost-sharing multiple employer pension system established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. The Texas Statewide Emergency Services Personnel Retirement Fund is considered a component unit of the State of Texas financial reporting entity and is included in the State's financial reports as a pension trust fund. At August 31, 2010 there were 209 member fire or emergency services departments participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a participating department.

At August 31, 2010, TESRS membership consisted of:

	State	City
Retirees and beneficiaries currently receiving benefits	2,231	13
Terminated members entitled to benefits but not yet receiving them	2,106	--
Active Participants (Vested and Nonvested)	4,371	14
	8,708	27

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

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

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

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

CITY OF KINGSVILLE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2010

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

Contributions Required and Contributions Made

The contribution requirement per active emergency personnel member per month is not actuarially determined. Rather, the minimum contribution provisions were set by board rule. For the fiscal year ending August 31, 2010, total contributions (dues and prior service) of \$2,875,103 were paid into TESRS by the political subdivisions served by the member volunteer emergency services personnel. The state did not appropriate any maximum state contribution for the fiscal years ending August 31, 2010 and 2011. Total contributions made were equal to the contributions required by the state statute and equal to the contributions required based on the revised August 31, 2008 actuarial valuation.

The purpose of the biennial actuarial valuation is to test the adequacy of the contribution arrangement to determine if it is adequate to pay the benefits that are promised. The actuarial valuation as of August 31, 2010 revealed the adequacy of the expected contributions from the political subdivisions (dues and prior service contributions) together with the actual state appropriations for the fiscal year ending August 31, 2010 (\$502,941 to pay for part of the System's administrative expenses) and with the assumed continuation of legislative appropriations of (1) the maximum state contribution amount in future years for up to 30 years as is necessary for the System to have a 30-year amortization period, and (2) approximately \$500,000 each year to pay for part of the System's administrative expenses. Expected contributions for the fiscal year ending August 31, 2011 are less than the contributions required because of the lag in time between an actuarial valuation that shows the need for maximum state contribution amounts and the appropriations process.

In addition to the contributions for dues and prior service made to the Texas Statewide Emergency Services Personnel Retirement Fund, some cities are required to make additional deposits. These additional deposits are for retirees and beneficiaries that have been in the H.B. 258 Texas Local Fire Fighters Retirement Act (TLFFRA) Fund before merging into S.B. 411. For the City of Kingsville, this additional deposit was \$8,458.

Annual Required Contributions

The employer annual pension cost of \$8,458 for fiscal year ended August 31, 2010 was equal to the required and actual contributions. Three-year information is as follows:

	2008	2009	2010
Annual Required Contribution	\$ 6,842	\$ 12,937	\$ 8,458
Percentage of Required Cost Contributed	100%	100%	100%

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

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

3. City of Kingsville Deferred Compensation Plan Restatement

In accordance with GASB Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code," Section 457, Deferred Compensation Plans, the Plans were amended in 1998 as the assets are held in trust to meet the Internal Revenue Service requirements. The City does not have significant administrative involvement in the assets of its plan nor does it perform any investment function for the plan. Therefore, the plan is not presented as part of the City's Financial Statements.

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

J. Post Retirement Benefits

1. Post-Employment Health Care Benefits

GASB Statement No. 45: Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions (OPEB), established new accounting standards for postretirement benefits. The new standard does not require funding of OPEB expense, but any difference between the annual required contribution (ARC) and the amount funded during the year is required to be recorded in the employer's financial statement as an increase (or decrease) in the net OPEB obligation. The effective date for implementation of GASB 45 by the City of Kingsville is October 1, 2007. Accordingly, the City did obtain an actuarial valuation in accordance with GASB 45 standards as of October 1, 2009 and discloses the following:

Note: Actuarial valuations are done every two years.

Plan Description and Funding Policy

Employees who retire from the City of Kingsville are eligible to continue to participate in the City's health insurance program at the employee group rate which is determined annually by the City of Kingsville and approved by the City Commission. Retirees have 31 days to elect to continue with the City's self-funded health insurance plan (City of Kingsville Benefit Plan Trust) in which they were participating at the time of retirement unless otherwise stated in the plan document or collective bargaining agreement. As of September 31, 2010, a total of 11 eligible retirees were participating in the City's group health program. The City provides one half of the funding for retiree premiums. Retiree's dependents are excluded from the calculation and are eligible to continue health coverage at the designated COBRA rates during their eligibility period.

Annual OPEB Cost and Net OPEB Obligation

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

OPEB Cost for Fiscal Years Ending 2009 and 2010	FYE 2009	FYE 2010
Normal Cost	\$ 181,514	\$ 96,690
Minimum Amortization of UAL	150,818	100,221
Interest Adjustment to Year-end	13,293	7,876
Annual Required Contribution	345,625	204,787
ARC adjustment	(11,095)	(19,548)
Interest Adjustment to Net OPEB Obligation	11,614	21,894
OPEB Cost	346,144	207,133
Contributions Made	(89,146)	(29,596)
Increase in Net OPEB Obligation	256,998	177,537
Net OPEB Obligation - beginning of year	290,346	547,345
Net OPEB Obligation - end of year	\$ 547,344	\$ 724,881

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
09/30/08	\$345,625	16.00%	\$290,346
09/30/09	\$346,144	25.80%	\$547,345
09/30/10	\$207,133	14.30%	\$724,881

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

Funded Status and Funding Progress

The funded Status of the plan as of September 30, 2010, was as follows:

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

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

Actuarial Methods and Assumptions

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

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

K. Commitments and Contingencies

1. Contingencies

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

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

2. Litigation

No reportable litigation was pending against the City at September 30, 2010.

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, 2010 for the following funds:

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

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

\$368,510 addition to revenues and other financing sources comprised mainly of:

\$254,043 in the Landfill Department for the Landfill Service Charge Revenue, Interest, and Penalty Fees

\$11,000 in Miscellaneous Revenue received from the Comptroller Unclaimed Property Recovery and an anticipated property/casualty insurance premium refund

\$50,000 in Street Other Income due to an inter-local agreement with TAMUK

\$15,727 in the Finance Department for In Lieu of Tax - Housing Authority

\$15,000 in the Street Department for Paving Liens - Principle

\$108,221 addition to expenditures and other financing uses comprised mainly of:

\$50,000 in Street & Bridge to patch Armstrong Street pursuant to an inter-local agreement with TAMUK

(\$27,605) in City Special to adjust insurance expenses to actual amount invoiced

\$69,000 in City Special for Equipment to purchase a siren

(\$18,460) in Fire Department Salaries and Wages for budget savings

\$11,550 in the Volunteer Fire Department Building Maintenance for minor building renovations

M. Compensated Absences

The City allows employees to accumulate an unlimited amount of vacation leave; however, sick leave and holidays are limited. In December of each year, the City shall buy back sick leave in excess of 240 hours at a rate of 50% and the hours in excess of 240 shall be removed from the employee's accrual banks. This policy does not affect sick leave earned prior to January 1, 1984. 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.

CITY OF KINGSVILLE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2010

There is no limit on accumulated holiday hours to be paid at termination. As of September 30, 2010, the liability for accrued vacation leave and accrued sick leave is approximately \$942,874. The amount applicable to the General Fund and Enterprise Fund of \$866,256 and \$76,618, respectively, and have been recorded in its respective fund.

N. Contracts With South Texas Water Authority

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

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

PRICES AND TERMS

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

1. Handling Charge

- a. The Handling Charge shall be designed to cover all of the Authority's expenses other than the Cost of Water, including operation and maintenance expenses and amounts budgeted to be paid in the current year for capital improvements, plus an amount sufficient to accumulate and maintain a reasonably adequate reserve fund as stated in subparagraph b, less tax receipts and all other income and revenue. The initial Handling Charge, commencing on the effective date of this Contract and remaining in effect during the initial Contract Year, was \$0.2923 per thousand gallons of water delivered and was changed to \$0.3069 as of September 2007.
- b. Each Contract Year the Authority may adjust the Handling Charge to cover reasonable increases in the Authority's expenses and to accumulate and maintain a reasonable amount of reserve funds, provided that the increase in any one Contract Year may not exceed 5% of the above stated initial Handling Charge and that the total reserve funds of the Authority reasonably projected at its maximum during any Fiscal Year shall not exceed \$1.171 million. If the actual or projected reserve exceeds \$1.171 million, the Handling Charge shall be reduced accordingly for the next Contract year.
- 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.

CITY OF KINGSVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2010

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

2. Cost of Water

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

3. Water Supply Contract Extension

The current contract expired on September 30, 2010, however the City has extended their Water Supply Contract with STWA for one year to allow adequate time to negotiate a new contract.

GUARANTEED PURCHASE

(A) The City shall purchase a minimum volume of water not to be less than \$350,000 annually unless additional purchases are necessary to supplement the City of Kingsville water requirements. The City purchased \$350,828 and \$435,585 in 2010 and 2009, respectfully.

O. Risk Management

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

CITY OF KINGSVILLE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2010

2. Health Insurance

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

All funds of the City participate in the program and make payments to the Self-Insurance Fund based on estimates of amounts needed to pay prior and current year claims. The claims liability of \$120,628 at September 30, 2009 is based on requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements and the amount of the loss can be reasonably estimated. Changes in the fund claims liability amounts for fiscal year 2009 and 2008 were:

	Beginning-of Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2009	\$ 180,782	\$ 1,606,543	\$ 1,666,967	\$ 120,628
2010	120,628	1,698,839	1,641,250	178,217

3. Litigation Tort Claims

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

P. Closure and Postclosure Care Cost

State and federal laws and regulations require that the City place a final cover on its landfill when closed and perform maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, expense provisions and related liabilities are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure costs is based on the amount of the landfill used during the year. The amount of the liability is based on what it would cost to have all such closure and postclosure care performed in the current year, and is assigned to periods based on cumulative landfill use. The estimated liability for landfill closure and postclosure care costs recorded in the business-type activities at September 30, 2010 is \$3,854,048 based on 87.78% usage (filled) of the landfill through September 30, 2010. It is estimated that an additional \$536,704 will be recognized as closure and postclosure care expenses between the date of the balance sheet and the date the landfill is expected to be filled to capacity (2012). The estimated total current cost for the landfill closure and postclosure care of \$254,325 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, 2010. 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.

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

R. Non-Budgeted Funds

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

S. Prior Period Adjustment

Government-Wide:

In 2007, 2008, and 2009, when the government-wide entities were required to move all sanitation activity from the General Fund to the Utility Fund, \$910,302 in cash was inadvertently not transferred to the Utility Fund. The correction affects only the government-wide and is a charge to the General Fund net assets and an increase in Business-Type Activities net assets in the amount above.

T. Subsequent Event

Management has reviewed subsequent events and transactions that occurred after the balance sheet date through April 25, 2011 (the date of the Auditor's Report). The financial statements include all Type I events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management and those charged with governance have determined that there are no non-recognized Type II subsequent events that require additional disclosure.





CITY OF KINGSVILLE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2010

EXHIBIT B-1
Page 1 of 8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Taxes:				
General Property Taxes:				
Current Taxes	\$ 3,676,893	\$ 3,676,893	\$ 3,657,050	\$ (19,843)
Delinquent taxes	75,549	75,549	108,220	32,671
Penalty & Interest	29,030	29,030	72,706	43,676
Late Rendition Fee	3,033	3,033	4,122	1,089
In Lieu of Tax Payments	100,000	115,727	115,726	(1)
Total General Property Taxes	3,884,505	3,900,232	3,957,824	57,592
City Sales Tax	3,735,134	3,735,134	3,699,421	(35,713)
Mixed Drink Tax	46,697	46,697	43,562	(3,135)
Bingo Tax	3,314	3,314	6,029	2,715
Business Taxes:				
Electric Franchise Tax	583,762	583,762	681,585	97,823
Telephone Franchise Tax	146,654	146,654	129,042	(17,612)
Gas Franchise Tax	92,436	92,436	78,328	(14,108)
Cable T.V. Franchise Tax	84,861	84,861	87,232	2,371
Total Business Taxes	907,713	907,713	976,187	68,474
Total Taxes	8,577,363	8,593,090	8,683,023	89,933
Permits and Licenses:				
Plumbing Permits	15,685	15,685	10,026	(5,659)
Electric Permits	32,551	32,551	24,085	(8,466)
Building Permits	60,825	60,825	69,633	8,808
Moving Permits	3,201	3,201	770	(2,431)
Other Permits	48,946	48,946	41,827	(7,119)
Amusement Licenses	44	44	45	1
Beer & Mixed Drink Licenses	2,308	2,308	3,388	1,080
Electrical Licenses	4,773	4,773	3,805	(968)
Contractor Licenses	26,636	26,636	26,355	(281)
Food Handler Licenses	13,056	13,056	13,010	(46)
Other Licenses	1,339	1,339	1,060	(279)
Total Permits and Licenses	209,364	209,364	194,004	(15,360)
Charges for Services:				
General Service Fees:				
Zoning Fees	5,898	5,898	3,750	(2,148)
Platting Fees	4,536	4,536	276	(4,260)
Police Accident Reports	3,834	3,834	4,174	340
Arrest Fees	761	761	682	(79)
Fire Reports	105	105	41	(64)
Fire Services	9,600	9,600	—	(9,600)
Ambulance Service	385,205	400,724	481,633	80,909
Other Service Fees	22,000	72,911	22,875	(50,036)
Total General Service Fees	431,939	498,369	513,431	15,062
City/County Services:				
Weed Control	3,880	11,420	20,302	8,882

CITY OF KINGSVILLE

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2010

EXHIBIT B-1

Page 2 of 8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Sanitation Services:				
Garbage Fees	2,861,723	2,860,211	3,029,688	169,477
Landfill Fees	272,432	505,165	469,792	(35,373)
Miscellaneous	4,882	4,882	73,053	68,171
Total Sanitation Services	3,139,037	3,370,258	3,572,533	202,275
Total Charges for Services	3,574,856	3,880,047	4,106,266	226,219
Fines and Forfeits:				
Court Fines	482,583	486,728	432,434	(54,294)
Minor Fines	218	218	151	(67)
Collection of State Taxes	12,912	12,912	14,681	1,769
Other Court Fines	13,023	13,023	13,903	880
Total Fines and Forfeits	508,736	512,881	461,169	(51,712)
Special Assessments	--	19,300	19,910	610
Interest and Miscellaneous:				
Interest from Investments	54,785	64,307	80,009	15,702
Auction Revenue	1,508	1,508	12,157	10,649
Sale of City Publications	386	386	879	493
Sale of Recycle Item	7,021	7,021	12,514	5,493
Miscellaneous	25,000	38,050	53,188	15,138
Total Interest and Miscellaneous	88,700	111,272	158,747	47,475
Gain or Loss on Sale of Property	--	--	298	298
Donations	--	1,575	2,007	432
Total Revenues	12,959,019	13,327,529	13,625,424	297,895
Expenditures:				
City Administration Department				
City Commission:				
Personal Services	70,961	69,085	59,015	10,070
Supplies	2,000	2,504	2,504	--
Services	38,900	40,272	36,970	3,302
Total City Commission	111,861	111,861	98,489	13,372
City Manager:				
Personal Services	200,754	200,754	193,626	7,128
Supplies	3,750	3,486	3,321	165
Services	15,870	16,134	14,302	1,832
Total City Manager	220,374	220,374	211,249	9,125

CITY OF KINGSVILLE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2010

EXHIBIT B-1
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	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Municipal Building:				
Supplies	3,400	6,600	3,693	2,907
Services	102,529	101,240	91,336	9,904
Equipment Maintenance	125	125	--	125
Building Maintenance	28,000	37,089	37,089	--
Lease/Purchase	10,800	10,800	7,417	3,383
Total Municipal Building	144,854	155,854	139,535	16,319
Risk Management:				
Personal Services	89,598	92,470	91,244	1,226
Supplies	6,400	6,632	6,038	594
Services	12,870	12,582	11,860	722
Total Risk Management	108,868	111,684	109,142	2,542
Emergency Management:				
Supplies	18,300	7,308	7,418	(110)
Services	6,230	4,538	4,536	2
Capital Outlay	25,800	35,668	35,668	--
Total Emergency Management	50,330	47,514	47,622	(108)
City Special:				
Personal Services	30,785	32,016	28,278	3,738
Supplies	32	14,858	14,820	38
Services	625,770	582,108	534,167	47,941
Capital Outlay	--	69,000	69,000	--
Total City Special	656,587	697,982	646,265	51,717
Total City Administration Department	1,292,874	1,345,269	1,252,302	92,967
Management Services Department				
Personnel:				
Personal Services	115,009	115,620	114,720	900
Supplies	1,900	4,037	3,242	795
Services	38,705	35,957	30,271	5,686
Total Personnel	155,614	155,614	148,233	7,381
Municipal Court:				
Personal Services	149,564	141,212	116,983	24,229
Supplies	1,900	1,900	1,437	463
Services	1,800	1,800	1,360	440
Equipment Maintenance	500	500	--	500
Total Municipal Court	153,764	145,412	119,780	25,632

CITY OF KINGSVILLE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2010

EXHIBIT B-1
Page 4 of 8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Finance:				
Personal Services	264,863	273,201	269,673	3,528
Supplies	4,887	3,708	3,707	1
Services	53,000	55,869	53,089	2,780
Total Finance	322,750	332,778	326,469	6,309
Purchasing:				
Personal Services	105,763	106,230	105,341	889
Supplies	3,400	3,400	3,168	232
Services	6,600	6,133	4,219	1,914
Equipment Maintenance	200	200	—	200
Total Purchasing	115,963	115,963	112,728	3,235
Computer Operations:				
Personal Services	53,715	53,717	53,176	541
Supplies	3,400	3,400	2,897	503
Services	47,487	47,487	45,335	2,152
Equipment Maintenance	500	500	—	500
Total Computer Operations	105,102	105,104	101,408	3,696
Total Management Services Department	853,193	854,871	808,618	46,253
Legal Department				
Personal Services	153,111	152,991	152,071	920
Supplies	1,600	2,600	2,466	134
Services	38,400	37,520	36,745	775
Total Legal Department	193,111	193,111	191,282	1,829
Urban Development Department				
Planning:				
Personal Services	77,188	70,372	24,041	46,331
Supplies	1,340	1,577	1,531	46
Services	4,815	10,510	10,499	11
Total Planning	83,343	82,459	36,071	46,388
Permits and Licenses:				
Personal Services	148,526	149,871	147,205	2,666
Supplies	4,303	4,414	4,411	3
Services	4,890	6,032	5,197	835
Equipment Maintenance	800	1,311	1,310	1
Total Permits and Licenses	158,519	161,628	158,123	3,505

CITY OF KINGSVILLE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2010

EXHIBIT B-1
Page 5 of 8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Litter Abatement:				
Personal Services	79,167	80,252	80,252	--
Supplies	5,200	8,784	8,193	591
Services	70,075	63,114	52,314	10,800
Equipment Maintenance	500	500	292	208
Total Litter Abatement	154,942	152,650	141,051	11,599
Downtown Tourism/Development:				
Personal Services	30,740	30,740	20,946	9,794
Supplies	3,300	1,861	1,443	418
Services	2,700	4,206	3,860	346
Total Downtown Tourism/Development	36,740	36,807	26,249	10,558
Engineering:				
Personal Services	65,022	69,159	62,591	6,568
Supplies	1,938	2,537	2,002	535
Services	10,260	9,657	6,687	2,970
Equipment Maintenance	750	750	512	238
Total Engineering	77,970	82,103	71,792	10,311
Total Urban Development Department	511,514	515,647	433,286	82,361
Police Department				
Personal Services	3,608,104	3,629,780	3,534,503	95,277
Supplies	149,276	153,575	148,709	4,866
Services	338,082	346,669	336,792	9,877
Equipment Maintenance	63,524	51,600	50,895	705
Building Maintenance	71,898	59,898	50,620	9,278
Debt Service	23,800	17,307	15,032	2,275
Total Police Department	4,254,684	4,258,829	4,136,551	122,278
Fire Department				
Personal Services	2,254,268	2,179,894	2,130,082	49,812
Supplies	153,064	188,169	173,170	14,999
Services	148,461	177,064	152,867	24,197
Equipment Maintenance	31,370	21,555	21,191	364
Building Maintenance	37,750	39,771	39,771	--
Debt Service	30,735	30,735	30,734	1
Capital Outlay	--	17,248	12,600	4,648
Total Fire Department	2,655,648	2,654,436	2,560,415	94,021

CITY OF KINGSVILLE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2010

EXHIBIT B-1
Page 6 of 8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Volunteer Fire Department				
Personal Services	9,000	9,000	8,933	67
Supplies	--	58	58	--
Services	74,662	74,596	57,429	17,167
Building	9,000	20,558	20,543	15
Total Volunteer Fire Department	92,662	104,212	86,963	17,249
Public Works Department				
Public Works Administration:				
Personal Services	58,023	58,028	57,437	591
Supplies	4,130	4,664	4,041	623
Services	29,961	34,415	34,415	--
Equipment Maintenance	2,000	721	721	--
Building Maintenance	9,429	5,517	5,517	--
Lease Payments	1,300	1,498	1,497	1
Total Public Works Administration	104,843	104,843	103,628	1,215
Garage:				
Personal Services	283,904	285,065	234,619	50,446
Supplies	21,027	20,003	18,030	1,973
Services	6,200	4,989	3,008	1,981
Equipment Maintenance	2,201	3,275	2,900	375
Total Garage	313,332	313,332	258,557	54,775
Sanitation:				
Personal Services	764,236	746,147	746,147	--
Supplies	112,007	117,094	182,805	(65,711)
Services	8,670	8,032	5,639	2,393
Equipment Maintenance	65,000	56,518	56,517	1
Total Sanitation	949,913	927,791	991,108	(63,317)
Street:				
Personal Services	786,189	760,211	718,324	41,887
Supplies	71,377	85,180	85,180	--
Services	258,943	273,358	272,127	1,231
Equipment Maintenance	72,232	71,432	67,337	4,095
Building Maintenance	650,672	689,592	674,029	15,563
Capital Outlay	--	9,640	9,640	--
Total Street	1,839,413	1,889,413	1,826,637	62,776
Train Depot:				
Supplies	75	68	67	1
Services	20,342	20,249	20,530	(281)
Building Maintenance	3,500	3,600	3,600	--
Total Train Depot	23,917	23,917	24,197	(280)

CITY OF KINGSVILLE

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2010

EXHIBIT B-1

Page 7 of 8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Landfill:				
Personal Services	325,537	305,015	305,015	--
Supplies	85,898	97,468	97,468	--
Services	169,358	207,383	211,516	(4,133)
Equipment Maintenance	47,878	41,293	41,293	--
Building Maintenance	10,000	9,234	9,234	--
Total Landfill	638,671	660,393	664,526	(4,133)
Recycling Center:				
Personal Services	95,405	94,374	91,700	2,674
Supplies	1,722	1,398	1,045	353
Services	15,447	17,974	17,514	460
Equipment Maintenance	2,000	2,667	2,618	49
Building Maintenance	500	754	753	1
Total Recycling Center	115,074	117,167	113,630	3,537
Total Public Works Department	3,985,163	4,036,856	3,982,283	54,573
Health Department				
Personal Services	247,442	244,947	231,401	13,546
Supplies	32,221	33,798	30,942	2,856
Services	19,864	20,277	18,966	1,311
Equipment Maintenance	8,900	8,908	7,745	1,163
Building Maintenance	16,176	16,673	15,915	758
Total Health Department	324,603	324,603	304,969	19,634
Parks and Recreation Department				
Services	200,000	200,000	200,000	--
Total Parks and Recreation Department	200,000	200,000	200,000	--
Library Department				
Personal Services	162,530	166,827	157,644	9,183
Supplies	27,389	28,712	28,096	616
Services	34,038	35,279	29,772	5,507
Equipment Maintenance	9,925	10,674	10,674	--
Building Maintenance	16,205	15,505	14,263	1,242
Total Library Department	250,087	256,997	240,449	16,548
Other Expenses				
Uncollectable Accounts	--	--	37,237	(37,237)
Total Other Expenses	--	--	37,237	(37,237)

CITY OF KINGSVILLE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2010

EXHIBIT B-1
Page 8 of 8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Total Expenditures	14,613,539	14,744,831	14,234,355	510,476
Excess (deficiency) of revenues (under) expenditures	(1,654,520)	(1,417,302)	(608,931)	808,371
Other financing sources (uses):				
Operating transfers in	1,250,000	1,250,000	1,250,000	--
Operating transfers out	--	--	(574,890)	(574,890)
Total other financing sources (uses)	1,250,000	1,250,000	675,110	(574,890)
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(404,520)	(167,302)	66,179	233,481
Fund balances/equity, October 1	8,654,791	8,654,791	8,654,791	--
Fund balances/equity, September 30	\$ 8,250,271	\$ 8,487,489	\$ 8,720,970	\$ 233,481

CITY OF KINGSVILLE

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF FUNDING PROGRESS TEXAS MUNICIPAL RETIREMENT SYSTEM YEAR ENDED SEPTEMBER 30, 2010

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)
12/31/07	\$ 21,156,012	\$ 29,866,943	\$ 8,710,931	70.8%	\$ 7,643,277	114.0%
12/31/08	22,031,664	31,292,050	9,260,386	70.4%	8,480,015	109.2%
12/31/09	23,123,074	32,383,854	9,260,780	71.4%	8,665,138	106.9%

Other Post-employment Benefit Plan:

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

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

CITY OF KINGSVILLE

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

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



**SPECIAL
REVENUE
FUNDS**



CITY OF KINGSVILLE
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2010

	<u>Tourism Fund</u>	<u>Federal Grants</u>
ASSETS		
Assets:		
Equity in pooled cash and cash equivalents	\$ 32,534	\$ 1,890
Receivables (net of allowances for uncollectibles):		
Accounts	37,966	--
Due from:		
Other governments:	--	440,412
Total Assets	\$ 70,500	\$ 442,302
LIABILITIES AND EQUITY		
Liabilities:		
Accounts payable	\$ --	\$ 85,644
Due to:		
Other funds	--	354,768
Other governments	68,295	297
Deferred revenues	--	933
Total Liabilities	68,295	441,642
Equity:		
Fund balances:		
Unreserved, undesignated	2,205	660
Total equity	2,205	660
Total Liabilities and Equity	\$ 70,500	\$ 442,302

EXHIBIT C-1

State Grants	Other Special Revenues	Total Nonmajor Special Revenue Funds (See Exhibit A-3)
\$ 12,445	\$ 6,090	\$ 52,959
--	--	37,966
796	--	441,208
<u>\$ 13,241</u>	<u>\$ 6,090</u>	<u>\$ 532,133</u>
\$ --	\$ --	\$ 85,644
--	--	354,768
--	--	68,592
<u>11,158</u>	--	<u>12,091</u>
<u>11,158</u>	--	<u>521,095</u>
<u>2,083</u>	<u>6,090</u>	<u>11,038</u>
<u>2,083</u>	<u>6,090</u>	<u>11,038</u>
<u>\$ 13,241</u>	<u>\$ 6,090</u>	<u>\$ 532,133</u>

CITY OF KINGSVILLE

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Tourism Fund	Federal Grants
Revenue:		
Taxes	\$ 422,304	\$ --
Charges for services	280	--
Interest and miscellaneous	--	--
Federal and state grants	--	467,016
Total revenues	<u>422,584</u>	<u>467,016</u>
Expenditures:		
Current:		
General government and administration	--	249,154
Public Safety	--	133,894
Public works	--	85,968
Tourism	420,379	--
Total expenditures	<u>420,379</u>	<u>469,016</u>
Net change in fund balances	2,205	(2,000)
Fund balances/equity, October 1	--	2,660
Fund balances/equity, September 30	<u>\$ 2,205</u>	<u>\$ 660</u>

EXHIBIT C-2

		Total Nonmajor Special Revenue Funds (See Exhibit A-5)	
State Grants	Other Special Revenues		
\$ --	\$ --	\$ 422,304	
--	--	280	
--	2,805	2,805	
17,033	--	484,049	
<u>17,033</u>	<u>2,805</u>	<u>909,438</u>	
10,390	1,090	260,634	
6,643	454	140,991	
--	--	85,968	
--	--	420,379	
<u>17,033</u>	<u>1,544</u>	<u>907,972</u>	
--	1,261	1,466	
2,083	4,829	9,572	
<u>\$ 2,083</u>	<u>\$ 6,090</u>	<u>\$ 11,038</u>	

CITY OF KINGSVILLE

TOURISM FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2010

EXHIBIT C-3

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Hotel/Motel Property Tax	\$ 398,918	\$ 374,873	\$ 422,304	\$ 47,431
	--	--	280	280
Total Revenues	<u>398,918</u>	<u>374,873</u>	<u>422,584</u>	<u>47,711</u>
Expenditures:				
Tourism Department				
Personal Services	--	20,640	20,637	3
Services	<u>393,498</u>	<u>396,903</u>	<u>399,742</u>	<u>(2,839)</u>
Total Tourism Department	<u>393,498</u>	<u>417,543</u>	<u>420,379</u>	<u>(2,836)</u>
Total Expenditures	<u>393,498</u>	<u>417,543</u>	<u>420,379</u>	<u>(2,836)</u>
Excess (deficiency) of revenues (under) expenditures	5,420	(42,670)	2,205	44,875
Fund balances/equity, October 1	--	--	--	--
Fund balances/equity, September 30	<u>\$ 5,420</u>	<u>\$ (42,670)</u>	<u>\$ 2,205</u>	<u>\$ 44,875</u>

CITY OF KINGSVILLE
FEDERAL GRANTS FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2010

EXHIBIT C-4

	Project Authorization	Prior Year	Current Year	Total To Date
Revenues:				
Federal and state grants	\$ 906,477	\$ 315,366	\$ 467,016	\$ 782,382
Total Revenues	<u>906,477</u>	<u>315,366</u>	<u>467,016</u>	<u>782,382</u>
Expenditures:				
General Government and Administration	697,238	240,021	335,122	575,143
Public Safety	<u>209,239</u>	<u>75,345</u>	<u>133,894</u>	<u>209,239</u>
Total Expenditures	<u>906,477</u>	<u>315,366</u>	<u>469,016</u>	<u>784,382</u>
Excess (deficiency) of revenues (under) expenditures	\$ <u>—</u>	\$ <u>—</u>	(2,000)	\$ <u>(2,000)</u>
Fund balances/equity, October 1			2,660	
Fund balances/equity, September 30			<u>\$ 660</u>	

CITY OF KINGSVILLE

EXHIBIT C-5

STATE GRANT FUNDS
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total To Date</u>
Revenues:				
Federal and state grants	\$ 22,703	\$ 780	\$ 17,033	\$ 17,813
Total Revenues	<u>22,703</u>	<u>780</u>	<u>17,033</u>	<u>17,813</u>
Expenditures:				
General Government and Administration	11,950	780	10,390	11,170
Public Safety	<u>10,753</u>	<u>--</u>	<u>6,643</u>	<u>6,643</u>
Total Expenditures	<u>22,703</u>	<u>780</u>	<u>17,033</u>	<u>17,813</u>
Excess (deficiency) of revenues (under) expenditures	\$ <u>--</u>	\$ <u>--</u>	--	\$ <u>--</u>
Fund balances/equity, October 1			2,083	
Fund balances/equity, September 30			<u>\$ 2,083</u>	

DEBT
SERVICE
FUND

CITY OF KINGSVILLE

DEBT SERVICE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2010

EXHIBIT C-6

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
General Property Taxes	\$ 1,587,508	\$ 1,587,508	\$ 1,611,840	\$ 24,332
Interest from Investments	20,786	20,786	2,228	(18,558)
Miscellaneous	--	--	3,151	3,151
Total Revenues	1,608,294	1,608,294	1,617,219	8,925
Expenditures:				
Principal retired	1,285,000	1,285,000	1,590,000	(305,000)
Interest	296,910	296,910	426,821	(129,911)
Paying agent fees	6,000	6,000	1,975	4,025
Total Expenditures	1,587,910	1,587,910	2,018,796	(430,886)
Excess (deficiency) of revenues (under) expenditures	20,384	20,384	(401,577)	(421,961)
Other financing sources (uses):				
Operating transfers in	--	--	434,912	434,912
Total other financing sources (uses)	--	--	434,912	434,912
Excess of revenues and other financing sources over (under) expenditures and other financing uses	20,384	20,384	33,335	12,951
Fund balances/equity, October 1	397,850	397,850	397,850	--
Fund balances/equity, September 30	\$ 418,234	\$ 418,234	\$ 431,185	\$ 12,951



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CITY OF KINGSVILLE
CAPITAL IMPROVEMENTS FUND
CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2010

EXHIBIT C-7

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Interest from Investments	--	--	4,242	4,242
Miscellaneous	--	--	10,435	10,435
Reimbursements - Interdepartmental Revenue	--	--	60,302	60,302
Total Revenues	--	--	74,979	74,979
Expenditures:				
General Government	709	709	--	709
Public Safety	120,414	120,414	19,315	101,099
Public Works	3,001,139	3,001,139	2,413,714	587,425
City/County	9,890	9,890	5,365	4,525
Total Expenditures	3,132,152	3,132,152	2,438,394	693,758
Excess (deficiency) of revenues (under) expenditures	(3,132,152)	(3,132,152)	(2,363,415)	768,737
Fund balances/equity, October 1	3,055,353	3,055,353	3,055,353	--
Fund balances/equity, September 30	<u>\$ (76,799)</u>	<u>\$ (76,799)</u>	<u>\$ 691,938</u>	<u>\$ 768,737</u>



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CITY OF KINGSVILLE

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUNDS

SEPTEMBER 30, 2010

	1999 TX Capital Fund	Court Cash Bond Account	Total Agency Funds (See Exhibit A-10)
ASSETS			
Assets:			
Cash and cash equivalents	\$ --	\$ 20,667	\$ 20,667
Total Assets	\$ --	\$ 20,667	\$ 20,667
LIABILITIES AND EQUITY			
Liabilities:			
Payable from restricted assets:			
Customer deposits	\$ --	\$ 20,667	\$ 20,667
Total Liabilities	\$ --	\$ 20,667	\$ 20,667
Equity:			
Fund balances	--	--	--
Total equity	--	--	--
Total Liabilities and Equity	\$ --	\$ 20,667	\$ 20,667

CITY OF KINGSVILLE

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 YEAR ENDED SEPTEMBER 30, 2010

EXHIBIT C-9

	Balance October 1, 2010	Additions	Deductions	Balance September 30, 2010
Corporation Court Cash Bond Account Fund				
ASSETS				
Cash & Investments	\$ 11,755	\$ 121,171	\$ 112,259	\$ 20,667
Total Assets	<u>\$ 11,755</u>	<u>\$ 121,171</u>	<u>\$ 112,259</u>	<u>\$ 20,667</u>
LIABILITIES				
Cash Bonds Held	\$ 11,755	\$ 121,171	\$ 112,259	\$ 20,667
Total Liabilities	<u>\$ 11,755</u>	<u>\$ 121,171</u>	<u>\$ 112,259</u>	<u>\$ 20,667</u>
1999 Texas Capital Fund				
ASSETS				
Equity in Pooled Cash and Cash Equivalents	\$ 2,959	\$ 35,500	\$ 38,459	\$ --
Total Assets	<u>\$ 2,959</u>	<u>\$ 35,500</u>	<u>\$ 38,459</u>	<u>\$ --</u>
LIABILITIES				
Accounts Payable	\$ 2,959	\$ 35,500	\$ 38,459	\$ --
Total Liabilities	<u>\$ 2,959</u>	<u>\$ 35,500</u>	<u>\$ 38,459</u>	<u>\$ --</u>
TOTAL AGENCY FUNDS:				
ASSETS				
Cash & Investments	\$ 11,755	\$ 121,171	\$ 112,259	\$ 20,667
Equity in Pooled Cash and Cash Equivalents	2,959	35,500	38,459	--
Total Assets	<u>\$ 14,714</u>	<u>\$ 156,671</u>	<u>\$ 150,718</u>	<u>\$ 20,667</u>
LIABILITIES				
Cash Bonds Held	\$ 11,755	\$ 121,171	\$ 112,259	\$ 20,667
Accounts Payable	2,959	35,500	38,459	--
Total Liabilities	<u>\$ 14,714</u>	<u>\$ 156,671</u>	<u>\$ 150,718</u>	<u>\$ 20,667</u>

CITY OF KINGSVILLE

CONVENTION & VISTORS BUREAU
 DISCRETELY PRESENTED COMPONENT UNIT
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

EXHIBIT C-10

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Contracted Services	\$ 314,200	\$ 314,200	\$ 339,408	\$ 25,208
Interest from Investments	--	--	1,539	1,539
Miscellaneous	--	--	6	6
Reimbursements - Intergovernmental	--	--	8,981	8,981
Total Revenues	314,200	314,200	349,934	35,734
Expenditures:				
Personal Services	149,883	149,883	160,292	(10,409)
Supplies	8,570	8,570	8,135	435
Services	149,647	149,647	155,897	(6,250)
Maintenance	1,000	1,000	464	536
Capital Outlay	5,100	5,100	2,185	2,915
Total Expenditures	314,200	314,200	326,973	(12,773)
Excess (deficiency) of revenues (under) expenditures	--	--	22,961	22,961
Fund balances/equity, October 1	312,303	312,303	312,303	--
Fund balances/equity, September 30	\$ 312,303	\$ 312,303	\$ 335,264	\$ 22,961



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

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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.

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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.

102-110

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.

111-117

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.

118-119

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.

120-124

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 EIGHT FISCAL YEARS

	Fiscal Year				
	2010	2009	2008	2007	2006
Governmental activities					
Invested in capital assets, net of related debt	\$ 7,242,987	\$ 7,229,724	\$ 7,980,938	\$ 7,410,484	\$ 7,190,499
Restricted	911,541	2,946,915	2,727,155	2,649,969	2,314,775
Unrestricted	5,818,599	5,341,187	3,037,771	2,079,519	1,085,412
Total governmental activities net assets	<u>\$ 13,973,127</u>	<u>\$ 15,517,826</u>	<u>\$ 13,745,864</u>	<u>\$ 12,139,972</u>	<u>\$ 10,590,686</u>
Business-type activities					
Invested in capital assets, net of related debt	\$ 3,028,078	\$ 1,028,641	\$ 4,376,931	\$ 4,311,656	\$ 4,315,474
Restricted	2,225,545	1,704,129	3,056,231	2,496,143	2,174,298
Unrestricted	5,843,383	7,191,437	1,229,553	679,366	113,403
Total business-type activities net assets	<u>\$ 11,097,006</u>	<u>\$ 9,924,207</u>	<u>\$ 8,662,715</u>	<u>\$ 7,487,165</u>	<u>\$ 6,603,175</u>
Primary government					
Invested in capital assets, net of related debt	\$ 10,271,065	\$ 8,258,365	\$ 12,357,869	\$ 11,722,140	\$ 11,505,973
Restricted	3,137,086	4,651,044	5,783,386	5,146,112	4,489,073
Unrestricted	11,661,982	12,532,624	4,267,324	2,758,885	1,198,815
Total primary government net assets	<u>\$ 25,070,133</u>	<u>\$ 25,442,033</u>	<u>\$ 22,408,579</u>	<u>\$ 19,627,137</u>	<u>\$ 17,193,861</u>

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

SCHEDULE 1

Fiscal Year		
2005	2004	2003
\$ 5,751,650	\$ 4,472,660	\$ 1,810,325
2,325,562	2,804,822	4,954,300
1,150,966	754,079	379,136
<u>\$ 9,228,178</u>	<u>\$ 8,031,561</u>	<u>\$ 7,143,761</u>
\$ 4,033,396	\$ 3,321,566	\$ 2,419,270
2,528,455	2,293,034	3,934,520
(1,908,572)	(1,117,171)	(549,286)
<u>\$ 4,653,279</u>	<u>\$ 4,497,429</u>	<u>\$ 5,804,504</u>
\$ 9,785,046	\$ 7,794,226	\$ 4,229,595
4,854,017	5,097,856	8,888,820
(757,606)	(363,092)	(170,150)
<u>\$ 13,881,457</u>	<u>\$ 12,528,990</u>	<u>\$ 12,948,265</u>

CITY OF KINGSVILLE

CHANGES IN NET ASSETS, LAST EIGHT FISCAL YEARS

	Fiscal Year				
	2010	2009	2008	2007	2006
Net (Expense)/Revenue					
Governmental activities	\$ (11,909,923)	\$ (10,679,969)	\$ (10,479,836)	\$ (10,047,144)	\$ (9,384,431)
Business-type activities	1,102,942	3,288,471	2,631,392	2,618,231	2,697,635
Total primary government net expenses	<u>\$ (10,806,981)</u>	<u>\$ (7,391,498)</u>	<u>\$ (7,848,444)</u>	<u>\$ (7,428,913)</u>	<u>\$ (6,686,796)</u>
General Revenues and Other Changes in Net Assets					
Governmental activities					
Taxes					
Property taxes	\$ 5,467,439	\$ 5,251,584	\$ 4,835,723	\$ 4,147,121	\$ 4,012,188
Franchise taxes	976,187	989,368	996,518	985,016	1,012,220
Sales taxes	3,699,421	3,872,834	3,891,958	3,784,310	3,795,341
Other taxes	49,591	50,319	49,676	44,886	39,183
Payment in lieu of taxes	100,000	100,000	100,000	100,000	100,000
Investment earnings	147,868	239,018	506,573	391,675	170,314
Miscellaneous (loss)	36,672	(23,926)	5,311	693	(30,052)
Transfers	1,002,840	1,972,734	1,699,969	2,293,521	1,961,699
Total governmental activities	<u>11,480,018</u>	<u>12,451,931</u>	<u>12,085,728</u>	<u>11,747,222</u>	<u>11,060,893</u>
Business-type activities					
Investment earnings	78,863	29,285	249,258	559,280	603,158
Other	-	-	(5,130)	-	30,775
Transfers	(1,002,838)	(1,972,734)	(1,699,968)	(2,293,522)	(1,961,699)
Total business-type activities	<u>(923,975)</u>	<u>(1,943,449)</u>	<u>(1,455,840)</u>	<u>(1,734,242)</u>	<u>(1,327,766)</u>
Total primary government	<u>\$ 10,556,043</u>	<u>\$ 10,508,482</u>	<u>\$ 10,629,888</u>	<u>\$ 10,012,980</u>	<u>\$ 9,733,127</u>
Changes in Net Assets					
Governmental activities (loss)	\$ (429,905)	\$ 1,771,962	\$ 1,605,892	\$ 1,700,078	\$ 1,676,642
Business-type activities	178,967	1,345,022	1,175,552	883,989	1,369,869
Total primary government (loss)	<u>\$ (250,938)</u>	<u>\$ 3,116,984</u>	<u>\$ 2,781,444</u>	<u>\$ 2,584,067</u>	<u>\$ 3,046,511</u>

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

SCHEDULE 2

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

CITY OF KINGSVILLE

CHANGES IN NET ASSETS, LAST EIGHT FISCAL YEARS

	Fiscal Year				
	2010	2009	2008	2007	2006
Net (Expense)/Revenue					
Governmental activities	\$ (11,909,923)	\$ (10,679,969)	\$ (10,479,836)	\$ (10,047,144)	\$ (9,384,431)
Business-type activities	1,102,942	3,288,471	2,631,392	2,618,231	2,697,635
Total primary government net expenses	<u>\$ (10,806,981)</u>	<u>\$ (7,391,498)</u>	<u>\$ (7,848,444)</u>	<u>\$ (7,428,913)</u>	<u>\$ (6,686,796)</u>
General Revenues and Other Changes in Net Assets					
Governmental activities					
Taxes					
Property taxes	\$ 5,467,439	\$ 5,251,584	\$ 4,835,723	\$ 4,147,121	\$ 4,012,188
Franchise taxes	976,187	989,368	996,518	985,016	1,012,220
Sales taxes	3,699,421	3,872,834	3,891,958	3,784,310	3,795,341
Other taxes	49,591	50,319	49,676	44,886	39,183
Payment in lieu of taxes	100,000	100,000	100,000	100,000	100,000
Investment earnings	147,868	239,018	506,573	391,675	170,314
Miscellaneous (loss)	36,672	(23,926)	5,311	693	(30,052)
Transfers	1,002,840	1,972,734	1,699,969	2,293,521	1,961,699
Total governmental activities	<u>11,480,018</u>	<u>12,451,931</u>	<u>12,085,728</u>	<u>11,747,222</u>	<u>11,060,893</u>
Business-type activities					
Investment earnings	78,863	29,285	249,258	559,280	603,158
Other	-	-	(5,130)	-	30,775
Transfers	(1,002,838)	(1,972,734)	(1,699,968)	(2,293,522)	(1,961,699)
Total business-type activities	<u>(923,975)</u>	<u>(1,943,449)</u>	<u>(1,455,840)</u>	<u>(1,734,242)</u>	<u>(1,327,766)</u>
Total primary government	<u>\$ 10,556,043</u>	<u>\$ 10,508,482</u>	<u>\$ 10,629,888</u>	<u>\$ 10,012,980</u>	<u>\$ 9,733,127</u>
Changes in Net Assets					
Governmental activities (loss)	\$ (429,905)	\$ 1,771,962	\$ 1,605,892	\$ 1,700,078	\$ 1,676,642
Business-type activities	178,967	1,345,022	1,175,552	883,989	1,369,869
Total primary government (loss)	<u>\$ (250,938)</u>	<u>\$ 3,116,984</u>	<u>\$ 2,781,444</u>	<u>\$ 2,584,067</u>	<u>\$ 3,046,511</u>

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

SCHEDULE 2
(Continued)

Fiscal Year		
2005	2004	2003
\$ (9,158,912)	\$ (9,791,934)	\$ (9,668,326)
<u>1,733,709</u>	<u>1,576,009</u>	<u>1,482,555</u>
\$ <u>(7,425,203)</u>	\$ <u>(8,215,925)</u>	\$ <u>(8,185,771)</u>
\$ 3,733,214	\$ 3,536,180	\$ 3,732,215
1,026,424	1,038,640	980,307
3,390,122	3,032,676	2,899,006
39,132	27,952	30,606
-	-	-
100,000	100,000	100,000
130,266	90,738	84,724
119	(41,966)	26,204
<u>1,936,252</u>	<u>1,371,639</u>	<u>1,000,000</u>
<u>10,355,529</u>	<u>9,155,859</u>	<u>8,853,062</u>
353,232	26,406	35,104
5,161	18,433	-
<u>(1,936,252)</u>	<u>(1,371,639)</u>	<u>(1,000,000)</u>
<u>(1,577,859)</u>	<u>(1,326,800)</u>	<u>(964,896)</u>
\$ <u>8,777,670</u>	\$ <u>7,829,059</u>	\$ <u>7,888,166</u>
\$ 1,196,617	\$ (636,075)	\$ (815,264)
<u>155,850</u>	<u>249,209</u>	<u>517,659</u>
\$ <u>1,352,467</u>	\$ <u>(386,866)</u>	\$ <u>(297,605)</u>

CITY OF KINGSVILLE

FUND BALANCES, GOVERNMENTAL FUNDS, LAST TEN FISCAL YEARS

	Fiscal Year				
	2001	2002	2003	2004	2005
General Fund					
Reserved	\$ 426,950	\$ 422,840	\$ 3,380,142	\$ 2,226,519	\$ 1,589,496
Unreserved	<u>1,819,367</u>	<u>2,006,541</u>	<u>2,324,845</u>	<u>2,972,504</u>	<u>4,032,056</u>
Total general fund	<u>\$ 2,246,317</u>	<u>\$ 2,429,381</u>	<u>\$ 5,704,987</u>	<u>\$ 5,199,023</u>	<u>\$ 5,621,552</u>
All Other Governmental Funds					
Reserved	\$ -	\$ -	\$ 48,188	\$ 7,844	\$ 8,699
Unreserved, reported in:					
Special revenue funds	973,149	609,999	651,579	33,559	41,016
Capital projects funds	2,611,845	772,264	487,518	626,779	379,116
Debt service funds	<u>408,614</u>	<u>326,450</u>	<u>364,499</u>	<u>69,062</u>	<u>108,402</u>
Total all other governmental funds	<u>\$ 3,993,608</u>	<u>\$ 1,708,713</u>	<u>\$ 1,551,784</u>	<u>\$ 737,244</u>	<u>\$ 537,233</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							
2006		2007		2008		2009		2010	
\$	1,035,938	\$	2,167,647	\$	1,553,672	\$	445,405	\$	279,242
	<u>5,936,909</u>		<u>6,695,729</u>		<u>7,643,773</u>		<u>8,209,389</u>		<u>8,441,728</u>
\$	<u>6,972,847</u>	\$	<u>8,863,376</u>	\$	<u>9,197,445</u>	\$	<u>8,654,794</u>	\$	<u>8,720,970</u>
\$	9,331	\$	66,454	\$	28,416	\$	8,301	\$	483
	332,879		793,897		1,521,263		2,187,562		2,434,595
	343,697		363,062		353,284		3,064,926		702,976
	<u>274,014</u>		<u>311,414</u>		<u>355,415</u>		<u>397,850</u>		<u>431,185</u>
\$	<u>959,921</u>	\$	<u>1,534,827</u>	\$	<u>2,258,378</u>	\$	<u>5,658,639</u>	\$	<u>3,569,239</u>

CITY OF KINGSVILLE

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

	Fiscal Year				
	2001	2002	2003	2004	2005
Revenues					
Property Taxes	\$ 3,898,689	\$ 3,788,364	\$ 3,816,412	\$ 3,569,222	\$ 3,804,469
Taxes-other	4,079,631	4,301,650	4,175,064	4,463,397	4,743,894
Licenses, fees, and permits	236,243	179,355	592,442	803,815	226,716
Fines and penalties	1,187,955	707,762	1,167,684	803,192	1,163,398
Charges for services	2,580,039	2,852,929	2,840,098	3,080,519	3,128,451
Special assessment	-	172,419	40,500	3,029	240
Intergovernmental	657,660	419,203	968,461	709,566	455,182
Investment earnings/other	301,265	138,621	118,869	127,253	202,335
Donations	-	-	-	176,146	3,299
Total revenues	<u>12,941,482</u>	<u>12,560,303</u>	<u>13,719,530</u>	<u>13,736,139</u>	<u>13,727,984</u>
Expenditures					
General government	2,096,895	2,228,427	2,410,041	2,947,294	2,357,112
Public safety	5,932,293	6,077,785	7,409,439	6,265,404	6,644,503
Public works	2,838,705	3,096,539	4,738,879	4,113,344	3,472,610
City/county	675,667	721,590	687,404	674,392	672,019
Tourism	228,626	255,405	265,401	264,132	288,215
Government	74,831	-	-	-	-
Other	1,312	2,616	71,161	248,936	60,258
Capital Outlay	723,641	1,822,528	-	-	-
Debt Service					
Interest	270,160	366,808	316,527	462,722	411,195
Principal	1,015,000	1,045,000	925,000	1,045,000	885,000
Total expenditures	<u>13,857,130</u>	<u>15,616,698</u>	<u>16,823,852</u>	<u>16,021,224</u>	<u>14,790,912</u>
Excess of revenues over (under) expenditures	<u>(915,648)</u>	<u>(3,056,395)</u>	<u>(3,104,322)</u>	<u>(2,285,085)</u>	<u>(1,062,928)</u>
Other Financing Sources (uses)					
Lease Proceeds	148,100	-	-	-	-
Bonds issued	3,305,000	-	5,223,000	-	-
Bond Issuance Costs	-	-	-	-	-
Bond Issuance Premium	-	-	-	-	-
Refunding bonds issued	-	-	-	-	-
Transfers in	699,689	1,000,000	1,107,971	1,131,652	1,340,861
Transfers out	-	-	(107,971)	(134,786)	(56,280)
Total other financing sources (uses)	<u>4,152,789</u>	<u>1,000,000</u>	<u>6,223,000</u>	<u>996,866</u>	<u>1,284,581</u>
Net change in fund balances	\$ <u>3,237,141</u>	\$ <u>(2,056,395)</u>	\$ <u>3,118,678</u>	\$ <u>(1,288,219)</u>	\$ <u>221,653</u>
Debt services as a percentage of noncapital expenditures	9.78%	11.02%	7.38%	9.41%	8.76%

SCHEDULE 4

		Fiscal Year							
		2006	2007	2008	2009	2010			
\$	4,141,313	\$	4,266,405	\$	4,940,897	\$	5,303,987	\$	5,268,890
	5,137,441		5,126,365		5,359,785		5,354,064		5,448,277
	172,814		189,269		210,267		217,657		194,004
	1,844,000		2,230,194		2,519,475		2,521,442		1,986,124
	3,211,482		3,225,782		3,585,591		4,017,155		4,106,546
	-		3,966		-		-		19,910
	174,136		211,535		240,829		463,770		544,351
	282,200		511,883		628,723		314,091		213,394
	2,890		1,842		-		1,890		2,007
	<u>14,966,276</u>		<u>15,767,241</u>		<u>17,485,567</u>		<u>18,194,056</u>		<u>17,783,503</u>
	2,398,046		2,673,852		2,461,771		2,675,542		2,998,296
	6,703,918		7,411,077		8,848,662		8,176,498		8,251,125
	3,561,348		3,291,447		3,772,521		6,377,218		6,440,127
	655,411		686,184		710,931		859,333		750,783
	290,697		312,153		421,633		440,694		420,379
	-		-		-		-		-
	2,532		-		-		53,376		37,237
	-		-		-		-		-
	378,281		362,456		374,201		1,760,000		1,590,000
	910,000		975,000		1,270,000		2,156,860		428,796
	<u>14,900,233</u>		<u>15,712,169</u>		<u>17,859,719</u>		<u>22,499,521</u>		<u>20,916,743</u>
	<u>66,043</u>		<u>55,072</u>		<u>(374,152)</u>		<u>(4,305,465)</u>		<u>(3,133,240)</u>
	-		-		181,772		-		-
	450,000		1,200,000		-		4,270,000		-
	-		-		-		(175,273)		-
	-		-		-		128,181		-
	-		-		-		1,890,000		-
	1,338,041		1,250,000		1,250,000		2,211,690		1,684,912
	(88,041)		-		-		(957,037)		(574,890)
	<u>1,700,000</u>		<u>2,450,000</u>		<u>1,431,772</u>		<u>7,367,561</u>		<u>1,110,022</u>
\$	<u>1,766,043</u>	\$	<u>2,505,072</u>	\$	<u>1,057,620</u>	\$	<u>3,062,096</u>	\$	<u>(2,023,218)</u>
	8.65%		8.51%		9.21%		17.41%		9.65%

CITY OF KINGSVILLE

SCHEDULE 5

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

Fiscal Year	Real Property	Mineral Property	Personal Property	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value
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	560,137,513	29,501,037	79,767,230	70,371,329	599,034,451	0.68544	669,405,780
2008	575,350,800	31,069,213	78,941,550	68,941,277	616,420,286	0.76781	685,361,563
2009	600,156,971	28,662,138	76,930,280	66,981,930	638,767,459	0.80187	705,749,389
2010	629,910,921	31,453,548	76,203,240	66,282,243	671,285,466	0.80187	737,567,709

Source: Kleberg County Appraisal District and Kleberg County Tax Assessor Office

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

CITY OF KINGSVILLE

SCHEDULE 6

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

Fiscal Year	City Direct Rates			Overlapping Rates		
	Basic Rate	General Obligation Debt Service	Total Direct Rate	School District	County	STWA
2001	\$ 0.35193	\$ 0.34952	\$ 0.70145	\$ 1.50	\$ 0.72	\$ 0.13
2002	0.43650	0.26495	0.70145	1.50	0.69	0.12
2003	0.44399	0.26128	0.69527	1.62	0.69	0.12
2004	0.42980	0.25530	0.68511	1.63	0.63	0.06
2005	0.44924	0.25272	0.70196	1.59	0.61	0.06
2006	0.45633	0.25367	0.71000	1.60	0.61	0.06
2007	0.46453	0.22091	0.68544	1.45	0.57	0.05
2008	0.50040	0.26740	0.76781	1.41	0.65	0.06
2009	0.54154	0.26033	0.80187	1.34	0.68	0.06
2010	0.56672	0.23515	0.80187	1.32	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	2010			2001		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
AEP Texas Central Company	\$ 17,571,180	1	2.62%	\$ 7,493,570	2	1.70%
Kingsville Two	7,409,690	2	1.10%			
Collegiate Kingsville Partners L.P.	6,841,560	3	1.02%			
HBC Holding LTD.	6,761,360	4	1.01%			
Eddie Yaklin Ford Lincoln Mercury Ltd.	6,302,690	5	0.94%	2,751,445	7	0.62%
Wal-Mart Stores East LP	6,291,430	6	0.94%	11,867,380	1	2.69%
Wal-Mart Stores Inc.	5,114,850	7	0.76%			
Lowes Home Center, Inc.	5,055,180	8	0.75%			
HEB Grocery Inc	4,568,520	9	0.68%	5,144,911	4	1.17%
Lowes Home Center, Inc.	4,502,880	10	0.67%			
Southwestern Bell Telephone Co.				6,095,500	3	1.38%
Kleberg First National Bank				3,120,498	6	0.71%
Alpha Lake Ltd				4,083,265	5	0.93%
University Square Apartments				2,717,410	8	0.62%
Kingsville Bordeaux, Ltd.				2,406,600	9	0.55%
Apple Creek Apartments				2,402,740	10	0.55%
Total	\$ <u>70,419,340</u>		<u>10.49%</u>	\$ <u>48,083,319</u>		<u>10.91%</u>

Source: Kleberg County Appraisal District

CITY OF KINGSVILLE**PROPERTY TAX LEVIES AND COLLECTIONS,
LAST TEN FISCAL YEARS****SCHEDULE 8**

Fiscal Year Ended September 30,	Taxes Levied for the Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2001	\$ 3,249,432	\$ 3,060,005	94.2%	\$ 172,287	\$ 3,232,292	99.47%
2002	3,391,973	3,193,026	94.1%	180,550	3,373,576	99.46%
2003	3,429,931	3,237,999	94.4%	171,094	3,409,093	99.39%
2004	3,447,050	3,250,187	94.3%	170,292	3,420,479	99.23%
2005	3,653,715	3,455,881	94.6%	153,814	3,609,695	98.80%
2006	3,886,219	3,726,279	95.9%	122,323	3,848,602	99.03%
2007	4,136,029	3,911,104	94.6%	158,886	4,069,990	98.40%
2008	4,734,428	4,530,260	95.7%	112,671	4,642,931	98.07%
2009	5,207,851	4,990,889	95.8%	90,809	5,081,698	97.58%
2010	5,385,014	5,174,338	96.1%	-	5,174,338	96.09%

Source: Kleberg County Appraisal District

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

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

	Calendar Year				
	2001	2002	2003	2004	2005
Building materials, hardware, etc.	\$ 19,595	\$ 5,492	\$ 9,891	\$ 19,611	\$ 18,040
General merchandise	4,716	4,797	46,093	45,251	45,847
Food stores	491	579	11,039	11,074	11,832
Automotive dealers and gasoline	29,549	23,025	15,866	16,005	16,104
Apparel and accessory stores	11,795	14,472	3,738	3,698	4,388
Home furniture, furnishing, and equipment	20,410	16,668	3,944	3,982	3,993
Eating and drinking places	154,254	134,932	24,131	27,694	28,526
All other outlets	25,169	25,801	12,783	12,931	13,934
Total	\$ <u>265,979</u>	\$ <u>225,766</u>	\$ <u>127,485</u>	\$ <u>140,246</u>	\$ <u>142,664</u>
City direct sales tax rate	1.5%	1.5%	1.5%	1.5%	1.5%

Source: Texas Comptroller of Public Accounts

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

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

SCHEDULE 9

Calendar Year				
2006	2007	2008	2009	2010*
\$ 19,277	\$ 20,422	\$ 22,706	\$ 21,737	\$ 22,838
48,006	48,275	50,463	47,022	44,312
12,052	13,915	15,905	16,948	16,270
18,134	18,190	18,959	19,205	19,754
4,597	4,204	3,775	4,570	4,664
3,223	4,252	860	2,647	-
30,359	32,427	36,009	35,430	36,464
16,028	17,996	18,062	15,017	13,884
<u>\$ 151,676</u>	<u>\$ 159,681</u>	<u>\$ 166,739</u>	<u>\$ 162,576</u>	<u>\$ 158,186</u>
1.5%	1.5%	1.5%	1.5%	1.5%

CITY OF KINGSVILLE

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

SCHEDULE 10

<u>Fiscal Years</u>	<u>City Property Tax Relief</u>	<u>City Sales Tax</u>	<u>Kleberg County Property Tax Relief</u>	<u>State Sales Tax</u>
2001	1.00%	0.50%	0.50%	6.25%
2002	1.00%	0.50%	0.50%	6.25%
2003	1.00%	0.50%	0.50%	6.25%
2004	1.00%	0.50%	0.50%	6.25%
2005	1.00%	0.50%	0.50%	6.25%
2006	1.00%	0.50%	0.50%	6.25%
2007	1.00%	0.50%	0.50%	6.25%
2008	1.00%	0.50%	0.50%	6.25%
2009	1.00%	0.50%	0.50%	6.25%
2010	1.00%	0.50%	0.50%	6.25%

Source: Texas Comptroller of Public Accounts

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



CITY OF KINGSVILLE

RATIOS OF OUTSTANDING DEBT BY TYPE, LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities			Business-type Activities	
	General Obligation Bonds	Tax Note	Capital Leases	Water Revenue Bonds	Certificates of Obligation
2001	\$ 7,100,000	\$ 1,140,000	\$ 132,657	\$ 1,595,000	\$ -
2002	6,325,000	870,000	105,118	1,485,000	-
2003	10,903,000	590,000	76,177	1,370,000	1,222,000
2004	7,683,000	300,000	45,852	1,250,000	3,687,000
2005	7,408,000	-	13,970	1,125,000	15,042,000
2006	7,273,000	-	-	990,000	13,897,000
2007	7,403,000	-	-	845,000	13,612,000
2008	6,524,208	-	181,772	695,000	12,935,792
2009	6,293,192	-	159,036	540,000	15,421,808
2010	5,335,990	-	135,299	370,000	14,484,007

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>
\$	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
	22,414,036	2.79%		797.79
	20,325,296	3.08%		723.29

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

SCHEDULE 12

Fiscal Year	General Bonded Debt Outstanding		Percentage of Actual Taxable Value of Property	Per Capita
		General Obligation Bonds		
2001	\$	7,100,000	1.3400%	\$ 277.01
2002		6,325,000	1.1500%	242.92
2003		10,903,000	1.9700%	414.07
2004		7,683,000	1.3600%	290.89
2005		7,408,000	1.2600%	279.77
2006		7,273,000	1.1900%	274.12
2007		7,403,000	1.1100%	276.72
2008		6,524,208	0.9500%	243.60
2009		6,293,192	0.8900%	234.72
2010		5,335,990	0.7200%	203.56

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, 2010

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	\$ 40,234,993	100%	\$ 40,234,993
Kleberg County	6,000,000	50%	3,000,000
South Texas Water Authority	-	0%	-
Subtotal, overlapping debt			43,234,993
City direct debt			
Total direct and overlapping debt			\$ <u>43,234,993</u>

Sources: Taxable value data used to estimate 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				
	2001	2002	2003	2004	2005
Debt limit	\$ 115,807,187	\$ 120,912,493	\$ 123,782,082	\$ 125,781,620	\$ 129,498,770
Total net debt applicable to limit	4,527,295	6,868,550	11,118,807	10,378,938	9,454,598
Legal debt margin	\$ <u>111,279,892</u>	\$ <u>114,043,943</u>	\$ <u>112,663,275</u>	\$ <u>115,402,682</u>	\$ <u>120,044,172</u>
Total net debt applicable to the limit as a percentage of debt limit	3.91%	5.68%	8.98%	8.25%	7.30%

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				
<u>2006</u>		<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	
\$	136,836,546	\$ 150,649,270	\$ 163,120,473	\$ 162,365,819	\$ 184,391,927	
	<u>9,315,986</u>	<u>7,091,586</u>	<u>6,168,793</u>	<u>5,895,349</u>	<u>179,487,122</u>	
\$	<u><u>127,520,560</u></u>	<u><u>143,557,684</u></u>	<u><u>156,951,680</u></u>	<u><u>156,470,470</u></u>	<u><u>4,904,805</u></u>	
	6.81%	4.71%	3.78%	3.63%	97.34%	

Legal Debt Margin Calculation for Fiscal Year 2010

Assessed Value		\$	737,567,709
Debt limit (25% of assessed value)			<u>184,391,927</u>
Debt applicable to limit:			
General obligation bonds	\$	5,335,990	
Less: Amount set aside for repayment of general obligation debt		<u>(431,185)</u>	
Total net debt applicable to limit			<u>4,904,805</u>
Legal debt margin		\$	<u><u>179,487,122</u></u>

CITY OF KINGSVILLE

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

SCHEDULE 15

Waste Water Revenue Bonds and Certificates of Obligation Bonds (a)							
Fiscal Year	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage	
				Principal	Interest		
2001	\$ 5,001,443	\$ 3,926,418	\$ 1,075,025	\$ 110,000	\$ 87,297	5.45%	
2002	4,634,657	3,791,113	843,544	110,000	85,908	4.31%	
2003	5,035,993	3,477,154	1,558,839	115,000	119,047	6.66%	
2004	5,195,633	3,842,774	1,352,859	120,000	121,562	5.60%	
2005	6,086,253	3,634,213	2,452,040	240,000	324,670	4.34%	
2006	6,605,466	3,482,212	3,123,254	505,000	583,460	2.87%	
2007	6,375,409	3,329,444	3,045,965	525,000	556,922	2.82%	
2008	7,285,503	3,820,260	3,465,243	435,000	480,813	3.78%	
2009	8,193,448	4,253,942	3,939,506	455,000	521,378	4.03%	
2010	6,500,945	4,012,820	2,488,125	475,000	503,192	2.54%	

Sanitation C. O. Bonds Series 2001 (b), 2007, and 2009							
Fiscal Year	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage	
				Principal	Interest		
2001	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%	
2002	-	-	-	-	-	0.00%	
2003	-	-	-	-	-	0.00%	
2004		1,592,760	(1,592,760)	310,000	97,792	-3.91%	
2005	2,892,724	1,642,222	1,250,502	325,000	85,065	3.05%	
2006	2,799,958	1,784,879	1,015,079	325,000	87,048	2.46%	
2007	2,851,654	1,487,099	1,364,555	335,000	75,023	3.33%	
2008	3,036,568	1,936,988	1,099,580	391,209	80,436	2.33%	
2009	3,510,389	1,840,539	1,669,850	808,000	62,241	1.92%	
2010	3,572,534	2,408,876	1,163,658	632,801	163,422	1.46%	

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
2001	25,631	\$ 483,965	\$ 18,882	29.2	N/A	4760	6.5%
2002	26,037	529,072	20,320	28.4	N/A	4644	6.2%
2003	26,331	546,289	20,747	28.3	N/A	4620	6.2%
2004	26,412	554,705	21,002	28.3	N/A	4541	6.0%
2005	26,479	572,794	21,632	28.3	N/A	4339	5.0%
2006	26,532	578,636	21,809	28.4	N/A	4246	4.2%
2007	26,753	619,025	24,761	27.9	N/A	4156	4.4%
2008	26,782	619,952	26,740	27.8	N/A	4026	4.5%
2009	26,812	625,497	28,095	29.2	N/A	3999	6.4%
2010	26,213	626,305	28,101	27.9	N/A	3729	6.7%

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	2010			2001		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Naval Air Station (Military)	1,834	1	13.77%	1,658	1	13.38%
Texas A&M - Kingsville	1,500	2	11.27%	1,284	2	10.36%
Kingsville I.S.D	651	3	4.89%	772	4	6.23%
King Ranch	376	4	2.82%	462	7	3.73%
Wal-Mart	307	5	2.30%	369	8	2.98%
Spohn Kleberg Memorial Hospital	300	6	2.25%	530	6	4.28%
Border Patrol	300	7	2.25%			
Hoechst Celanese	290	8	2.18%	900	3	7.27%
Kleberg County	275	9	2.07%			
City of Kingsville	260	10	1.95%			
HEB Grocery				240	10	1.94%
Mundy Corporation				326	9	2.63%
Calling Solutions				650	5	5.25%
Total	6,093		45.75%	7,191		58.05%

Source: Chamber of Commerce

CITY OF KINGSVILLE

SCHEDULE 18

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

	Full-time-Equivalent Employees as of September 30, 2010									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
City Commission	5	5	5	5	5	5	5	5	5	5
General Government	37	37	36	37	37	37	33	33	27	33
Fire	33	33	33	33	33	30	33	33	33	31
Health	12	12	12	12	12	12	11	12	12	12
Library	10	10	10	10	10	10	8	8	8	8
Police	64	63	67	67	67	67	63	60	63	62
Public Works	110	96	97	99	98	99	97	96	97	94
Task Force	16	15	12	13	13	12	11	12	10	10
Total	<u>287</u>	<u>271</u>	<u>272</u>	<u>276</u>	<u>275</u>	<u>272</u>	<u>261</u>	<u>259</u>	<u>255</u>	<u>255</u>

Source: City of Kingsville

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

CITY OF KINGSVILLE

OPERATING INDICATORS BY FUNCTION/PROGRAM,
LAST TEN FISCAL YEARS

Function/Program	Fiscal Year				
	2001	2002	2003	2004	2005
General government					
Building permits issued	N/A	N/A	2063	2186	2821
Building inspections conducted	N/A	N/A	N/A	N/A	N/A
Police					
Physical arrest	2384	2653	2433	1838	1902
Parking violations	84	76	37	29	16
Traffic violations	7088	4967	3947	2829	2449
Fire					
Emergency responses	2006	2028	2113	1980	1883
Fire extinguishers	572	405	359	338	363
Inspections	0	0	189	374	376
Refuse Collections					
Refuse collected (tons per day; 365)	55.95	59.03	68.28	79.74	97.13
Recyclables collected (tons per day; 365)	1.08	1.13	1.02	0.39	1.05
Other public works					
Street resurfacing (miles)	N/A	N/A	N/A	3.52	4.43
Potholes repaired	N/A	N/A	N/A	2100	2200
Parks and recreation					
Athletic field permits issued					
Community center admissions					
Library					
Volumes in collection	87372	60205	58300	59973	61648
Total volumes borrowed	48919	47690	48306	51784	51791
Health					
Environmental Health				16861	16298
Consumer Health				2329	1984
Weed Control				2964	2533
Animal Control				6516	7406
Water					
New connections	36	48	38	80	45
Water main breaks	536	439	377	334	415
Average daily consumption (thousands of gallons)	4198	4047	3412	3184	3184
Peak daily consumption (thousands of gallons)	5411	5753	4615	4420	4987
Wastewater					
Average daily sewer treatment (thousands of gallons)	2000	2000	2000	2000	2000

Sources: various city departments

SCHEDULE 19

Fiscal Year				
2006	2007	2008	2009	2010
2523	2355	2301	2349	1997
1337	1477	1934	1575	1324
1791	2208	1829	1955	1999
70	158	111	78	39
4334	5561	3796	3066	3416
1973	2108	2159	2831	2990
424	438	521	546	600
234	300	409	412	480
76.03	75.52	81.94	82.00	127.26
	1.12	0.70	1.00	0.66
3.20	6.00	3.60	3.49	2.50
2000	1900	2900	4900	4900
63086	65306	66015	64749	65013
53209	56446	50526	48643	49012
17670	17153	5028	1770	1742
1854	2222	2440	2519	2464
3224	2575	2527	2401	2569
7925	7484	10956	8535	6748
45	99	50	31	25
537	780	445	608	556
3579	3059	3447	3836	3076
4955	4462	4778	5300	5451
2000	2000	1700	2100	2200

CITY OF KINGSVILLE

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM LAST TEN FISCAL YEARS

Function/Program	Fiscal Year				
	2001	2002	2003	2004	2005
Police					
Stations	1	1	1	1	1
Patrol units	46	51	63	63	54
Fire stations	2	2	2	2	2
Refuse collections					
Collection trucks	N/A	12	15	18	18
Other public works					
Street (miles)	104	104	104	104	105.25
Highway (miles)					
Streetlights	N/A	N/A	N/A	N/A	546
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	114.72
Fire hydrants	658	667	674	681	686
Storage capacity (thousands of gallons)	9,594	9,594	9,594	9,594	9,594
Wastewater					
Sanitary sewers (miles)	90.9	90.9	90.9	91.11	92.4
Storm sewers (miles)	15.5	15.5	15.5	15.5	15.77
Treatment capacity (thousand of gallons)	4,000	4,000	4,000	4,000	4,000

Sources: Various city departments

SCHEDULE 20

Fiscal Year				
<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
1	1	1	1	1
53	45	43	47	48
2	2	2	2	2
18	18	18	20	16
105.52	105.52	105.52	112.69	120.5
554	554	554	569	569
4	4	4	4	4
195	195	195	195	195
9	9	9	9	9
12	12	12	12	12
12	12	12	12	12
2	2	2	2	2
115.72	115.72	115.94	116.14	117.02
692	692	696	705	801
9,679	9,679	9,764	9,764	9,764
94.6	94.6	96.1	96.3	96.7
15.98	15.98	15.98	15.98	15.98
4,000	4,000	4,000	4,000	4,000



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

JOHN L. WOMACK, CPA

JOHN R. WOMACK, CPA
MARGARET KELLY, CPA

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

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

Members of the Board of Trustees:

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Kingsville as of and for the year ended September 30, 2010, which collectively comprise the City of Kingsville's basic financial statements and have issued our report thereon dated April 25, 2011. 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 preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2010-1 to be a material weakness.



PRIVATE COMPANIES PRACTICE SECTION. AICPA DIVISION FOR CPA FIRMS

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2010-1 to be significant deficiencies.

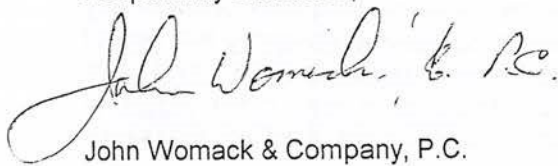
Compliance and Other Matters

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

City of Kingsville's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit City of Kingsville's response and, accordingly, we express no opinion on it.

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

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "John Womack, P.C.", is written over the printed name.

John Womack & Company, P.C.
April 25, 2011

CITY OF KINGSVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

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

2010-1 Internal Control - Reconciliaton of Asset and Liability Accounts

Condition:

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

Criteria:

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

Cause:

The City experienced staffing changes and turnover in the accounting department in 2009 and 2010, and are training new personnel.

Effect:

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

Recommendation:

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

Client Response/Corrective Action:

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

CITY OF KINGSVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

C. Federal Award Findings and Questioned Costs

NONE

CITY OF KINGSVILLE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED SEPTEMBER 30, 2010

Finding/Recommendation	Current Status	Management's Explanation If Not Implemented
<p>09-1 Internal Control - Reconciliation of Asset and Liability Accounts</p> <p>Condition: The City has not reconciled certain asset and liability accounts on a timely basis during the year or at year-end.</p> <p>Criteria: Asset and liability accounts should be reconciled monthly and all related journal entries made on a timely basis.</p> <p>Cause: The City experienced staffing changes and turnover in the accounting department in 2008 and 2009, and are training new personnel.</p> <p>Effect: The effect is the possibility of inaccuracy in monthly reporting, and, potentially, an inability to recognize fraud or other inaccuracies in a timely manner.</p> <p>Recommendation: We recommend that the City implement procedures to ensure that personnel are provided proper training, asset and liability accounts are reconciled, and all related journal entries posted on a timely basis.</p>	<p>Partially Implemented</p>	<p>The City of Kingsville has made improvements in this area. In addition, in April, 2011, the City hired a full-time temporary person to assist with Special Revenue Funds reporting along with asset and liability account reconciliations. This additional staffing should assist in continuing to improve in this aspect of our business.</p>

CITY OF KINGSVILLE
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2010

2010-1 Internal Control - Reconciliation of Asset and Liability Accounts

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