

City of Kingsville

Comprehensive Annual Financial Report

For the Year Ended September 30, 2012



Comprehensive Annual Financial Report

September 30, 2012

CITY OF KINGSVILLE, TEXAS

City Commission

(for the fiscal year ended September 30, 2012)

Sam R. Fugate
Alfonso Garcia
Arturo Pecos
Noel Pena
Diane Leubert

Mayor
Mayor Pro-Tem
Commissioner
Commissioner
Commissioner

City Manager

Vincent J. Capell

Prepared By:

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City of Kingsville
Comprehensive Annual Financial Report
For The Year Ended September 30, 2012

TABLE OF CONTENTS

	Page	Exhibit
INTRODUCTORY SECTION		
Letter of Transmittal.....	1	
GFOA Certificate of Achievement.....	11	
Organizational Chart.....	12	
FINANCIAL SECTION		
Independent Auditor's Report.....	13	
Management's Discussion and Analysis (Required Supplementary Information).....	15	
<u>Basic Financial Statements</u>		
Government-wide Financial Statements:		
Statement of Net Assets.....	35	A-1
Statement of Activities.....	36	A-2
Fund Financial Statements:		
Balance Sheet - Governmental Funds.....	38	A-3
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Assets.....	40	A-4
Statement of Revenues, Expenditures, and Changes in		
Fund Balances - Governmental Funds.....	41	A-5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in		
Fund Balances of Governmental Funds to the Statement of Activities.....	43	A-6
Statement of Net Assets - Proprietary Funds.....	44	A-7
Reconciliation of the Statement of Net Assets-Proprietary Funds to the		
Statement of Net Assets.....	45	A-7R
Statement of Revenues, Expenses, and Changes in		
Fund Net Assets - Proprietary Funds.....	46	A-8
Reconciliation of the Statement of Revenues, Expenses, and Changes in		
Fund Net Assets - Proprietary Funds to the Statement of Activities.....	47	A-8R
Statement of Cash Flows - Proprietary Funds.....	48	A-9
Statement of Fiduciary Net Assets - Fiduciary Funds.....	49	A-10
Notes to the Financial Statements	50	
<u>Required Supplementary Information:</u>		
Budgetary Comparison Schedules:		
General Fund.....	78	B-1
Schedule of Funding Progress - Pension Plan.....	79	
Notes to Required Supplementary Information.....	80	

City of Kingsville
Comprehensive Annual Financial Report
For The Year Ended September 30, 2012

TABLE OF CONTENTS

	Page	Exhibit
<u>Combining Statements and Budgetary Comparison Schedules as Supplementary Information:</u>		
Special Revenue Funds:		
Combining Balance Sheet - Nonmajor Special Revenue Funds.....	88	C-1
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds.....	90	C-2
Budgetary Comparison Schedules:		
Tourism Fund.....	92	C-3
South Texas Crime and Narcotics Task Force FY00.....	93	C-4
Law Enforcement Officer Standard-Police.....	94	C-5
Debt Service Funds:		
Budgetary Comparison Schedule:		
Debt Service Fund.....	95	C-6
Capital Projects Funds:		
Budgetary Comparison Schedule:		
Capital Improvements Fund.....	96	C-7
Fiduciary Funds:		
Agency Funds:		
Combining Statement of Changes in Assets and Liabilities.....	97	C-8

STATISTICAL SECTION

Net Assets by Component, Last Four Fiscal Years.....	98	Schedule 1
Changes in Net Assets, Last Four Fiscal Years.....	100	Schedule 2
Fund Balances, Governmental Funds, Last Ten Fiscal Years.....	104	Schedule 3
Changes in Fund Balances, Governmental Funds, Last Ten Fiscal Years.....	106	Schedule 4
Assessed Value & Estimated Actual Value of Taxable Property, Last Ten Fiscal Years..	108	Schedule 5
Direct and Overlapping Property Tax Rates (Rate per \$100 of Assessed Value).....	109	Schedule 6
Principal Property Tax Payers, Current Year and Nine Years Ago.....	110	Schedule 7
Property Tax Levies and Collections, Last Ten Fiscal Years.....	111	Schedule 8
Taxable Sales by Category, Last Ten Calendar Years.....	112	Schedule 9
Direct and Overlapping Sales Tax Rates, Last Ten Fiscal Years.....	114	Schedule 10
Ratios of Outstanding Debt by Type, Last Ten Fiscal Years.....	115	Schedule 11
Ratios of General Bonded Debt Outstanding, Last Ten Fiscal Years.....	117	Schedule 12
Direct and Overlapping Governmental Activities Debt as of September 30, 2007.....	118	Schedule 13
Legal Debt Margin Information, Last Ten Fiscal Years.....	119	Schedule 14
Pledged-Revenue Coverage, Last Ten Fiscal Years.....	121	Schedule 15

City of Kingsville
Comprehensive Annual Financial Report
For The Year Ended September 30, 2012

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
Demographic and Economic Statistics, Last Ten Calendar Years.....	122	Schedule 16
Top Ten Employers, Current Year and Nine Years Ago.....	123	Schedule 17
Full-Time Equivalent City Government Employees by Function/Program, Last Ten Fiscal Years.....	124	Schedule 18
Operating Indicators by Function/Program, Last Ten Fiscal Years.....	125	Schedule 19
Capital Asset Statistics by Function/Program, Last Ten Fiscal Years.....	127	Schedule 20

OTHER SUPPLEMENTARY INFORMATION SECTION

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	129
Schedule of Findings and Questioned Costs	131
Summary Schedule of Prior Audit Findings.....	134
Corrective Action Plan.....	135

INTRODUCTORY SECTION

CITY OF KINGSVILLE

P. O. BOX 1458 - KINGSVILLE, TEXAS 78364



May 31, 2013

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, 2012, 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, 2012, 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, 2012, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

THE CITY AND ITS ORGANIZATION

Population and Location

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

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

Form of Government and City Services

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

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

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

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

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

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

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

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

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

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

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

At the July 9th, 2012 Commissioner's meeting, the City of Kingsville presented the development and resolutions for Commission action to enable a transition from having a

separate Convention and Visitor's Bureau to the implementation of a City Tourism Service Department. The action allowed for the continuity of tourism services and recordkeeping, as well as, additional effectiveness and efficiencies. The result reflects with the addition of the Tourism Fund being incorporated into the City's Financials.

Annual Budget Process

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

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

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

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

FINANCIAL CONDITION

Local Economy

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

Major Revenues

The City's major sources of revenue are property, sales and other taxes, and business fees. The September 30, 2012, period showed the following changes in these sources from the prior year: (1) an increase in property tax receipts due to an increase in the property values, (2) a slight decrease in sales tax, and (3) a .5.8% increase in business taxes and fees. This illustrates the resilience of the local economy despite negative revenue trends for other state and local governments in the nation. Real property tax collections as a percent of levy collected has remained stable. Current fiscal year collected taxes to date, as a percent of the net current tax levy, have increased slightly from 96.5% to 96.7%.

Employment

The local unemployment rate stood at 6.3% for September, 2012. Future Job growth for the City outpaced the National average and was projected at 32.78% for this same time period. Estimated Household income for the City also outpaced the National average as well.

Diversification of Economy

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

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

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

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

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

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

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

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

Transportation

A primary component of the City's transportation system is the 2,457-acre Corpus Christi International Airport, which is only 45 minutes from the City of Kingsville. Currently, the Airport is served by approximately 24-30 daily flights from three major domestic carriers that use the Airport's 7,508 and 6,080 feet of lighted runways for a total of 13,588 feet. The Airport serviced 328,663 enplanes and 327,045 deplanes in fiscal year 2012. Additionally, airport safety has been enhanced through a multi-jurisdictional cooperative effort with other civil and military law enforcement agencies.

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

Major Initiatives

During Fiscal Year 2012, the citizens and elected officials of Kingsville cooperated in the planning and implementation of several major projects and capital asset acquisitions.

The City created a Beautification Board made up of internal staff members to coordinate and plan community appearance activities. In Fiscal Year 2012 the city made a substantial investment in corridor planning and beautification as well as additional infrastructure improvements. These included but were not limited to the installation of 121 true date palm trees planted along the General Cavazos Blvd. Also, included in this initiative was the resurfacing of major portions of Armstrong St. and Ailsie St. The City

also was successful in implementing a pilot program to provide wood enclosures to surround and screen many of the unsightly commercial dumpsters. These and many other programs have been implemented and will continue to be implemented toward beautifying the City.

The Planning & Development Services Department continued its dangerous building initiative, wherein the Community Appearance Division and the Building Services Division collectively identified and razed 18 dangerous buildings in Kingsville in Fiscal Year 2012. In total, eleven dangerous structures were demolished and properly disposed utilizing City demolition funds. This program will continue in Fiscal Year 2013, with a goal of razing 25 additional dangerous buildings.

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

The HM King High School renovation and adaptive re-use has made tremendous progress in Fiscal Year 2012. Additional funding was awarded via a grant and the City has pledged additional funds toward its completion. The exterior of the structure was tuck pointed and the interior demolition was completed in Fiscal Year 2012. Additional work will commence in Fiscal Year 2013 which will bring the exterior to 90% completion with the interior work to begin soon thereafter. Anticipated completion is January 2015.

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

Economic Development

The City continues to partner with Kleberg County, the Economic Development Council (EDC), Texas A&M University-Kingsville (TAMUK) and Coastal Bend College in creating quality jobs and programs toward achieving optimal economic stability and diversification. Major initiatives tied to economic development are being collaborated with these partners. Recently this partnership has produced substantial development traction, most notably the increase in construction activity. During the course of Fiscal Year 2012, ongoing negotiations have progressed toward the finalization of an economic incentive package to be entered into with a residential development company that will construct 184 new single family homes in the City. Additionally, the aforementioned

partners have collaborated to continue marketing the community and have attracted substantial interest in apartment developments and commercial prospects.

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

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

Current Construction Projects

- ❖ The Kingsville Independent School District begun construction of a new high school to replace the existing high school. This will be a substantial investment and improvement to the school facilities in the community.
- ❖ The City of Kingsville continues investing in an enhanced corridor landscape project that will beautify a portion of Santa Gertrudis Avenue from Highway 141 to Seale St. This project will consist of the planting of 65 new trees to create a tree lined boulevard within the existing center median.
- ❖ Franklin Welding Inc. completed a 2,400 sq. ft. expansion of their current facility. This expanded the shop area to facilitate future growth, both in jobs and production.
- ❖ Coastal Plains MHMR completed the construction of a nearly 14,000 sq. ft. facility on Corral Ave. to relocate their offices and provide additional services for their clients.
- ❖ The Newman Connection, in partnership with the Corpus Christi Catholic Diocese, began construction of phase one of a 600 unit student housing facility near the Texas A&M University-Kingsville campus. This project consists of three phases with the first phase (200 units) beginning in September of 2012 with completion of phase one in July of 2013. Future phases will come thereafter.

Future Construction Projects

- ❖ The Wildwood Trails residential development preliminary plat has been approved wherein 184 new homes will be constructed.
- ❖ The City of Kingsville continues its enhanced corridor landscape program that will beautify a large portion of the 6th Street corridor
- ❖ Several properties are near or are currently under contract to facilitate apartment development. One is proposing 200 apartment units.
- ❖ Di-Trol Systems is proposing a 2800 sq. ft. office addition to allow for expansion of their business.

- ❖ Ramos Refrigeration is proposing a 6000 sq. ft. warehousing addition to allow for expansion of their business.
- ❖ Blake Fulenwilder Dodge, Chrysler, Jeep is preparing to perform site and building development at their location including paving and shop expansion.
- ❖ The local Taco Bell is proposing a full interior/exterior remodel to update and improve the aesthetics of the site.
- ❖ Christus Spohn Hospital is proposing an addition to their Emergency Room which will double its size to provide more acute care.
- ❖ In fiscal year 2012, a total of 1 new commercial permits were issued with a total valuation of \$4,105,943.00.

Residential Developments

- ❖ Stone Village Apts. located at W Santa Gertrudis completed their 3,630 sq. ft. project consisting of 6 apartment units valued at \$220,000.00 in the fall of 2011.
- ❖ Ranch View Apts. located at 70X W. Avenue B completed their 3,700 sq. ft. project consisting of 6 apartment units valued at \$230,000.00 in the fall of 2012.
- ❖ The construction of Paulson Falls Phase III is ongoing. Currently, 35 of the sixty-three lots have been built upon.
- ❖ Casa Ricardo, the new senior housing development, located at 200 W. Yoakum St. was completed in the fall of 2012. This project is valued at \$2,000,750.00.
- ❖ In fiscal year 2012, a total of 39 new residential permits were issued with a total valuation of \$4,372,505.00. Additionally, 223 remodeling permits were issued with a total value of \$2,587,269.00. All totaled residential construction values increased by \$6,959,774.00.

Tourism

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

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

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

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

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

Financing of Major Capital Projects

During the 2012 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.

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, 2011 continuing to confirm compliance with both GAAP and legal requirements. This was the twenty-four consecutive year that the City has received this prestigious award. A Certificate of Achievement is valid for a period of one year only. We believe that this CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility certification.

ACKNOWLEDGEMENTS

The preparation of this report is possible only because of the dedication of the staff members in the Department of Finance, including James Bryson, Accounting Manager; Teresa Vasquez, Assistant Accountant II; Sally Saenz, Assistant Accountant II; Norma Cavazos, Assistant Accountant II; Diana Medina, Collections Manager; Rose Morrow, Municipal Court Manager; and Antonio Verdin, Information Systems Technician; Special thanks must be given to Vincent J. Capell, City Manager for his continued guidance and support.

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

Respectfully submitted,

Mark A. Rushing
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Kingsville
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2011

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



Christopher P. Moirrell

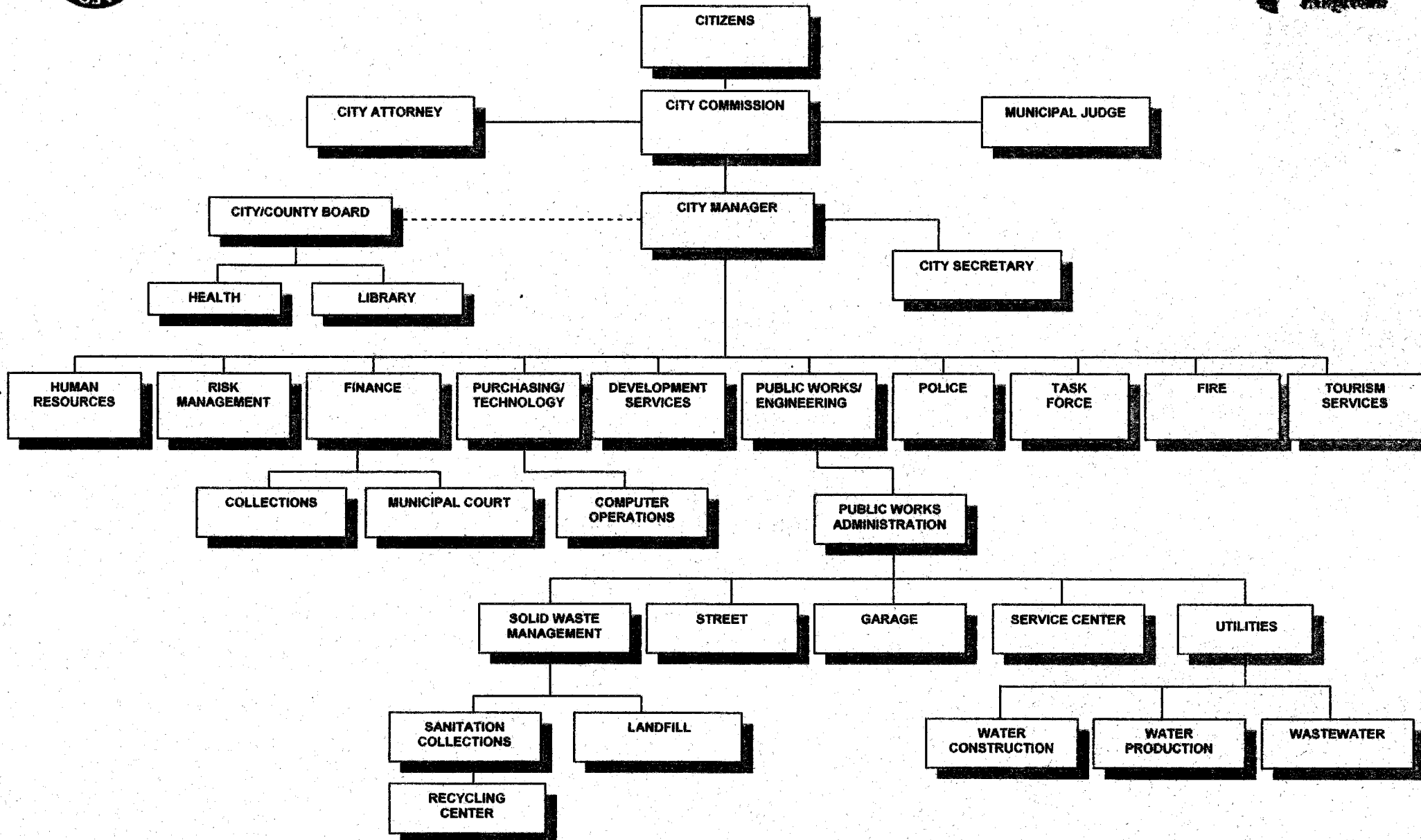
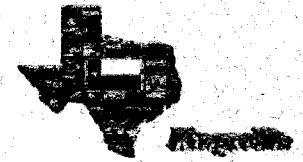
President

Jeffrey R. Emmer

Executive Director



CITY OF KINGSVILLE ORGANIZATIONAL CHART





FINANCIAL SECTION

JOHN WOMACK & CO., P.C.
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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, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Kingsville's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Kingsville as of September 30, 2012, 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 26, 2013, on our consideration of City of Kingsville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

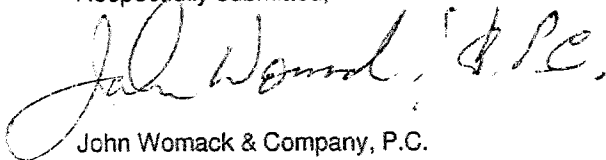
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting



Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "John Womack, P.C.", is written over the typed name.

John Womack & Company, P.C.
April 26, 2013

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, 2012. 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 \$ 29.8 million.
- The fund balance of the General Fund increased from \$10.4 million to \$10.7 million. This represents a 3.0% increase over the prior year's fund balance, and furthermore, represents 69.0% of the \$15.5 million in expenditures. The General Fund's Unassigned Fund Balance was \$5.6 million, or 36.2% of general fund expenditures.
- Total assets, were \$66.8 million; total liabilities were \$37.0 million.
- The ratio of total assets to total liabilities for governmental activities was 2.17 times; for business-type activities the ratio was 1.59 times.
- The quick ratio (current assets to current liabilities) was 4.27 times for governmental activities and 3.92 times for business-type activities.
- Total net assets were \$29.8 million, which was an increase from \$27.2 million for the prior year, or about 9.5%. Governmental activities' net assets increased by 1.0%, while business-type activities net assets increased by 21.23%.

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

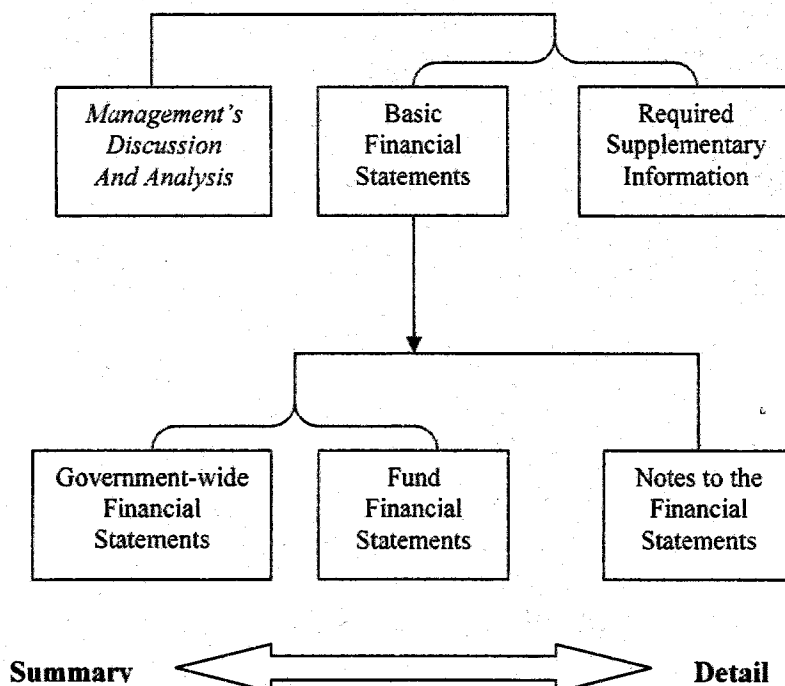


Figure A-1 shows how the required parts of this annual financial report are arranged and relate to one another. In addition to these required elements, a section with combining statements that provides details about the non-major governmental funds and internal service funds is included.

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, 2012, the net assets totaled \$29.8 million, \$2.5 million more than the prior year. The composition of these net assets is \$16.0 million for governmental activities and \$13.8 million for business-type activities, which is comprised primarily of the Combined Utility System.

A large portion of the City's net assets, 42.5%, are invested in capital assets (e.g., land, infrastructure, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities, and the City has over 2.5% of its net assets set aside for the retirement of debt. Approximately 26.4% 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, 2012 and 2011 (in thousands of dollars)**

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current & other assets	\$ 16,149	\$ 18,193	\$ 19,999	\$ 18,713	\$ 36,148	\$ 36,906
Capital assets	13,521	12,985	17,202	17,498	30,722	30,483
Total assets	29,670	31,178	37,201	36,211	66,870	67,389
Long-term liabilities	9,920	9,982	18,311	22,396	28,231	32,378
Current and Other liabilities	3,747	5,353	5,064	2,411	8,811	7,764
Total liabilities	13,667	15,335	23,375	24,807	37,042	40,142
Net assets	16,003	15,843	13,826	11,404	29,828	27,247
Net assets						
Investment in capital assets						
net of related debt	8,642	8,704	4,049	3,399	12,691	12,102
Restricted	3,140	683	1,086	1,403	4,226	2,086
Unrestricted	4,222	6,457	8,690	6,602	12,912	13,059
Total net assets	\$ 16,003	\$ 15,843	\$ 13,825	\$ 11,404	\$ 29,829	\$ 27,247

TABLE A-1 Governmental-Type Activities

Current & Other Assets decreased \$2.1 million from \$18.2 million in FY11 to \$16.1 million in FY12 or 11.23%. The majority of this decrease is due to the City's decision to draw down the Fund Balance closer to the industry standard of 3 months operating expenditures in its Unassigned Fund Balance. The City set aside \$1.4 million to finance one-time purchases for infrastructure, community appearance, software enhancements and other capital outlays. As a result, capital assets net of accumulated depreciation increased \$536 thousand from \$13.0 in FY11 to \$13.5 million in FY12 or 4.13%. Current and other liabilities decreased \$1.7 million from \$5.4 in FY11 to \$3.7 in FY12 or 30.0%. This resulted from the payoff of a TMRS accumulated pension liability in the amount of \$795,045 See Note I on Page 64 for more details.

As a result of more properly reflecting the restrictions on fund balances, Restricted Net Assets increased by \$2.5 million from \$683 thousand in FY11 to \$3.1 million in FY12 as follows:

\$ 79,348	increased	Federal and State programs
(\$ 64,833)	decreased	Debt Service
(\$ 35,501)	decreased	Capital projects
\$ 75,099	increased	Municipal Court Building Security funds
\$ 1,917,986	increased	Law Enforcement
\$ 75,099	increased	Municipal Court Building Security Fund
\$ 37,898	increased	Municipal Court Technology fund
\$ 444,204	increased	Tourism funds (previously a component unit)
\$ 2,862	increased	Other purposes

For this same reason, Unrestricted Net Assets decreased \$2.3 million from \$6.5 million in FY11 to \$4.2 million in FY12 or 34.61%.

TABLE A-1 Business-Type Activities

The Combined Utility System's net assets were \$13.8 million, which is 46.4% of total net assets and is \$2.4 million more than the prior year. The Combined Utility System contributed all of the total unrestricted business-type net assets.

Current & Other Assets increased \$1.3 million from \$18.7 million in FY11 to \$20.0 million in FY12 or 6.87%. Restrictive Cash is up from \$6.7 million to \$7.9 million. Due to the recent engineering Closure / Post- Closure study there was a release of \$2 million. Capital assets net of accumulated depreciation decreased \$296 thousand from \$17.5 million in FY11 to \$17.2 million in FY12 or 1.69% due to equipment and vehicle retirements, auction sales and annual straight-line depreciation costs.

Scheduled annual debt retirement and the \$2 million in restatement of Landfill Closure / Post Closure cost liability caused Long-term liabilities to decrease \$4.1 million from \$22.4 million in FY11 to \$18.3 million in FY12 or 18.24%. Investment in capital assets net of related debt increased \$650 thousand from \$3.4 in FY11 to \$4.0 million in FY12 or 19.2% due to FY12 acquisitions.

Restricted Net Assets decreased \$317 thousand from \$1.4 million in FY11 to \$1.1 million in FY12 or 22.59%. Debt Service increased \$54 thousand from \$206 thousand in FY11 to \$260 thousand in FY12 or 26.42% due to a planned gradual build-up in debt service fund balance. Capital projects decreased \$372 thousand from \$1.2 million in FY11 to \$825 thousand in FY12 or 31.1% as acquisition of assets occurred in FY12.

Unrestricted Net Assets increased \$2.1 million from \$6.6 million in FY11 to \$8.7 million in FY12 or 31.6% due to the reduction of the Landfill Closure / Post Closure cost reduced the liability and increased unrestricted net assets.

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

Changes in Net 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, 2012 and 2011
(in thousands of dollars)

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenue:						
Program revenue:						
Charges for services	\$ 2,829	\$ 3,409	\$ 12,210	\$ 11,526	\$ 15,039	\$ 14,935
Operating grants and contributions	308	479	-	-	308	479
Capital grants and contributions	20	93	-	-	20	93
General revenues:						
Property taxes	5,992	5,998	-	-	5,992	5,998
Sales taxes	4,204	4,582	-	-	4,204	4,582
Other taxes	1,023	1,028	-	-	1,023	1,028
Investment earnings	84	87	137	130	221	217
Other	296	-	-	-	296	-
Total revenues	<u>14,756</u>	<u>15,676</u>	<u>12,347</u>	<u>11,656</u>	<u>27,103</u>	<u>27,332</u>
Expenses:						
General government	3,286	2,975	-	-	3,286	2,975
Public safety	9,476	9,145	-	-	9,476	9,145
Public works	2,824	2,521	-	-	2,824	2,521
Health & other public svcs.	812	801	-	-	812	801
Tourism	389	484	-	-	389	484
Interest on long-term debt	335	319	-	-	335	319
Water and wastewater	-	-	7,021	6,240	7,021	6,240
Solid waste	-	-	2,417	2,670	2,417	2,670
Total expenses	<u>17,122</u>	<u>16,245</u>	<u>9,438</u>	<u>8,910</u>	<u>26,560</u>	<u>25,155</u>
Increase in net assets before transfers	(2,366)	(569)	2,909	2,746	543	2,177
Transfers	2,663	2,440	(2,663)	(2,440)	-	-
Increase (decrease) in net assets	297	1,871	246	306	543	2,177
Net assets, beginning	15,844	13,973	11,403	11,097	27,247	25,070
Prior period adjustment	(138)	-	2,177	-	2,039	-
Net assets, ending	<u>\$ 16,003</u>	<u>\$ 15,844</u>	<u>\$ 13,826</u>	<u>\$ 11,403</u>	<u>\$ 29,828</u>	<u>\$ 27,247</u>

Governmental Activities

As shown in Table A-2, revenues were split between governmental activities and business-type activities 54.4% and 45.6%, respectively, with expenses for each at 64.5% and 35.5%. Net assets increased 1.0% from the prior period for governmental activities, increased 21.2% for business-type activities, and increased 9.52% overall.

- The cost of all *governmental* activities for the fiscal year 2012 was \$17.1 million.
- However, the amount that taxpayers paid for these services through City taxes and business fees was \$11.2 million.

Some of the cost was paid by:

- Those who directly benefited from the programs (\$2.8 million), and
- Other governments and organizations that subsidized certain programs with grants and contributions (\$328 thousand).
- Charges for services comprised 19.2% of governmental activities revenues excluding transfers and 98.9% of business-type activities' revenues excluding transfers.
- Taxes contributed 76.0% of governmental activities revenues including transfers. Investment earnings, with interest rates, generated 0.6% and 1.1% of governmental activities revenues and business-type activities, respectively.
- Public Safety (including Police, Fire, Emergency Management, Municipal Court, and Inspections) expenses accounted for 55.3% of governmental activities expenses and 16.5% of total expenses were for public works.
- Public Safety required the largest net amount of public funds after deducting program revenue, grants, and contributions. The total subsidy was \$7.2 million.
- General government comprises 19.2% of all governmental activities' expenses.

TABLE A-2 Governmental Activities

Charges for services revenue decreased \$580 thousand from \$3.4 million in FY11 to \$2.8 in FY12 or 17.01%. Reduced public safety charges make up \$510 thousand of the decrease. General revenue sales tax decreased \$378 thousand from \$4.6 million in FY11 to \$4.2 million in FY12 or 8.25%. In FY11, the City received an additional \$382 thousand in one-time comptroller sales tax audit adjustments. In FY12, the City received only an additional \$10 thousand in one-time comptroller audit adjustments.

Miscellaneous revenues increased from essentially \$0 in FY11 to \$296 thousand in FY12. The majority of the increase, \$289 thousand, is from a donation from the Kingsville Convention Visitors Bureau (KCVB) to the City of Kingsville. The KCVB was a component unit of the City in FY11 that performed tourism promotion for the City using Hotel Occupancy tax funds. In August 2012, these activities were transferred back to the City of Kingsville to be performed in-house.

General government expenses increased \$311 thousand from \$3.0 million in FY11 to \$3.3 million in FY12 or 10.5%. Public Safety expenses increased \$331 thousand from \$9.1 million in FY11 to \$9.5 million in FY12 or 3.6%. Fire and Police Department personnel received a 1.5% salary increase in FY12. Public Works expenses increased \$303 thousand from \$2.5 million in FY11 to \$2.8 million in FY12 or 12.0%.

The change in net assets before transfers-in was \$569 thousand in FY11, while the change in net assets before transfers-in was (\$2.4 million) in FY12, indicating a decrease of \$2.9 million in net change in net assets from the FY11. Transfers increased \$223 thousand from \$2.4 million in FY11 to \$2.7 million in FY12 or 9.1% through the utilization of fund balances to finance one-time purchases.

TABLE A-2 Business-Type Activities

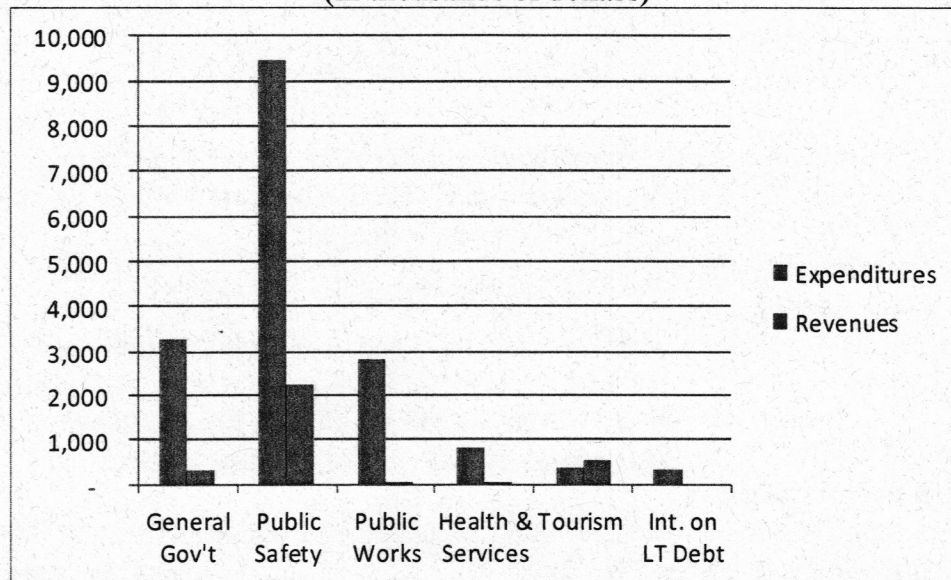
Charges for services revenue increased \$684 thousand from \$11.5 million in FY11 to \$12.2 million in FY12 or 5.9%. Water and Waste Water sales were up substantially due to drought conditions combined with 2% water and 4% waste water rate increases in FY12.

The change in net assets before transfers increased \$161 thousand from \$2.7 million in FY11 to \$2.9 in FY12, or 5.9%. Transfers Out increased \$223 thousand from \$2.4 million in FY11 to \$2.7 million in FY12 or 9.1% due to drawing down the fund balance as designed in the Water and Waste Water Rate Model. The City had built up about 14 months of operating funds over the years. As a result, a study was performed, a model was built and rates adopted in a planned draw down of the excess months over the 3 to 4 months of operating expenses in the fund balance, which is a benchmark in the industry. The model is designed to allow for smaller rate increases over a 5 year period to offset the increased infrastructure replacement and enhancement needs while reducing the Fund Balance. FY12 is the second year of the 5 year rate model that gradually increases those rates with an annual average rate increase of 1 to 2% for water and slightly over a 3% annual average rate increase for waste water over the 5 year period.

Solid Waste expenses decreased \$253 thousand from \$2,670 in FY11 to \$2,417 in FY12. Water and waste water expenses increased \$781 thousand from \$6.2 million in FY11 to \$7.0 million in FY12 or 12.5%.

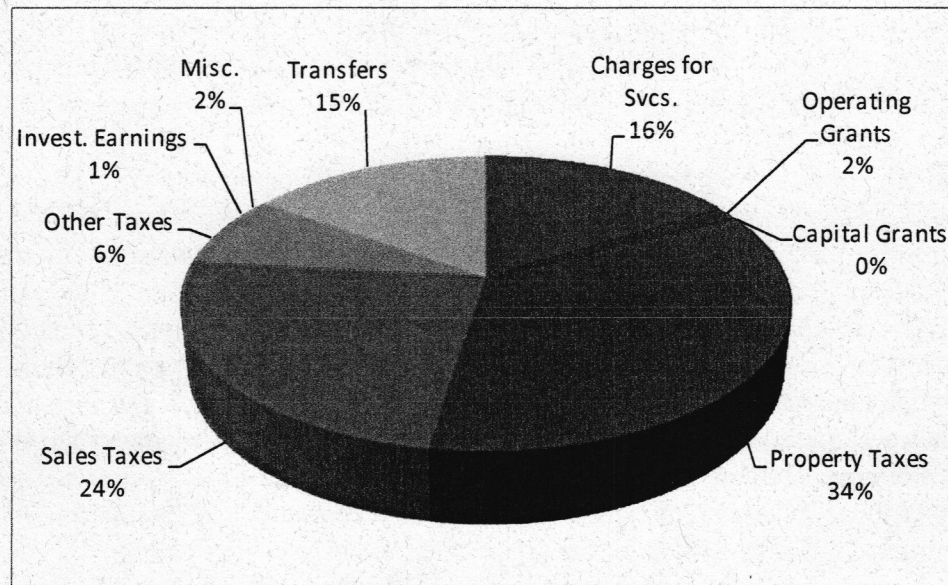
Graph 1 presents the cost of each of the City's major governmental functions, for FY12, as well as the associated program revenues.

**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 74.4% of the expenses generated for business-type activities, with solid waste accounting for the additional 25.6%. It had operating revenues of \$8.4 million, operating income of \$1.4 million, and income before transfers of about \$1.50 million, with a profit after transfers of \$245 thousand for the fiscal year. Compared to the 2011 fiscal year, the System's operating revenues were up by \$514 thousand, the operating income was down by \$268 thousand and net income after transfers was \$282 thousand lower. The major causes of these results were:

- Increased operating revenues are the result of an unusually dry spring and summer during 2012 compared to the previous year, which caused water revenues to increase by \$549 thousand, or 12.1% more than the preceding year.
- Wastewater fund revenue was down by \$35 thousand, or by 1.0%.
- The operating expenses increased by \$782 thousand, primarily due to increased maintenance along with increased depreciation and amortization costs.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds

- Total assets of the General Fund decreased \$113 thousand from \$13.5 million to \$13.4 million between FY 2011 and FY 2012. Most of this overall decrease in total assets is from a decrease in Investments, Equity in Pooled Cash and Cash Equivalents and Cash and Cash Equivalents of \$1.7 million, a reduction in Due From Other Funds of \$1.3 million, a \$326 thousand increase in Accounts Receivable, and an increase in Restricted Cash and Cash equivalents of \$2.7 million over the previous Fiscal Year 2011.

- The City renewed the forgiveness of all Accrued Interest on old Street Assessments to encourage the collection of the principal portion of the assessment. This was conditional on payment being made in full for the principal over the course of a year. Therefore, Accrued Interest Receivable declined by \$26 thousand, as well as Deferred Revenue by the same amount.
- Total liabilities of the General Fund decreased by \$429 thousand to approximately \$2.7 million, a 13.7% decrease. The majority of the decrease is attributed to a \$571 thousand decrease in Current Accounts Payable, a \$93 thousand increase in Due to Other Funds, a \$78 thousand increase in Due to Other Governments, and a \$41 thousand reduction in Deferred Revenue for Fiscal Year 2012 compared to Fiscal Year 2011. This brings the ratio of total assets to total liabilities to 4.96 times in 2012, up from 4.32 in 2011.
- See on page 27 the Budgetary Results of the General Fund section for more details on the General Fund revenues and expenditures resulting in a General Fund Excess of revenues over expenditures before other financing sources.
- The General Fund Unassigned Fund balance decreased \$287 thousand in Fiscal Year 2012 to \$5.6 million from \$5.9 million in Fiscal Year 2011. The Committed Fund Balances for Landfill Closure /Post Closure increased by \$284 thousand and \$561 thousand for Capital Outlays. The overall Fund Balance increased \$315 thousand from \$10.4 million in FY 2011 to \$10.7 million in FY 2012.

Police Forfeiture Funds

- Total assets of the Police Forfeiture Fund increased \$277 thousand from \$4.8 million to \$5.1 million between Fiscal Year 2011 and Fiscal Year 2012. Most of this overall increase in total assets is from the netting of decreased Cash and Cash Equivalents of \$514 thousand, and increased Restricted Cash and Cash Equivalents of \$822 thousand as compared to the previous Fiscal Year 2011.
- Total liabilities of the Police Forfeiture Fund increased by \$1.1 million from \$2.3 million in Fiscal Year 2011 to \$3.4 million in Fiscal Year 2012. This brings the quick ratio (current assets to current liabilities) to 1.49 in Fiscal Year 2012 from 2.08 in FY 2011. This fund still had \$822 thousand in unsettled seizures, at FY 2012, an increase of \$47 thousand, and Due to Other Funds of \$2.2 million for FY 2012, which was up \$1.2 million from FY 2011.
- The Police Forfeiture Fund revenues dropped \$716 thousand or 45.11% from \$1.5 million in FY 2011 to \$871 thousand in FY 2012. Chapter 59 seizures and resulting awards were down as criminals continue to change their strategy of moving money and the U.S. Highway 77 corridor becomes more concentrated with larger numbers of federal, state and local law enforcement personnel. The Police Forfeiture Fund expenditures stayed about the same at \$1.5 million for both fiscal years.
- The Police Forfeiture Fund's Unassigned Fund balance decreased by \$829 thousand from approximately \$2.5 million in Fiscal Year 2011 to \$1.7 million in Fiscal Year 2012. In Fiscal Year 2012 there was a \$138 thousand prior period adjustment, relating to FY 2011. The prior period adjustment is to correct for a couple of seizure cases that were recorded as awarded in Fiscal Year 2011 that were actually awarded in Fiscal Year 2012.

Debt Service Fund

- The Debt Service Fund Balance increased \$79 thousand from about \$655 thousand in Fiscal Year 2011 to \$734 thousand in Fiscal Year 2012. This was an increase of 12.1%. The City has implemented a strategy to build up the Debt Service Fund Balance to safeguard against adverse economic times that could occur in the future as a conservative measure. This is balanced with structuring the Debt Service Fund Balance to minimize the balance being carried to no more than required for the cash flow necessary to service the City's debt.

Capital Improvement Fund

- Total assets of the Capital Improvement Fund decreased \$1.3 million from \$5.0 million to \$3.7 million between Fiscal Years 2011 and 2012. Most of this overall decrease in total assets is the result of the Restricted Cash and Cash Equivalents dropping \$1.1 million from \$4.8 million in Fiscal Year 2011 to \$3.7 million in Fiscal Year 2012 paying for capital project construction.
- Total liabilities of the Capital Improvements decreased by \$20 thousand to approximately \$661 thousand, a 3.0% decrease. The majority of the decrease is attributed to a \$68 thousand decrease in Current Accounts Payable, and a \$47 thousand increase in Due to Other Funds for Fiscal Year 2012 compared to Fiscal Year 2011. This brings the ratio of total assets to total liabilities to 5.64 times in Fiscal Year 2012.
- The Capital Improvement Fund Restricted Fund Balance decreased by \$1.3 million.
- For more details on the Certificate of Obligations see Note H beginning on page 61.

Other Governmental Funds

- Total assets of the Other Governmental Funds increased \$247 thousand from \$480 thousand to \$727 thousand between Fiscal Years 2011 and Fiscal Year 2012. Equity in Pooled Cash and Cash equivalents was \$94 thousand more with Restricted Cash and Cash equivalents increasing \$245 thousand. This increase is the result of the \$289 thousand donation by the Kingsville Convention and Visitor's Bureau of their unspent Hotel Occupancy Tax balance when their board decided in August of 2012 to discontinue future tourism promotional services for the City.
- Total liabilities of the Other Governmental Funds decreased by \$194 thousand to approximately \$276 thousand, a 41.34% decrease. The majority of the decrease is attributed to a \$114 thousand decrease in Due to Other Funds.

Budgetary Results of the General Fund

General Fund taxes and business fee revenues were \$9.8 million, which was \$314 thousand or 3.32% above the final budget. Ad Valorem Delinquent taxes and penalties and interest revenues were \$62 thousand or 82.87% and \$68 thousand or 236.57% respectively above budget. The City usually budgets these estimated revenues very low to adjust for possible anomalies that might occur in the collection process. Sales Tax Revenue was \$184 thousand or 4.6% above budget. Electric Franchise revenue was \$44 thousand or 6.54% higher than the final budget. These positive variances are the result of conservative budgeting and a surge in the local economy resulting from increased activity in the Oil and Gas industry.

Fines and Forfeitures revenue was less than the Final Budget for Fiscal Year 2012 by \$155 thousand or 22.26%. Most of this unfavorable Budget to Actual variance is attributed to a shortfall in Municipal Court Fines expected revenue. In Fiscal Year 2012, there was an additional \$282 thousand budgeted for Municipal Court Fines than in Fiscal Year 2011. This expected revenue increase was anticipated based on the hiring of a full-time warrant officer and managerial restructuring in the department. The warrant officer was hired later in the fiscal year and the implementation of new initiatives in compliance and warrant collection were not implemented as expected.

Total Charges for Sanitation Services revenues were \$149 thousand or 3.45% more than the final budget. Sanitation Services Garbage Fees were higher than the final budget by \$68 thousand, or about 2.21% of the Final Budget for Fiscal year 2012. Sanitation Services Landfill Fees were higher than the final budget by \$53 thousand, or about 9.41% of the Final Budget for Fiscal year 2012. This resulted from budgeting conservatively, updating sanitation revenue ordinances, and adjusting marketing strategies throughout the fiscal year.

City Special Services expenditures were lower than the final budget by \$50 thousand. This favorable budget variance is mainly the result of less Claims Paid against the City expenditures because less than normal claims and deductible amounts were needed for the fiscal year. This favorable budget variance is made up of several small individual contributing line-items, the largest of which is \$15 thousand Kleberg County Golf Course expenditure.

Community Appearance Services expenditures were lower than the final budget by \$46 thousand. This was the result of a \$37 thousand budget increase for additional services not needed before fiscal year end. The largest of these services was a \$30 thousand budget amendment for web-site design. The web-site design project did not get underway until Fiscal Year 2013.

Fire Department Total expenditures were lower than the final budget by \$170 thousand. Of this amount, \$125 thousand of the positive variance is related to Personal Services for the Fire Department, or about 5.25% of the Fire Department Personal Services final budget. Police Department total expenditures were also lower than the final budget by \$221 thousand. Of this amount, \$89 thousand is related to Personal Services for the Police Department or about 2.42% of the Police Department Personal Services final budget. In Fiscal Year 2012, both of these departments Personal Services were budgeted conservatively. The City budgets at 100% of the

City of Kingsville Compensation Plan. In both departments, employee turnover is off-set by retirement pay-off (that cannot always be planned in advance). The final result was a positive variance for this fiscal year. The other expenditures in these departments were also conservatively budgeted with managerial oversight contributing to the positive variances.

Street Department Total expenditures were lower than the final budget by \$305 thousand or 17.27%. The majority of this came from Personal Services and Street and Bridge Maintenance expenditures. Of this amount, \$85 thousand is from Personal Services for the Street Department or about 11.6% of the Street Department Personal Services final budget. This positive variance is due to budgeting at full staff and experiencing turnover in the department. The downside is the City is experiencing considerable turnover in labor competing with the Oil and Gas Industry. Street Department Street and Bridge Maintenance expenditures were lower than the final budget by \$195 thousand or 32.23%. Street Maintenance projects were budgeted but not completed until Fiscal Year 2013.

Landfill Department Total expenditures were lower than the final budget by \$233 thousand or 23.99%. The majority of this came from a \$120 thousand variance in Capital Outlays and a \$48 thousand variance in Services expenditures. The Capital Outlay savings is from a \$130 thousand Landfill expansion project that was not started by fiscal year end. This was offset by a \$10 thousand loss on the sale of an asset that was not budgeted.

General Fund total revenues came in \$330 thousand or 2.2% above the final budget. The General Fund expenditures came in at \$1.4 million, or 8.2% below the final budget. These two favorable variances combined (excluding the \$40 thousand Other Financing Sources Gain on the Disposal of an Asset) for a net favorable variance of \$1.7 million. Actual Expenditures exceeded Revenues, before Transfers, by \$446 thousand.

Budget Amendments of the General Fund

Sanitation Services for Garbage Fees Revenue was amended up \$44 thousand due to the original budget being conservatively estimated. This budget adjustment in the expected revenue was used to finance an increase in fuel and vehicle maintenance. Sanitation Services Landfill Fees Revenues was amended up \$47 thousand due to the original budget being conservatively estimated. This budget adjustment in the expected revenue was used to finance an increase in fuel and vehicle maintenance.

Financial Service Capital Outlays was amended up by \$76 thousand for an upgrade of the time clock and attendance management system, and Collections Accounts Receivable package. City Administration Department City Special Other Service Expenditures was amended up \$33 thousand to assist Kleberg County with Golf Course utility costs.

Planning Department Building Maintenance Expenditures for corridor landscaping programs and community cleanup and demolition was amended up by \$47 thousand. Community Appearance Services Expenditures for contracted personal service was amended up by \$25 thousand for website enhancement and an additional \$25 thousand for Building Maintenance Expenditures for the dumpster enclosure pilot program. The Recycling Center Building Maintenance Expenditures

was amended up \$33 thousand for replacement of sidewalks and exterior building repairs. The building was eventually repurposed and converted to the center for Community Appearance services.

Police Department Personal Services Expenditures was amended down \$77 thousand. These expenditures were originally budgeted conservatively. As a result, this budget amendment provided a \$43 thousand increase in funding for a CRIMES software maintenance agreement in the Police Department Services Expenditures. In addition, this budget amendment assisted in financing most of the funding needed for a \$43 thousand increase in the Police Department for signage, building repairs, and landscaping. During Fiscal Year 2011-12, the Police Department Supplies expenditures budget was amended up \$89 thousand for the purchase of body armor. The Fire Department Supplies budget was amended up \$67 thousand for fuel, supplies, bunker gear and laptops for the ambulances. Operating Transfers Out was amended up \$100 thousand for upgrades to Station #2.

Public Works Administration Building Maintenance was amended up \$58 thousand for the public works yard fence, electric gate opener, canopy over the gas pumps, and a catwalk to the trucks. Also in this department, the Capital Outlay budget was amended up \$24 thousand for a welding shed. The Garage Department Capital Outlay budget was amended up \$36 thousand for a vehicle purchase.

The Sanitation Department Personal Services Expenditures were amended down \$23 thousand due to the original budget being conservatively budgeted and re-appropriated to finance vehicle and machinery repairs in the department. Supplies Expenditures was amended up \$62 thousand for fuel, supplies and dumpsters. Equipment Maintenance Expenditures was amended up \$71 thousand for vehicle and machinery maintenance. Capital Outlay Expenditures was amended up \$236 thousand for vehicle and equipment purchases. Landfill Department Capital Outlay Expenditures was amended up \$223 thousand for landfill expansion and equipment costs.

Engineering Department Services Expenditures was amended up \$29 thousand for assisting Texas A & M University-Kingsville with the Kleberg Avenue Engineering design project. Street Department Street and Bridge Maintenance Expenditures was amended up \$527 thousand for street repairs and drainage projects.

Additional information on the City's Original Budget to Final Budget and Final Budget to Actual can be found on Exhibit B-1, pages 78-85.

Non-major Governmental Funds

Four special revenue funds comprise this portion of the financial statements. Total assets for the combined funds were \$727 thousand, total liabilities were \$276 thousand, and total fund balances were \$451 thousand, with \$2 thousand in Assigned Fund Balance and \$449 thousand in Restricted Fund Balance.

The Tourism Fund makes up 63.6% of the special revenue funds total assets. The main source of funding for the Tourism Fund is from Hotel Motel Occupancy Taxes. Another significant

portion, 31.6%, of these special funds is for Federal Grants. Each of the special revenue funds are maintained separately because of special provisions for the receipt and expenditure of funds in compliance with Federal or State laws or regulations and the City's bond ordinances, or other City Commission actions.

CAPITAL ASSET AND DEBT ADMINISTRATION

**Table A-3: Capital Assets (net of depreciation) at September 30, 2012 and 2011
(In thousands of dollars)**

	Governmental Activities			Business-type Activities		
	2012	2011	% Change 11-12	2012	2011	% Change 11-12
Land	\$ 469	\$ 469	0.00%	\$ 352	\$ 352	0.00%
Building and improvements	1,786	1,850	-3%	12,660	13,575	-6.74%
Equipment	712	607	17.23%	1,967	1,194	64.71%
Vehicles	2,491	2,662	-6.42%	1,937	1,811	6.92%
Road network	7,129	7,397	-3.62%	-	-	0.00%
Construction in progress	934	-		286	566	-49.48%
			100.00%			
Total	\$ <u>13,521</u>	\$ <u>12,985</u>	4.13%	\$ <u>17,202</u>	\$ <u>17,498</u>	-1.69%

As shown in Table A-3, at September 30, 2012, the City had invested \$30.7 million (net of depreciation) in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads and bridges, and its utility system.

TABLE A-3 Governmental Activities

Construction in progress increased \$934 thousand from \$0 in FY11 to \$934 in FY12 with the start of projects funded with Certificate of Obligations.

TABLE A-3 Business-type Activities

Building and improvements decreased \$915 thousand from \$13.6 million in FY11 to \$12.7 million in FY12 or 6.7% as the result of normal depreciation and retirements. Equipment increased \$773 thousand from \$1.2 million in FY11 to \$2.0 million in FY12 or 64.74%. Construction in progress decreased \$280 thousand from \$566 thousand in FY11 to \$286 thousand in FY12 or 49.47% as construction projects were completed.

Additional information on the City's Capital Assets can be found on Note E, page 59-60 of the Notes to the Financial Statements.

Table A-4: Long-Term Liabilities at September 30, 2012 and 2011
(in thousands of dollars)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Certificates of obligation	\$ 8,899	\$ 9,556	\$ 17,401	\$ 18,504	\$ 26,300	\$ 28,060
Capital Leases	85	110	-	-	85	110
Other post-employment benefits	807	683	217	186	1,024	869
Net Pension Obligation	-	-	-	-	-	-
Revenue bonds payable	-	-	-	190	-	190
Total debt	<u>9,790</u>	<u>10,349</u>	<u>17,618</u>	<u>18,880</u>	<u>27,408</u>	<u>29,229</u>
Compensated absences	851	916	61	67	912	983
Landfill closure cost	-	-	2,031	1,931	2,031	1,931
Total long-term debt	<u>\$ 10,641</u>	<u>\$ 11,265</u>	<u>\$ 19,710</u>	<u>\$ 20,878</u>	<u>\$ 30,351</u>	<u>\$ 32,143</u>

Long-term Debt

Table A-4 indicates that total long-term debt decreased by \$1.8 million from Fiscal Year 2011 to Fiscal Year 2012 or 5.6%. Of that, landfill closure costs increased \$100 thousand or 5.18%, while compensated absences decreased 7.2%. Certificates of Obligation decreased \$1.7 million which is a 6.27% reduction from the previous Fiscal Year. Other Post-Employment Benefits increased by \$155 thousand. Total debt outstanding at fiscal year-end was \$27.4 million, down from \$29.2 million for the prior year.

In addition, there were overall reductions of \$1.9 million in certificates of obligation bonds and revenue bonds (Combined Utility System) through scheduled principal payments. Governmental Activities certificate of obligations had \$657 thousand in debt reduction and the Business-type had a reduction of \$1.3 million in certificate of obligations and revenue bonds. Additional information on the City's Long-Term Obligations can be found on Note H, Item # 1-4, and pages 61-64 of the Notes to the Financial Statements.

The FY 2011-2012 tax rates were \$0.63752 for the General Fund and \$0.20468 for the Debt Service Fund, totaling \$0.84220 per \$100 of assessed value. Therefore, the City's tax margin of \$1.65780 per \$100 of assessed value could increase taxes \$11.3 million each year based on the assessed value of \$683,253,635. 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 #3b, page 53 of the Notes to the Financial Statements.

TABLE A-4 Governmental Activities

Certificates of obligation decreased \$657 thousand from \$9.6 million in FY11 to \$8.9 million in FY12 or 6.9% through the utilization of cash. Other post-employment benefits increased \$124 thousand from \$683 thousand in FY11 to \$807 thousand in FY12 or 18.16% due to the current year addition.

TABLE A-4 Business-type Activities

Certificates of obligation decreased from \$18.5 million in FY11 to \$17.4 in FY12, a difference of \$1.1 million, or 5.95% due to normal pay down. The only remaining Revenue Bond Payable was paid off resulting in a decrease of \$190 thousand from \$190 in FY11 to \$0 in FY12. Landfill Closure costs increased \$100 thousand from \$1.9 million in FY11 to \$2.0 million in FY12, or 4.93% as the result of a new engineering study.

Bond Ratings

The City's bond ratings from two rating agencies were reaffirmed or maintained in fiscal year 2012. The unenhanced bond ratings for general obligation bonds were maintained at A1 from Moody's Investors Service, Inc. (Moody's) and reaffirmed A+ from Standard & Poor's Ratings Service (S&P). The City no longer has revenue bonds outstanding, and therefore does not maintain revenue bond ratings.

FISCAL YEAR 2012-2013 ADOPTED OPERATING BUDGET

Total Revenues and Expenditures budgeted for FY 2012-2013 are \$31,781,395 and \$37,906,525, respectively. The \$6,125,130 difference between expenditures and revenues is due mostly to drawing down fund balances to complete capital projects, the largest portion of which are for projects financed by Certificates of Obligation (C.O.'s)

BUDGET OVERVIEW

The City's budget circumstances continued in a positive direction due to a strong local economy, positive ongoing effects of City Commission policy decisions, and a history of annual budgetary surpluses that have generated sufficient operating fund balances. As a result, the adopted FY 2013 budget included:

1. Employee compensation increases and compensation plan adjustments
2. Six employee additions (three from new Tourism Services Department)
3. Capital equipment additions
4. Street and other infrastructure repairs and upgrades
5. Special, one-time purchases using remaining and projected FY2011 and FY2012 budget surpluses.
6. Special, one-time deposits to the Self-Insurance Fund to minimize future health insurance costs while keeping employee and dependent costs at existing levels.
7. No proposed increase to the City's combined property tax rate at \$.84220/ \$100 assessed value.

The net deficits for FY2012 and FY2013 are not generally attributed to the City's basic operations resulting instead from planned expenditures and draw down of bond proceeds (Certificates of Obligation) and accumulated operating surpluses from previous years.

Self-Insurance Fund Shortfall

During FY2011 and FY2012 the City overcame two financial obligations using one-time sources of funding. These obligations included a \$797,261 pension shortfall. The funding source the City used to satisfy these obligations was the FY2011 budgetary surplus. Utilizing the FY2011 surplus in this manner avoided immediate increases to the City's minimum required pension contributions.

Large dollar medical claims and other health care cost increases are causing the City to determine, once again, how best to deal with an actuarially-determined funding shortfall in the City's Self-Insurance Fund. This shortfall, if not addressed, will cause the City's and possibly employees' annual health insurance costs to increase. To counter this, the FY 2013 budget has a one-time deposit to the Self-Insurance Reserve Fund of \$574,576 including a small "cushion" intended to mitigate the effects of near-term health care cost increases. The \$574,576 amount comes from the following sources: (1) \$277,510 from the General Fund using the FY 2012 budget surplus, (2) \$209,775 from the General Fund using FY 2013 excess property tax accumulations transferred from the Debt Service Fund, (3) \$69,938 from Utility Fund operating revenue, and (4) \$17,353 from Task Force revenues.

In order to reduce the Debt Service Fund balance to a more appropriate and necessary level, the City adopted a budget with a one-year (FY2013 only) increase to the General Fund tax rate with an offsetting decrease to the Debt Service Fund tax rate. The City's total tax rate for FY2013 is proposed to remain unchanged at \$.84220 per \$100 assessed valuation.

Compensation Plan and Personnel Adjustments

FY2013 expenditures for personnel services are proposed to increase \$1,353,697 (9.7%) from \$13,876,848 in FY2012 to \$15,230,545 in FY2013. Approximately one-half the increase, \$690,198 is from employee salaries, wages, overtime, longevity, etc...with the balance of \$663,499 generated from employee benefits as follows:

- A. Scheduled Step increases for Fire and Police totaled \$118,325; an increase of 8.7%.
- B. Civil Service support for Fire and Police increases rose 5.2% to \$70,270.
- C. Cost of Living Adjustments were budgeted at 1.5% for all remaining staff and resulted in an increase of \$51,397, which equates to a 5.2% increase from the prior year.
- D. The City added the Tourism department which brought about additional budget requirements of \$302,588; a 22.4% increase overall.
- E. Compensation Plan adjustments increased 27.4% to \$371,022.
- F. Self-Insurance Fund supplements rose 42.4% to \$574,576.
- G. Texas Municipal Retirement Systems (TMRS) increased \$75,724 (5.6%)
- H. Other-Not Specifically Identified accumulated to \$58,757, a 4.3% increase.

Capital Outlays

City staff capital outlay requests for FY2013 totaled \$4,275,132; of which \$3,855,132 was approved. All FY 2013 capital outlay requests were approved with one modification. Due to the significant cost of the trash compactor, \$420,000, the City Commissioner's approved leasing the equipment for seven years at approximately \$66,000 per year instead of purchasing it. Spreading the cost over seven years makes it affordable on an annual basis. Landfill expansion is to continue with projected costs of \$191,767 remaining to be paid with Landfill fees and CO Bonds. The Water Well #19 Pump House was budgeted for \$200,000, with costs being covered by water fees. A 500,000 gallon elevated water tower has a budget of \$1,076,250. The 2011 Certificates of Obligation, along with water fees, will fund the project as well as the new water well (#25). A secondary clarifier for the city's south plant will cost \$977,620 and Bar Screen (\$171,422) will be funded by waste water fees and the 2011 C.O.'s. Smaller CIP projects totaling \$293,073 will come from surplus funds (\$243,073) and state asset seizures (\$50,000).

Proposed Street Improvements

City staff submitted street improvement project requests totaling \$809,100, all of which were approved. All street improvement projects are budgeted and paid for from Fund 065 - 2011 Certificate of Obligation bond proceeds.

Proposed Expenditure of FY2011 AND FY2012 Budget Surpluses

The availability and use of FY2011 actual and FY2012 estimated budget surpluses in FY2013, eases the task of preparing FY2013 budgets. However, because the City cannot be certain that annual budget surpluses will continue year-after-year, use of these surpluses continue to be limited to one-time or periodic expenditures as follows:

Several projects totaling \$609,169 were approved for funding from the General Fund's Capital Surplus.

For more details on the City of Kingsville FY 2012-2013 Adopted Budget, visit the city web-site referenced below.

CITY'S FINANCIAL MANAGEMENT

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

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

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

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CITY OF KINGSVILLE
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 7,566,416	\$ 3,750,050	\$ 11,316,466
Equity in pooled cash and cash equivalents	2,208,319	2,195,729	4,404,048
Receivables (net of allowances for uncollectibles):			
Taxes	1,303,161	--	1,303,161
Accounts	494,375	1,639,240	2,133,615
Accrued Interest	4,238	2,721	6,959
Internal Balances	(3,872,326)	3,872,326	--
Due from other governments	312,179	--	312,179
Inventory, at cost	208,105	286,437	494,542
Restricted assets:			
Cash and cash equivalents	7,620,424	7,961,885	15,582,309
Equity in pooled cash and cash equivalents	170,675	--	170,675
Accounts	--	125,381	125,381
Long-term assets:			
Bond issuance costs	133,604	165,252	298,856
Land and construction in progress	1,403,144	638,401	2,041,545
Capital assets, net of related depreciation	12,117,598	16,563,140	28,680,738
Total Assets	29,923,512	27,299,582	57,223,094
LIABILITIES			
Accounts payable	1,220,095	494,458	1,714,553
Accrued wages payable	131,736	22,102	153,838
Payable from restricted assets:			
Bank overdraft	--	2,243,039	2,243,039
Accrued interest payable	53,214	113,475	166,689
Customer deposits	1,018,703	724,032	1,742,735
Due to:			
Other governments	512,455	1,217	513,672
Others	293	--	293
Unearned revenues	11,405	--	11,405
Liabilities due within one year:			
Accumulated unpaid compensated absences	226,680	38,500	265,180
Leases payable	27,010	--	27,010
Contractual obligations payable	545,152	1,427,518	1,972,670
Liabilities due beyond one year:			
Accumulated unpaid compensated absences	623,897	22,631	646,528
Leases payable	57,637	--	57,637
Accrued other post-employment benefits	806,509	217,053	1,023,562
Contractual obligations payable	8,354,092	15,973,234	24,327,326
Premium on bonds	77,946	66,800	144,746
Landfill closure costs	--	2,031,027	2,031,027
Total Liabilities	13,666,824	23,375,086	37,041,910
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	8,641,553	4,049,345	12,690,898
Restricted For:			
Federal and State Programs	79,348	--	79,348
Debt Service	478,573	261,056	739,629
Capital Projects	103,960	825,169	929,129
Municipal Court Security	75,099	--	75,099
Law Enforcement	1,917,986	--	1,917,986
Municipal Court Technology	37,898	--	37,898
Tourism	444,204	--	444,204
Other Purposes	2,862	--	2,862
Unrestricted	4,221,605	8,689,906	12,911,511
Total Net Assets	16,003,096	13,925,476	29,928,572

The accompanying notes are an integral part of this statement.

CITY OF KINGSVILLE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
<i>General government and administration</i>	\$ 3,285,875	\$ 265,724	\$ 57,508	\$ --
<i>Public safety</i>	9,475,608	1,975,762	250,858	19,700
<i>Public works</i>	2,823,707	23,470	--	--
<i>City/County</i>	811,546	21,581	--	--
<i>Tourism</i>	389,259	542,582	--	--
<i>Interest on long-term debt</i>	335,136	--	--	--
Total Government Activities	<u>17,121,131</u>	<u>2,829,119</u>	<u>308,366</u>	<u>19,700</u>
Business-type Activities:				
Water Improvement	4,570,338	5,064,986	--	--
Solid Waste	2,417,443	3,815,313	--	--
Wastewater	2,451,466	3,329,276	--	--
Total Business-type Activities	<u>9,439,247</u>	<u>12,209,575</u>	<u>--</u>	<u>--</u>
Total Primary Government	<u>\$ 26,560,378</u>	<u>\$ 15,038,694</u>	<u>\$ 308,366</u>	<u>\$ 19,700</u>

General Revenues:

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

Transfers

Total General Revenues and Transfers

Change in Net 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

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (2,962,643)		\$ (2,962,643)
(7,229,288)		(7,229,288)
(2,800,237)		(2,800,237)
(789,965)		(789,965)
153,323		153,323
(335,136)		(335,136)
<u>(13,963,946)</u>		<u>(13,963,946)</u>
--	\$ 494,648	494,648
--	1,397,870	1,397,870
--	877,810	877,810
--	<u>2,770,328</u>	<u>2,770,328</u>
<u>(13,963,946)</u>	<u>2,770,328</u>	<u>(11,193,618)</u>
5,991,693	--	5,991,693
4,204,521	--	4,204,521
977,459	--	977,459
4,422	--	4,422
41,281	--	41,281
83,886	137,410	221,296
295,794	--	295,794
2,662,842	(2,662,842)	--
<u>14,261,898</u>	<u>(2,525,432)</u>	<u>11,736,466</u>
297,862	244,955	542,817
15,843,269	11,403,875	27,247,144
(138,133)	2,176,705	2,038,572
<u>\$ 16,003,088</u>	<u>\$ 13,825,476</u>	<u>\$ 29,828,564</u>

CITY OF KINGSVILLE
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012

	General Fund	Police Forfeiture Fund
ASSETS		
Assets:		
Cash and cash equivalents	\$ 6,252,802	\$ 3,466,900
Equity in pooled cash and cash equivalents	14,774	--
Receivables (net of allowances for uncollectibles):		
Taxes	1,280,329	--
Accounts	796,151	401
Assessments	68,019	--
Accrued Interest	6,959	--
Due from:		
Other funds	854,253	--
Other governments	85,884	--
Inventory, at cost	208,105	--
Restricted assets:		
Cash and cash equivalents	3,678,204	1,597,962
Equity in pooled cash and cash equivalents	75,599	37,898
Accounts	125,381	--
Total Assets	\$ 13,449,369	\$ 5,103,161
LIABILITIES AND EQUITY		
Liabilities:		
Accounts payable	\$ 890,138	\$ 28,204
Accrued wages payable	122,388	9,348
Payable from restricted assets:		
Customer deposits	--	822,844
Due to:		
Other funds	1,077,991	2,244,734
Other governments	177,048	316,997
Others	293	--
Deferred revenues	444,275	--
Total Liabilities	2,712,133	3,422,127
Equity:		
Fund balances:		
Nonspendable:		
Inventory	208,104	--
Restricted:		
Debt service	--	--
Capital outlay	49,738	--
Municipal court building security	75,099	--
Municipal court technology	--	37,898
Law enforcement	--	1,643,136
Tourism	--	--
Federal and state programs	--	--
Community Enrichment	--	--
Committed:		
Landfill	3,909,340	--
Sanitation capital outlay	288,299	--
Capital outlay	573,907	--
Assigned:		
Drug Awareness	--	--
Unassigned:	5,629,840	--
Total equity	10,734,327	1,681,034
Total Liabilities and Equity	\$ 14,183,696	\$ 6,803,195

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
\$ --	\$ --	\$ --	\$ 9,719,702
--	--	124,816	139,590
22,832	--	--	1,303,161
3,151	--	36,477	836,180
--	--	--	68,019
--	--	--	6,959
18,002	22,817	2,924	897,996
--	--	226,295	312,179
--	--	--	208,105
956,234	3,705,376	337,024	10,274,800
134,438	--	--	247,935
--	--	--	125,381
<u>1,124,667</u>	<u>3,728,193</u>	<u>337,024</u>	<u>15,270,087</u>
\$ --	\$ 85,807	\$ 37,483	\$ 1,041,632
--	--	--	131,736
--	--	--	822,844
378,005	575,452	208,667	4,484,849
--	--	18,410	512,455
--	--	--	293
22,831	--	11,405	478,511
<u>400,836</u>	<u>661,259</u>	<u>275,965</u>	<u>7,472,320</u>
--	--	--	208,104
733,821	--	--	733,821
--	3,066,934	--	3,116,672
--	--	--	75,099
--	--	--	37,898
--	--	--	1,643,136
--	--	444,204	444,204
--	--	2,140	2,140
--	--	2,862	2,862
--	--	--	3,909,340
--	--	--	288,299
--	--	--	573,907
--	--	2,365	2,365
--	--	--	5,629,840
<u>733,821</u>	<u>3,066,934</u>	<u>451,571</u>	<u>16,667,687</u>
<u>\$ 1,124,667</u>	<u>\$ 3,728,193</u>	<u>\$ 337,024</u>	<u>\$ 15,270,087</u>

CITY OF KINGSVILLE**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012**

Total fund balances - governmental funds balance sheet

\$ 16,667,687

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.	13,520,742
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	399,088
The assets and liabilities of internal service funds are included in governmental activities in the SNA.	342,366
Payables for bond principal which are not due in the current period are not reported in the funds.	(8,899,244)
Payables for capital leases which are not due in the current period are not reported in the funds.	(84,647)
Payables for bond interest which are not due in the current period are not reported in the funds.	(53,214)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(850,577)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.	(884,455)
Other long-term assets are not available to pay for current period expenditures and are deferred in the funds.	133,604
Solid waste assets and liabilities are included in the general fund but are included in business activities in SNA	(4,288,261)

Net assets of governmental activities - Statement of Net Assets

\$ 16,003,088

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, 2012

	General Fund	Police Forfeiture Fund
Revenue:		
Taxes	\$ 9,797,041	\$ --
Licenses and permits	185,708	--
Charges for services	4,452,674	--
Fines and forfeitures	542,852	824,617
Special assessments	15,725	--
Interest and miscellaneous	106,299	46,409
Donations	6,250	--
Federal and state grants	--	--
Total revenues	<u>15,106,549</u>	<u>871,026</u>
Expenditures:		
Current:		
General government and administration	3,334,590	12,728
Public Safety	7,200,797	1,548,908
Public works	4,226,895	--
City/County	773,413	--
Tourism	--	--
Other expenditures	17,187	--
Debt service:		
Principal retired	--	--
Interest	--	--
Paying agent fees	--	--
Total expenditures	<u>15,552,882</u>	<u>1,561,636</u>
Excess (deficiency) of revenues (under) expenditures	(446,333)	(690,610)
Other financing sources (uses):		
Transfers in	1,250,000	--
Transfers out	(527,920)	--
Gain on Sale of Assets	40,000	--
Total other financing sources (uses)	<u>762,080</u>	<u>--</u>
Net change in fund balances	315,747	(690,610)
Fund balances/equity, October 1	10,418,580	2,509,777
Prior period adjustment	--	(138,133)
Fund balances/equity, September 30	<u>10,734,327</u>	<u>1,561,034</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
\$ 1,450,437	\$ --	\$ 541,630	\$ 11,789,108
--	--	--	185,708
--	--	952	4,453,626
--	--	--	1,367,469
--	--	--	15,725
3,795	20,169	1,438	178,110
--	--	289,544	295,794
--	--	326,628	326,628
<u>1,454,232</u>	<u>20,169</u>	<u>1,160,192</u>	<u>18,612,168</u>
--	--	58,946	3,406,264
--	200,922	270,896	9,221,523
--	1,220,280	--	5,447,175
--	--	--	773,413
--	--	389,081	389,081
--	--	--	17,187
1,266,933	--	--	1,266,933
534,012	--	--	534,012
2,050	--	--	2,050
<u>1,802,995</u>	<u>1,421,202</u>	<u>718,923</u>	<u>21,057,638</u>
(348,763)	(1,401,033)	441,269	(2,445,470)
427,920	100,000	--	1,777,920
--	--	--	(527,920)
--	18,500	--	58,500
<u>427,920</u>	<u>118,500</u>	<u>--</u>	<u>1,308,500</u>
79,157	(1,282,533)	441,269	(1,136,970)
654,664	4,349,467	10,302	17,942,790
--	--	--	(138,133)
<u>733,521</u>	<u>3,066,934</u>	<u>461,571</u>	<u>16,067,587</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, 2012**

Net change in fund balances - total governmental funds	\$ (1,136,970)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	1,589,614
The depreciation of capital assets used in governmental activities is not reported in the funds.	(1,037,555)
Trade-in or disposal of capital assets decrease net assets in the SOA but not in the funds.	(16,728)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(28,101)
Expenses not requiring the use of current financial resources are not reported as expenditures in the funds.	(123,664)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	657,041
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	25,871
(Increase) decrease in accrued interest from beginning of period to end of period.	95,169
The net revenue (expense) of internal service funds is reported with governmental activities.	(300,767)
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	65,188
Solid waste activities are included in the general fund, but are included in the business activities in the SOA.	508,854
'Change in net assets of governmental activities - Statement of Activities	\$ <u>297,952</u>

The accompanying notes are an integral part of this statement.

CITY OF KINGSVILLE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2012

	Enterprise Fund	Nonmajor Internal Service Fund
	Utility Fund	Insurance Fund
ASSETS		
Current assets:		
Cash and cash equivalents	\$ --	\$ 820,539
Equity in pooled cash and cash equivalents	2,152,524	1,738
Receivables (net of allowances for uncollectibles):		
Accounts	1,269,617	54,680
Due from:		
Other funds	3,972,672	968,826
Inventory, at cost	286,437	--
Restricted assets - noncurrent:		
Cash and cash equivalents	5,612,088	--
Equity in pooled cash and cash equivalents	263,279	--
Total current assets	<u>13,556,617</u>	<u>1,845,783</u>
Noncurrent assets:		
Bond issuance costs	165,252	--
Capital assets:		
Land	132,354	--
Utility plant	35,745,716	--
Equipment	2,127,891	--
Vehicles	2,243,937	--
Construction in progress	218,247	--
Total capital assets	40,468,145	--
Less accumulated depreciation	(27,473,626)	--
Net capital assets	<u>12,994,519</u>	<u>--</u>
Total noncurrent assets	<u>13,159,771</u>	<u>--</u>
Total Assets	<u>\$ 26,716,388</u>	<u>\$ 1,845,783</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 417,470	\$ 212,364
Accrued wages payable	22,102	--
Due to:		
Other funds	261,189	1,093,456
Other governments	1,217	--
Accumulated unpaid compensated absences	38,500	--
Current liabilities payable from restricted assets:		
Accrued interest payable	99,150	--
Contractual obligations payable	832,670	--
Customer deposits	724,032	195,859
Total current liabilities	<u>2,396,330</u>	<u>1,501,679</u>
Long-term liabilities, net of current portion		
Accumulated unpaid compensated absences	22,631	--
Accrued other post-employment benefits	158,693	--
Premium on bonds payable	66,800	--
Contractual obligations payable	13,779,223	--
Total long-term liabilities, net of current portion	<u>14,027,347</u>	<u>--</u>
Total Liabilities	<u>16,423,677</u>	<u>1,501,679</u>
Net Assets:		
Invested in capital assets, net of related debt	2,631,181	--
Restricted for:		
Debt service	261,056	--
Self insurance	--	344,104
Capital outlay	825,169	--
Unrestricted	6,575,305	--
Total net assets	<u>10,292,711</u>	<u>344,104</u>
Total Liabilities and Net Assets	<u>\$ 26,716,388</u>	<u>\$ 1,845,783</u>

The accompanying notes are an integral part of this statement.

CITY OF KINGSVILLE**RECONCILIATION OF THE PROPRIETARY FUND STATEMENT OF NET ASSETS
TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012****EXHIBIT A-7R**

Utility Fund Net Assets - Proprietary Funds Statement of Net Assets

\$ 10,292,711

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.

3,489,559

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

43,206

Net Assets of Business-type Activities - Statement of Net Assets

\$ 13,825,476

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

CITY OF KINGSVILLE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Enterprise Fund	Nonmajor Internal Service Fund
	Utility Fund	Insurance Fund
OPERATING REVENUES:		
Water	\$ 5,150,035	\$ --
Other income	27,584	2,506
Wastewater	3,226,910	--
Insurance premiums	--	2,426,324
Total Operating Revenues	<u>8,404,529</u>	<u>2,428,830</u>
OPERATING EXPENSES:		
Personal services	1,950,433	--
Supplies	310,034	--
Services	1,228,100	2,729,597
Maintenance	1,114,707	--
Water supply contract	384,581	--
Uncollectable accounts	35,890	--
Depreciation and amortization	1,352,380	--
Total Operating Expenses	<u>6,376,125</u>	<u>2,729,597</u>
Operating Income (Loss)	<u>2,028,404</u>	<u>(300,767)</u>
NON-OPERATING REVENUES (EXPENSES):		
Interest	32,774	--
Gain or loss on sale of property	75,500	--
Interest and fiscal agent charge	(645,679)	--
Total Non-operating Revenues (Expenses)	<u>(537,405)</u>	<u>--</u>
Net Income (Loss) before Transfers	<u>1,490,999</u>	<u>(300,767)</u>
TRANSFERS IN (OUT):		
To General Fund	(1,250,000)	--
Total Transfers In (Out)	<u>(1,250,000)</u>	<u>--</u>
Net income (loss)	240,999	(300,767)
Net assets, October 1	10,051,712	644,871
Net assets, September 30	<u>10,292,711</u>	<u>644,104</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, 2012**

Change in net assets-utility fund

\$ 240,999

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.

3,897

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

\$ 244,896

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, 2012

	Utility Fund	Internal Service Fund
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 8,342,562	\$ --
Cash Receipts (Payments) for Quasi-external Operating Transactions with Other Funds	--	2,428,562
Cash Payments to Employees for Services	(1,927,614)	--
Cash Payments to Other Suppliers for Goods and Services	(3,354,553)	(2,692,181)
Net Cash Provided (Used) by Operating Activities	<u>3,060,395</u>	<u>(263,619)</u>
Cash Flows from Non-capital Financing Activities:		
Proceeds (Payments) from (for) Interfund Borrowings	(2,558,165)	(61,687)
Transfers To Other Funds	(1,250,000)	--
Net Cash Provided (Used) by Non-capital Financing Activities	<u>(3,808,165)</u>	<u>(61,687)</u>
Cash Flows from Capital and Related Financing Activities:		
Principal and Interest Paid	(1,390,261)	--
Proceeds from Issuance of Bonds	75,500	--
Acquisition or Construction of Capital Assets	(1,045,425)	--
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>(2,360,186)</u>	<u>--</u>
Cash Flows from Investing Activities:		
Interest and Dividends on Investments	32,774	--
Net Cash Provided (Used) for Investing Activities	<u>32,774</u>	<u>--</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(3,075,182)	(325,306)
Cash and Cash Equivalents at Beginning of Year	11,103,073	1,147,583
Cash and Cash Equivalents at End of Year	<u>\$ 8,027,891</u>	<u>\$ 822,277</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ 2,028,404	\$ (300,767)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation	1,352,380	--
Provision for Uncollectible Accounts	35,890	--
Change in Assets and Liabilities:		
Decrease (Increase) in Receivables	(89,738)	200,811
Decrease (Increase) in Inventories	(15,001)	--
Increase (Decrease) in Accounts Payable	(302,130)	(163,395)
Increase (Decrease) in Accrued Wages Payable	7,833	--
Increase (Decrease) in Accrued Other Employment and Post Employment Benefits	20,472	--
Increase (Decrease) in Accumulated Compensated Absences	(5,486)	--
Increase (Decrease) in Customer Deposits	27,771	(268)
Total Adjustments	<u>1,031,991</u>	<u>37,148</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 3,060,395</u>	<u>\$ (263,619)</u>

The accompanying notes are an integral part of this statement.

CITY OF KINGSVILLE
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2012

EXHIBIT A-10

	Agency Fund
	Court Cash Bond Account
ASSETS	
Assets:	
Cash and cash equivalents	\$ 34,247
Total Assets	\$ 34,247
LIABILITIES	
Current Liabilities:	
Payable from restricted assets:	
Customer deposits	\$ 34,247
Total Liabilities	\$ 34,247
Net Assets	--
Total Net Assets	--
Total Liabilities and Net Assets	\$ 34,247

The accompanying notes are an integral part of this statement.

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

A. Summary of Significant Accounting Policies

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

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of these Notes. The remainder of the Notes is organized to provide explanations, including required disclosures, on the City's financial activities for the fiscal year ended September 30, 2012.

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, 2012.

b. Discretely Presented Component Unit

The Kingsville Convention and Visitor's Bureau (K.C.V.B.) was a non-profit corporation created by the City under state law to facilitate the development of tourism for the City. The K.C.V.B. ceased to exist in August of 2012 and therefore, is no longer a Component Unit of the City. It surrendered all of its assets to the City, with an estimated value of \$289,544. The City now operates its Tourism in a Special Revenue Fund.

c. Related Organizations and Jointly Governed Organizations

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

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

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

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

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

The City reports the following major governmental funds:

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

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

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

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

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

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

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

b. Measurement Focus, Basis of Accounting

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

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

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 2011 tax rate was \$.84220 of which \$.63752 was distributed to the General Fund and \$.20468 was applied to the Debt Service Fund. Using the twenty-five percent rule, the City's legal margin is \$181,119,210.

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

The top ten taxpayers are as follows:

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

c. Inventory

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

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

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

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 2012.

e. Receivable and Payable Balances

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

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

f. Restricted Assets

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

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

g. Long-term Obligations

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

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

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 pension costs annually. Pension costs are composed of normal cost and, where applicable, amortization of unfunded actuarial accrued liability and unfunded prior service costs.

i. **Fund Equity**

Fund balances of the governmental funds are classified as follows:

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

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

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

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

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

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

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

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

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

<u>Violation</u>	<u>Action Taken</u>
None	N/A

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

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

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

C. Deposits and Investments

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

Cash and Investments

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

CITY OF KINGSVILLE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2012

1. Cash & Cash Equivalents

At September 30, 2012, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$11,385,721 and the bank balance was \$11,238,076. The City's cash deposits at September 30, 2012 and during the year ended September 30, 2012, were entirely covered by FDIC insurance or properly secured by collateral held by the City's agent in the City's name.

2. Investments

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

Investment Accounting Policy

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

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

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

Investment	Reported Amount	Fair Value
Cutwater (Rated @ AAA/V1+)	\$ 17,844,738	\$ 17,844,738

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Analysis of Specific Deposit and Investment Risks:

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

1. Credit Risks

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

2. Custodial Credit Risk

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

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

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

3. Concentration of Risk

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

4. Interest Rate Risk

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

5. Foreign Currency Risk

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

D. Receivables

	General	Debt Service	Enterprise	Enterprise Restricted	Primary Government Total
Receivables:					
Accounts	\$ 1,440,558	\$ 3,151	\$ 2,409,553	\$ 125,381	\$ 3,978,643
Taxes - Property	652,861	39,332	--	--	692,193
Taxes - Franchise & Sales	904,117	--	--	--	904,117
Special Assessments	68,019	--	--	--	68,019
Gross Receivables	3,065,555	42,483	2,409,553	125,381	5,642,972
Less: Allowance for uncollectable	(1,294,002)	(16,500)	(770,313)	--	(2,080,815)
Net total receivable	\$ 1,771,553	\$ 25,983	\$ 1,639,240	\$ 125,381	\$ 3,562,157

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

E. Capital Assets

Capital asset activity for the year ended September 30, 2012, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 469,540	\$ --	\$ --	\$ 469,540
Construction in progress	--	933,604	--	933,604
Total capital assets not being depreciated	469,540	933,604	--	1,403,144
<i>Capital assets being depreciated:</i>				
Road Network	18,568,151	--	--	18,568,151
Buildings and improvements	3,914,802	--	--	3,914,802
Equipment	2,867,465	385,678	(127,968)	3,125,175
Vehicles	5,110,440	270,332	--	5,380,772
Total capital assets being depreciated	30,460,858	656,010	(127,968)	30,988,900
Less accumulated depreciation for:				
Road Network	(11,171,059)	(268,082)	--	(11,439,141)
Buildings and improvements	(2,065,226)	(63,940)	--	(2,129,166)
Equipment	(2,260,203)	(264,331)	111,240	(2,413,294)
Vehicles	(2,448,499)	(441,202)	--	(2,889,701)
Total accumulated depreciation	(17,944,987)	(1,037,555)	111,240	(18,871,302)
Total capital assets being depreciated, net	12,515,871	(381,545)	(16,728)	12,117,598
Governmental activities capital assets, net	\$ 12,985,411	\$ 552,059	\$ (16,728)	\$ 13,520,742
Business-type activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 352,354	\$ --	\$ --	\$ 352,354
Construction in progress	566,237	285,691	(565,881)	286,046
Total capital assets not being depreciated	918,591	285,691	(565,881)	638,400
<i>Capital assets being depreciated:</i>				
Buildings and improvements	37,632,033	205,333	--	37,837,365
Equipment	3,097,515	1,079,694	(418,572)	3,758,637
Vehicles	4,203,821	474,009	(51,737)	4,626,093
Total capital assets being depreciated	44,933,369	1,759,035	(470,309)	46,222,095
Less accumulated depreciation for:				
Buildings and improvements	(24,058,173)	(1,119,614)	--	(25,177,787)
Equipment	(1,903,253)	(279,841)	391,472	(1,791,622)
Vehicles	(2,392,643)	(340,325)	43,423	(2,689,545)
Total accumulated depreciation	(28,354,069)	(1,739,781)	434,895	(29,658,955)
Total capital assets being depreciated, net	16,579,300	19,254	(35,414)	16,563,140
Business-type activities capital assets, net	\$ 17,497,891	\$ 304,945	\$ (601,295)	\$ 17,201,540

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Depreciation was charged to functions as follows:

General Government	\$	58,207
Public Safety		497,232
Public Works		453,549
City/County		<u>28,567</u>
	\$	<u>1,037,555</u>

F. Interfund Balances and Activity

1. Due To and From Other Funds

Balances due to and due from other funds at September 30, 2012, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Capital Improvements Fund	\$ 159,233	Short-term loans
General Fund	Police Forfeiture Fund	246,855	Short-term loans
General Fund	Debt Service Fund	313,102	Short-term loans
General Fund	Utility Fund	90,054	Short-term loans
Utility Fund	General Fund	277,010	Short-term loans
Utility Fund	Police Forfeiture Fund	1,957,927	Short-term loans
Utility Fund	Debt Service Fund	64,903	Short-term loans
Utility Fund	Capital Improvements Fund	416,219	Short-term loans
Utility Fund	Internal Service Fund	1,093,456	Short-term loans
Utility Fund	Other Governmental Fund	208,166	Short-term loans
Debt Service Fund	Utility Fund	18,002	Short-term loans
Internal Service Fund	General Fund	823,173	Short-term loans
Internal Service Fund	Police Forfeiture Fund	37,029	Short-term loans
Internal Service Fund	Utility Fund	108,123	Short-term loans
Internal Service Fund	Other Governmental Funds	501	Short-term loans
Capital Projects Fund	Other Governmental Funds	22,817	Short-term loans
Other Governmental Funds	Other Governmental Funds	<u>2,923</u>	Short-term loans
	Total	\$ <u>5,839,493</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, 2012, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General Fund	Debt Service Funds	\$ 427,920	Supplement other funds sources
Utility Fund	General Fund	<u>1,250,000</u>	Supplement other funds sources
	Total	\$ <u>1,677,920</u>	

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

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, 2012 is as follows:

	All Governmental Fund Types
Deferred Taxes	\$ 399,087
Deferred Assessments/Interest	68,019
Other	11,405
Total Deferred Revenue	\$ 478,511

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, 2012, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Certificates of obligation	\$ 9,556,289	\$ --	\$ 657,045	\$ 8,899,244	\$ 545,152
Capital leases	110,518	--	25,871	84,647	27,010
Total long-term debt	9,666,807	--	682,916	8,983,891	572,162
Accumulated compensated absences*	915,766	691,654	756,843	850,577	226,680
Other post-employment benefits	682,845	123,664	--	806,509	--
Net Pension Obligation	--	--	--	--	--
Governmental activity Total long-term debt	\$ 11,265,418	\$ 815,318	\$ 1,439,759	\$ 10,640,977	\$ 798,842
Business-type activities:					
Revenue bonds-payable	\$ 190,000	\$ --	\$ 190,000	\$ --	\$ --
Certificates of obligation (1)	18,503,711	--	1,102,959	17,400,752	1,427,518
Total long-term debt	18,693,711	--	1,292,959	17,400,752	1,427,518
Landfill closure cost (2)	1,931,026	100,000	--	2,031,026	--
Other post-employment benefits	185,728	31,325	--	217,053	--
Accumulated compensated absences*	66,617	52,704	58,190	61,131	38,500
Net Pension Obligation	--	--	--	--	--
Business-type activities Long-term liabilities	\$ 20,877,082	\$ 184,029	\$ 1,351,149	\$ 19,709,962	\$ 1,466,018

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

(2) See Note for prior year adjustment.

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

* Other long-term liabilities

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

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

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

	<u>2012</u>	<u>2011</u>
Revenue bonds payable:		
\$2,000,000 Utility System Revenue Bonds Series 1995; due in annual installments of \$190,000 through April 15, 2012; interest at 3.95% to 5.8%.	\$ --	\$ 190,000
Total Revenue Bonds Payable	\$ --	\$ 190,000
Certificates of obligation payable:	<u>2012</u>	<u>2011</u>
\$11,780,000 Certificates of Obligation Series 2005 for General Improvements; due in annual installments of \$595,000 to \$990,000 through August 2025; interest at 3.00% to 4.125%. (100% Utility Fund).	\$ 10,110,000	\$ 10,490,000
\$10,000,000 Certificates of Obligation, Series 2011 for General Improvements; paid in annual installments of \$515,000 to \$525,000 through 8/1/2032, with interest at 2.0% to 4.6% (53.8504% General Fund and 46.1496 % Utility Fund).	9,755,000	10,000,000
\$2,485,000 Certificates of Obligation Series 2002A for General Improvements; due in annual installments of \$125,000 to \$215,000 through February 1, 2023; interest at 4.25% to 4.7%.	1,380,000	1,505,000
\$1,200,000 Public Property Financial Contractual Obligation Series 2007 for General Improvements; due in annual installments of \$145,000 to \$150,000, through August 1, 2017; interest at 4.11%. (General Fund 71.667%, Utility Fund 35.83337%).	560,000	700,000
\$4,270,000 Certificates of Obligation Series 2009 for Capital Outlay; due in annual installments of \$645,000 to \$700,000 through February 1, 2021; interest at 3.00% to 3.85%. (General Fund 15.831%, Utility Fund 84.169%).	3,075,000	3,740,000

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

\$1,890,000 General Obligation Refunding Series 2009; due in annual installments of \$215,000 to \$260,000 through February 1, 2018; interest at 2.25% to 3.75%. (100% General Fund).

	1,420,000	1,625,000
Total Certificates of Obligation Payable	\$ 26,300,000	\$ 28,060,000

2. Debt Service Requirements

Debt service requirements on long-term debt at September 30, 2012, are as follows:

	Governmental Activities		
Year Ending September 30,	Principal	Interest	Total
2013	\$ 822,482	\$ 318,057	\$ 1,140,539
2014	849,241	294,090	1,143,331
2015	827,984	268,581	1,096,565
2016	857,052	243,646	1,100,698
2017	840,961	215,593	1,056,554
2018-2022	2,035,932	762,630	2,798,562
2023-2027	1,335,481	447,744	1,783,225
2028-2032	1,330,111	179,720	1,509,831
Totals	\$ 8,899,244	\$ 2,730,061	\$ 11,629,305

	Business-type Activities		
	Certificates of Obligation		Revenue Bonds
Year Ending September 30,	Principal	Interest	Total
2013	\$ 1,427,518	\$ 688,854	\$ 2,116,372
2014	1,470,759	644,851	2,115,610
2015	1,492,016	596,404	2,088,420
2016	1,547,948	540,998	2,088,946
2017	1,139,039	481,959	1,620,998
2018-2022	5,279,068	1,748,915	7,027,983
2023-2027	3,904,518	639,448	4,543,966
2028-2032	1,139,896	154,020	1,293,916
Totals	\$ 17,400,762	\$ 5,495,449	\$ 22,896,211

3. Advance Refunding of Debt

In 2010, the City issued \$1,890,000 in bonds to refund the 1998 Bond Series and for bond issuance expense. As result, the City defeased \$1,845,000 of the 2009 Series Bond Debt of \$1,845,000, leaving \$1,140,000 outstanding at year end. The City saved \$79,716 in costs with a present value savings of \$83,764.

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

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, 2012, outstanding balances of bond issues that have been refunded and defeased in-substance by placing existing assets and the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments are as follows:

Original Bond Issue Series 1998 Total	Original Amount	Defeased Balance as of 9/30/12
	\$ 3,000,000	\$ 1,140,000
	<u>\$ 3,000,000</u>	<u>\$ 1,140,000</u>

4. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of September 30, 2012, as follows:

<u>Year Ending September 30:</u>	
2013	\$ 30,734
2014	30,734
2015	<u>30,734</u>
Total Minimum Rentals	92,202
Less: Amount representing interest	<u>7,555</u>
Present value of net minimum lease payments	<u>\$ 84,647</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 2010	Plan Year 2011	Plan Year 2012
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

CITY OF KINGSVILLE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2012

Contributions:

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

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

	2010	2011	2012
Annual Required Contribution (ARC)	\$ 1,356,595	\$ 1,332,105	\$ 1,134,814
Interest on Net Pension Obligation	14,095	38,706	55,653
Adjustment to the ARC	(11,619)	(32,083)	(47,840)
Annual Pension Cost (APC)	1,356,688	1,338,729	1,142,628
Contributions made	(1,041,964)	(1,059,765)	(1,937,673)
Increase (decrease) in net pension obligation	314,724	278,964	(795,045)
Net Pension Obligation/(Asset), Beginning of year	201,357	516,081	795,045
Net Pension Obligation/(Asset), End of year	\$ 516,081	\$ 795,045	\$ --

The City fully funded the \$795,045 for 2011, prior to 12/31/11. For 2012, the City fully funded the ARC and as a result does not have a net pension obligation at the end of 2012.

Three Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation/(Asset)
2010	\$ 1,356,688	\$ 1,041,964	77.00%	\$ 516,081
2011	\$ 1,332,105	\$ 1,059,765	79.55%	\$ 795,045
2012	\$ 1,105,220	\$ 1,900,265	172.00%	--

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

Valuation Date	12/31/09	12/31/10	12/31/11
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization method	Level percent of payroll	Level percent of payroll	Level percent of payroll
Amortization period	28 years - closed period	27 years - closed period	26 years - closed period
Asset valuation method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Valuation Date	12/31/09	12/31/10	12/31/11
Amortization Period for New Gains/Losses	30 Years	30 Years	30 Years
Assumptions			
Investment return *	7.5%	7.0%	7.5%
Projected salary increases *	Varies by age and service	Varies by age and service	Varies by age and service
* Includes Inflation at	3.0%	3.0%	3.0%
Cost-of-living adjustments	2.1%	2.1%	2.1%

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

The funded status as of December 31, 2011, 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
12/31/11	\$ 40,246,749	\$ 44,637,193	90.2%	\$ 4,390,444	\$ 9,024,567	48.6%

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

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

2. Texas Statewide Emergency Services Personnel Retirement Fund

Plan Description

System (TESRS), a cost-sharing multiple employer pension system established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. The Texas Statewide Emergency Services Personnel Retirement Fund is considered a component unit of the State of Texas financial reporting entity and is included in the State's financial reports as a pension trust fund. At August 31, 2012, there were 214 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, 2012, TESRS membership consisted of:
 Retirees and beneficiaries currently receiving benefits
 Terminated members entitled to benefits but not yet receiving them
 Active Participants (Vested and Nonvested)

State	City
2,758	13
2,260	--
4,230	6
9,248	19

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

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

Senate Bill 411, 65th Legislature, Regular Session (1977), created TESRS and established the applicable benefit provisions. The 79th Legislature, Regular Session (2005), recodified the provisions and gave the TESRS Board of Trustees authority to establish vesting requirements, contributions levels, benefit formulas, and eligibility requirements by board rule. The benefit provisions include retirement benefits as well as death and disability benefits. Members are 50% vested after the tenth year of service, with the vesting percent increasing 10% for each of the next five years of service so that a member becomes 100% vested with 15 years of service. Upon reaching age 55, a vested member may retire and receive a monthly pension equal to his vested percentage multiplied by six times the governing body's average monthly contribution over the member's years of qualified service. For years of service in excess of 15 years, this monthly benefit is increased at the rate of 6.2% compounded annually.

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

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

Funding Policy

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

Approximately 85% of the costs of administering the plan for fiscal year 2012 was financed through general revenue appropriations, the other 15% being funded through TESRS.

TLFFRA - The costs of the TLFFRA pension plan merger are determined on an actuarially sound basis. The costs must be certified by a qualified actuary as of the effective date of the merger or within two years following the date of merger. If the governing body has insufficient funds to pre-fund for liabilities, the TESRS State Board by rule may allow for a payment plan. The liabilities of the merged TLFFRA pension plan are then administered by FFPC invoicing the local governing bodies for payment. These payments are always equal to the merged TLFFRA pension benefits and therefore, there is no fund balance. As of August 31, 2012, there was one plan merged into the TESRS pension system.

Contributions Required and Contributions Made

TESRS - The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions were set by board rule, and there is no maximum contribution rate. For the fiscal year ending August 31, 2012, total contributions (dues and prior service, and interest on financing of prior service) of \$3,517,455 were paid into TESRS by the political subdivisions served by the member volunteer emergency services personnel. The State did not appropriate any state contribution for the fiscal years ending August 31, 2011 and 2012.

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

The purpose of the biennial actuarial valuation is to determine if the contribution arrangement is adequate to pay the benefits that are promised. Actuarial assumptions made, include level dollar, open amortization method, and a 30 year amortization period. Relating to the Actuarial Value of Assets--all assets are valued at market value as determined by the System Board of Trustees, with an adjustment made to uniformly spread the recognition of actuarial gains or losses (as measured by actual market value investment return vs. assumed market value investment return) over a five-year period. The total adjustment amount shall be limited as necessary such that the actuarial value of assets shall not be less than 80% of market value nor greater than 120% of market value.

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 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 help pay for the System's administrative expenses. The last actuarial valuation was conducted as of August 31, 2010, and revised in April of 2011, thus the numbers in this Annual Financial Report are different from those presented in 2010. On August 31, 2010 the actuarial liabilities exceeded the actuarial assets by \$17,150,427. The actuarial valuation for fiscal year ending August 31, 2012 is currently being conducted, however, the results are not available at the time of issuance of this financial report.

TLFFRA - Currently contributions are not actuarially determined. Contributions are made by local governing bodies of the former TLFFRA plans on a pay-as-you-go basis. Those members receiving retirement benefits under the merged TLFFRA pension plan are converted into the TESRS pension system. For the fiscal year ended August 31, 2012, total contributions from local governing bodies for merged TLFFRA pension benefits were \$373,189. For the City of Kingsville, this contribution was \$10,099.

Annual Required Contributions

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

	2010	2011	2012
Annual Required Contribution	\$ 8,458	\$ 8,636	\$ 10,099
Percentage of Required Cost Contributed	100%	100%	100%

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

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

Required Supplementary Information

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

Valuation date	August 31, 2010
Actuarial cost method	Entry Age
Amortization method	Level dollar, open
Amortization period	30 years

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Asset valuation method	Market value smoothed by a 5-year deferred recognition method with a 80% / 120% corridor on market value
Actuarial Assumptions:	
Investment rate of return *	7.75% per year, net of investment expenses
Projected salary increases	N/A
* Includes inflation at	3.50%
Cost-of-living adjustments	None

3. City of Kingsville Deferred Compensation Plan Restatement

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

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

J. Post Retirement Benefits

1. Post-Employment Health Care Benefits

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

Note: Actuarial valuations are done every two years.

Plan Description and Funding Policy

Employees who retire from the City of Kingsville are eligible to continue to participate in the City's health insurance program at the employee group rate which is determined annually by the City of Kingsville and approved by the City Commission. Retirees have 31 days to elect to continue with the City's self-funded health insurance plan (City of Kingsville Benefit Plan Trust) in which they were participating at the time of retirement unless otherwise stated in the plan document or collective bargaining agreement. As of September 31, 2012, a total of 6 eligible retirees were participating in the City's group health program. The City provides one half of the funding for retiree premiums. Retiree's dependents are excluded from the calculation and are eligible to continue health coverage at the designated COBRA rates during their eligibility period.

CITY OF KINGSVILLE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2012

Annual OPEB Cost and Net OPEB Obligation

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

OPEB Cost for Fiscal Years Ending 2010 and 2012	FYE 2010	FYE 2011	FYE 2012
Normal Cost	\$ 96,690	\$ 99,217	\$ 79,447
Minimum Amortization of UAL	100,221	102,841	102,977
Interest Adjustment to Year-end	7,876	8,082	7,297
Annual Required Contribution	204,787	210,140	189,721
ARC adjustment	(19,548)	(27,699)	(31,021)
Interest Adjustment to Net OPEB Obligation	21,894	28,995	34,743
OPEB Cost	207,133	211,436	193,443
Contributions Made	(29,596)	(67,744)	(38,454)
Increase in Net OPEB Obligation	177,537	143,692	154,989
Net OPEB Obligation - beginning of year	547,345	724,881	868,573
Net OPEB Obligation - end of year	\$ 724,881	\$ 868,573	\$ 1,023,562

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
09/30/10	\$207,133	14.30%	\$724,881
09/30/11	\$211,436	32.00%	\$868,573
09/30/12	\$193,443	19.88%	\$1,023,562

Funded Status and Funding Progress

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

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

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

CITY OF KINGSVILLE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2012

Actuarial Methods and Assumptions

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

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

K. Commitments and Contingencies

1. Contingencies

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

2. Litigation

No reportable litigation was pending against the City at September 30, 2012.

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, 2012 for the following funds:

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

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

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

\$91,073 addition to revenues and other financing sources comprised mainly of:

\$44,000 in Sanitation Services -- Garbage Fee Revenue was originally budgeted conservatively. Increase in expected revenue used to appropriate for increased fuel and vehicle maintenance expenses.

\$47,073 in Sanitation Services -- Landfill Fee Revenue was originally budgeted conservatively. Increase in expected revenue used to appropriate for increased fuel and vehicle maintenance expenses.

\$1,787,371 addition to expenditures and other financing uses comprised mainly of:

\$32,829 in City Special Assessments -- Other Service Expenditures for the city's portion of the expenditures for the Kleberg County Golf Course.

\$76,408 in Financial Services -- Capital Outlay Expenditures for the upgrade of the time clock and attendance management system, and Collections Accounts Receivable package.

\$47,432 in Planning Department -- Building Maintenance Expenditures for corridor landscaping program and community clean up/demo projects.

\$25,575 in Community Appearance -- Service Expenditures for professional services for website enhancement.

\$25,350 in Community Appearance -- Building Maintenance Expenditures for a dumpster enclosure pilot program.

\$29,432 in Engineering Department -- Services Expenditures for assisting Texas A&M University--Kingsville with the Kleberg Avenue Engineering Design.

(\$77,400) in Police Department -- Personal Service Expenditures were originally budgeted conservatively. The reduction in personal services appropriation was used for CRIMES maintenance agreement.

\$89,572 in Police Department -- Supplies Expenditures for body armor.

\$43,730 in Police Department -- Services Expenditures for CRIMES maintenance agreement and travel.

\$43,692 in Police Department -- Building Maintenance Expenditures for signage, building repairs, and landscaping.

\$67,274 in Fire Department -- Supplies Expenditures for fuel, supplies, bunker gear, and laptops.

\$58,266 in Public Works Administration -- Building Maintenance Expenditures for public works yard fence, electric gate opener, canopy, gas pumps and catwalk.

\$24,736 in Public Works Administration -- Capital Outlay Expenditures for a welding shed.

\$36,000 in Garage Department -- Capital Outlay Expenditures for a vehicle purchase.

(\$23,886) in Sanitation Department -- Personal Services Expenditures as the original salary and benefits were budgeted conservatively and reappropriated to be used to finance vehicle and machinery repairs.

\$62,405 in Sanitation Department -- Supplies Expenditures for fuel, supplies, and dumpsters.

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

\$71,854 in Sanitation Department -- Equipment Maintenance Expenditures for vehicle and machinery maintenance.

\$236,283 in Sanitation Department -- Capital Outlay Expenditures for the purchase of vehicle and equipment purchase.

\$527,211 in Street Department -- Street and Building Maintenance Expenditures for street repairs and drainage projects.

\$33,616 in Street Department -- Capital Outlay Expenditures for the purchase of a vehicle.

\$223,441 in Landfill Department -- Capital Outlay Expenditures for landfill expansion and equipment purchase.

\$33,551 in Recycle Center -- Building Maintenance Expenditures to replace sidewalks and make exterior repairs.

\$100,000 in Operating Transfers Out in order to provide upgrades to fire station #2.

M. Compensated Absences

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

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

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

There is no limit on accumulated holiday hours to be paid at termination. As of September 30, 2012, the liability for accrued vacation leave and accrued sick leave is approximately \$911,708. The amount applicable to the General Fund and Enterprise Fund of \$850,577 and \$61,131, respectively, and have been recorded in its respective fund.

N. Contracts With South Texas Water Authority

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

The South Texas Water Authority (STWA) was created in 1979 as a conservation and reclamation district to finance, construct and operate a regional water supply system which will supply treated water on a wholesale basis to the incorporated cities of Kingsville, Bishop, Driscoll, and Agua Dulce and to the unincorporated community of Banquete. Each of these cities is totally reliant on ground water from the Goliad Formation, an aquifer which underlies Nueces, Kleberg and several adjacent counties. Withdrawal of water from the Goliad Formation created numerous zones of depression or declines in the water table. Additionally, some locations in the area as well as a number of individual wells were producing water of marginal quality particularly in regard to dissolved solids and chloride levels. The Authority's system, which was completed and accepted on September 1, 1984, consists of pipeline facilities originating at the City of Corpus Christi O.N. Stevens Water Treatment Plant at Calallen, Texas, with terminal ground storage facilities located at Driscoll (150,000 gallons), Bishop (750,000), Kingsville (5,000,000), Banquete and Agua Dulce (150,000). The Authority is also authorized to contract the sale of water to non-members. Contracts have been entered into with Coastal Bend Youth City, Ricardo Water Supply Corporation and Nueces Water Supply Corporation. The Authority has the ability to levy property taxes in its district not to

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

exceed \$.10 per \$100 assessed valuation. The Authority purchases treated water from the City of Corpus Christi and delivers it into ground storage facilities constructed by it and located at the designated delivery point in each customer city. Use and resale of such water by the customer city is subject to all of the terms, conditions, and restrictions set forth in the Authority's water supply contract with Corpus Christi. The price of water will be uniform among the STWA customer cities and will be based on water rates as discussed below.

PRICES AND TERMS

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

1. Handling Charge

- a. The Handling Charge shall be designed to cover all of the Authority's expenses other than the Cost of Water, including operation and maintenance expenses and amounts budgeted to be paid in the current year for capital improvements, plus an amount sufficient to accumulate and maintain a reasonably adequate reserve fund as stated in subparagraph b, less tax receipts and all other income and revenue. The Handling Charge, commencing on the effective date of this one-year Contract Extension and remaining in effect until September 30, 2012 was \$.426386 per thousand gallons of water delivered.
- b. Each Contract Year the Authority may adjust the Handling Charge to cover reasonable increases in the Authority's expenses and to accumulate and maintain a reasonable amount of reserve funds, provided that the increase in any one Contract Year may not exceed 5% of the above stated initial Handling Charge and that the total reserve funds of the Authority reasonably projected at its maximum during any Fiscal Year shall not exceed \$1.171 million. If the actual or projected reserve exceeds \$1.171 million, the Handling Charge shall be reduced accordingly for the next Contract year.
- c. The adjustment in the Handling Charge may exceed an increase of 5% in any Contract Year if the Authority obtains prior written approval of customers representing in the aggregate not less than 75% of the water purchased from the Authority during its preceding Fiscal Year.
- d. Notice of a change in Handling Charge shall be delivered to the City on or before the 10th day of August of each Contract Year. The notice shall state the amount of the new Charge and the reason and calculations for the adjustment. The new Handling Charge shall be effective commencing at the beginning of the next Contract Year.
- e. The City may object to the Handling Charge for any Contract Year after the initial year by delivering to the Authority a notice stating the nature of the City's objection to the Charge. The objection shall be resolved by following the dispute resolution procedures established in the contract. If the dispute is not resolved by the beginning of the subject contract Year, the City shall pay at the new rate until the dispute is resolved. The Handling Charge determined through the dispute resolution procedure shall be effective as the beginning of that Contract Year unless otherwise agreed by the parties.
- f. Any change in the Handling Charge, by agreement, dispute resolution, or otherwise shall apply to all customers of the Authority, in accordance with the contract.
- g. At the end of the term of this Contract, the City may request a retroactive adjustment in the price of water delivered in the last year of the Contract if the Authority's reserve fund exceeds \$1.171 million on the last day of that last Contract Year. The request shall be resolved by use of the dispute resolution procedures stated in the contract.

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

2. Cost of Water

The Cost of Water shall be as defined as meaning the actual price per one thousand gallons paid by the Authority to the City of Corpus Christi for water received by the Authority under the Corpus Christi Water Supply Agreement during a Service Month. It is expected that the Cost of Water will fluctuate from month to month, resulting in a corresponding fluctuation in the Water Rate. The water rate ranged from \$1.739579 to \$1.789488.

3. Water Supply Contract Extension

The current contract expired on September 30, 2012, 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 \$367,264 and \$351,327 in 2012 and 2011, respectively.

O. Risk Management

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

2. Health Insurance

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

All funds of the City participate in the program and make payments to the Self-Insurance Fund based on estimates of amounts needed to pay prior and current year claims. The claims liability of \$212,364 at September 30, 2012 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 2012 and 2011 were:

	Beginning-of Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2011	\$ 178,217	\$ 1,939,689	\$ 1,862,415	\$ 255,491
2012	\$ 255,491	\$ 2,280,493	\$ 2,323,620	\$ 212,364

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

The liability at year end is equal to three months of paid claims subsequent to 9/30/12 but that had been incurred prior to that date, and is considered a current liability for reporting purposes.

3. Litigation Tort Claims

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

P. Closure and Postclosure Care Cost

State and federal laws and regulations require that the City place a final cover on its landfill when closed and perform maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, expense provisions and related liabilities are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure costs is based on the amount of the landfill used during the year. The amount of the liability is based on what it would cost to have all such closure and postclosure care performed in the current year, and is assigned to periods based on cumulative landfill use. The estimated liability for landfill closure and postclosure care costs recorded in the business-type activities at September 30, 2012 is \$2,031,026 based on 31.5% usage (filled) of the landfill through September 30, 2012. It is estimated that an additional \$4,416,967 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 2060. The estimated total current cost for the landfill closure and postclosure care of \$100,000 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, 2012. 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. Prior Period Adjustment

1. Prior Period Adjustment -- Landfill

The City had an Engineer's Study performed on the landfill in 2012 in order to recalculate usage, with the results depicted in the table below. Based on the revised usage estimate, the pre- and postclosure costs were over stated by \$2,176,525. Therefore, this amount was reversed against unrestricted assets in the Business-type Activities Funds. It should be noted the previous Engineer's Study had been completed in 1999 and incorrectly utilized 34 acres of gross land area as the landfill area, when it should have been 85.3 acres. The 85.3 acres of gross land area is now being utilized. Further, it should be noted that the City has restricted cash in the amount of \$3,772,330 to cover these expenses and is increasing this amount approximately \$300,000 a year.

Estimate	Year	Estimated Liability	Percentage Used	Remaining Closing Costs	Current Year Additions	Year of Completion
Original	2011	\$ 4,107,731	89.76%	\$ 536,704	\$ 253,684	2014
Restated	2012	\$ 2,031,026	31.50%	\$ 4,416,967	\$ 100,000	2060

2. Prior Period Adjustment -- Police Forfeiture Fund

The City, in the major Police Forfeiture Fund (PFF), had incorrectly recorded \$138,133 as revenue in 2011, when in fact the decision by the Court to award this revenue was not made until 2012. As a result, the PFF restated Fund Balance has been corrected and the revenue was recorded in the 2012 year.

R. 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, 2012

S. 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.

T. Subsequent Event

1. Certificates of Obligation

The City issued \$5,230,000 of Certificates of Obligations, Series 2013 and \$1,260,000 in Limited Tax Refunding Bond, Series 2013 in order to obtain funding for construction, repairs, equipment, and refunding a portion of the City's outstanding debt for Certificates of Obligations, Series 2002A.

The Bond and Certificates of Obligation Payout is as follows:

<u>Year Ending September 30</u>	<u>Bond</u>		<u>Certificate of Obligation</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2013	\$ --	\$ 14,700	\$ --	\$ --	\$ 14,700
2014	130,000	23,900	--	215,333	369,233
2015	140,000	21,200	180,000	136,000	477,200
2016	140,000	18,400	185,000	132,400	475,800
2017	170,000	15,300	190,000	128,700	504,000
2018-2022	575,000	36,250	1,265,000	575,000	2,451,250
2023-2027	105,000	1,050	1,415,000	426,300	1,947,350
2028-2032	--	--	1,635,000	203,850	1,838,850
2033	--	--	360,000	10,800	370,800
Totals	\$ 1,260,000	\$ 116,100	\$ 5,230,000	\$ 1,828,383	\$ 8,449,183

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

REQUIRED SUPPLEMENTARY INFORMATION



CITY OF KINGSVILLE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2012

EXHIBIT B-1
Page 1 of 8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Taxes:				
<i>General Property Taxes:</i>				
Current Taxes	\$ 4,225,202	\$ 4,225,202	\$ 4,211,841	\$ (13,361)
Delinquent taxes	75,549	75,549	138,155	62,607
Penalty & Interest	29,030	29,030	97,707	68,677
Late Rendition Fee	4,552	4,552	4,775	223
In Lieu of Tax Payments	115,254	115,254	116,879	1,625
Total General Property Taxes	4,449,587	4,449,587	4,569,358	119,771
City Sales Tax	4,032,283	4,020,018	4,204,321	184,503
Mixed Drink Tax	42,678	42,678	41,261	(1,397)
Bingo Tax	3,014	3,014	4,422	1,408
<i>Business Taxes:</i>				
Electric Franchise Tax	674,713	674,713	719,866	44,153
Telephone Franchise Tax	130,988	130,988	119,430	(14,550)
Gas Franchise Tax	76,194	76,194	91,161	(15,033)
Cable T.V. Franchise Tax	85,390	85,390	80,994	(4,396)
Total Business Taxes	967,285	967,285	977,451	10,174
Total Taxes	9,494,847	9,482,582	9,767,041	314,459
Permits and Licenses:				
Plumbing Permits	5,656	5,656	7,357	1,701
Electric Permits	24,893	24,893	23,474	(1,419)
Building Permits	72,566	72,566	68,795	(3,771)
Moving Permits	990	990	680	(310)
Other Permits	35,096	35,096	38,104	3,008
Amusement Licenses	45	45	45	--
Beer & Mixed Drink Licenses	3,391	3,391	3,343	(48)
Electrical Licenses	3,270	3,270	2,920	(350)
Contractor Licenses	25,870	25,870	26,595	725
Food Handler Licenses	12,975	12,975	12,819	(160)
Other Licenses	1,330	1,330	1,568	250
Total Permits and Licenses	186,082	186,082	185,708	(374)
Charges for Services:				
<i>General Service Fees:</i>				
Zoning Fees	3,250	3,250	4,775	(475)
Platting Fees	917	917	2,036	1,113
Police Accident Reports	3,545	3,545	3,267	(278)
Arrest Fees	1,310	1,310	1,703	393
Fire Reports	41	41	9	(33)
Fire Services	--	--	31,195	31,195
Ambulance Service	547,754	547,754	557,870	(10,084)
Other Service Fees	22,859	22,859	34,451	11,592
Total General Service Fees	579,676	579,676	610,999	33,423
City/County Services:				
Weed Control	28,298	28,298	21,551	(6,717)

CITY OF KINGSVILLE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2012

EXHIBIT B-1
Page 2 of 8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Sanitation Services:				
Garbage Fees	3,049,308	3,093,308	3,161,557	68,249
Landfill Fees	514,957	562,030	614,931	52,901
Demolition Recovery Revenue	--	--	1,900	1,900
Miscellaneous	40,681	40,681	38,006	(1,075)
Total Sanitation Services	3,604,946	3,696,019	3,817,994	121,975
Total Charges for Services	4,212,920	4,303,993	4,452,679	148,681
Fines and Forfeits:				
Court Fines	665,097	665,097	808,493	(155,664)
Minor Fines	236	236	103	(128)
Collection of State Taxes	15,797	15,797	15,793	(4)
Other Court Fines	17,132	17,132	17,615	386
Total Fines and Forfeits	698,262	698,262	842,004	(155,410)
Special Assessments	610	10,610	15,725	5,115
Interest and Miscellaneous:				
Interest from Investments	(592)	1,158	32,540	31,382
Auction Revenue	10,000	10,000	23,036	13,036
Sale of City Publications	1,107	1,107	1,151	44
Sale of Recycle Item	17,946	17,946	21,616	3,670
Miscellaneous	57,046	56,546	27,856	(28,590)
Total Interest and Miscellaneous	85,507	86,757	106,209	19,542
Donations	--	6,250	6,250	--
Reimbursements - Interdepartmental Revenue	--	1,750	--	(1,750)
Total Revenues	14,678,228	14,776,286	15,106,549	330,263
Expenditures:				
City Administration Department				
City Commission:				
Personal Services	66,467	76,621	76,965	656
Supplies	4,200	6,840	6,151	679
Services	39,100	38,571	38,569	2
Total City Commission	109,767	122,032	121,685	1,337
City Manager:				
Personal Services	207,488	206,735	203,873	2,862
Supplies	4,700	11,714	11,281	433
Services	18,710	24,799	11,379	12,920
Total City Manager	230,898	243,248	226,533	16,215

CITY OF KINGSVILLE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2012

EXHIBIT B-1
Page 3 of 8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Downtown Tourism/Development:				
<i>Personal Services</i>	29,364	29,364	28,338	1,036
<i>Supplies</i>	2,100	3,250	2,287	1,013
<i>Services</i>	10,250	9,250	5,812	3,438
Total Downtown Tourism/Development	41,714	41,864	36,577	5,487
Municipal Building:				
<i>Supplies</i>	4,600	1,600	561	1,049
<i>Services</i>	103,075	94,834	94,749	85
<i>Building Maintenance</i>	20,000	31,641	31,641	--
<i>Lease Payments</i>	10,200	9,800	6,957	3,843
Total Municipal Building	137,875	137,875	132,898	4,977
Risk Management:				
<i>Personal Services</i>	95,615	95,799	88,067	7,732
<i>Supplies</i>	24,000	21,158	18,463	7,695
<i>Services</i>	21,710	20,650	15,606	5,044
<i>Equipment Maintenance</i>	--	883	883	--
<i>Capital Outlay</i>	--	2,835	2,834	1
Total Risk Management	141,325	141,325	120,853	20,472
City Special:				
<i>Personal Services</i>	94,566	91,833	86,443	5,390
<i>Supplies</i>	761	1,360	1,314	46
<i>Services</i>	605,728	638,557	589,782	49,775
Total City Special	701,055	731,750	677,539	55,211
Total City Administration Department	1,362,634	1,418,094	1,214,395	103,699
Management Services Department				
Personnel:				
<i>Personal Services</i>	118,738	119,517	118,683	834
<i>Supplies</i>	3,700	4,918	4,911	7
<i>Services</i>	35,970	38,278	38,202	76
Total Personnel	158,408	162,713	161,796	917
Municipal Court:				
<i>Personal Services</i>	165,242	161,914	158,193	3,521
<i>Supplies</i>	1,700	3,787	2,970	917
<i>Services</i>	1,800	3,670	3,664	16
<i>Equipment Maintenance</i>	300	--	--	--
Total Municipal Court	168,842	169,371	164,827	4,454

CITY OF KINGSVILLE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2012

EXHIBIT B-1
Page 4 of 8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Warrant Enforcement:				
<i>Personal Services</i>	62,106	62,034	51,496	10,538
<i>Services</i>	--	72	72	--
Total Warrant Enforcement	62,106	62,106	51,568	10,538
Finance:				
<i>Personal Services</i>	345,094	345,138	341,826	3,310
<i>Supplies</i>	8,800	11,353	10,798	555
<i>Services</i>	62,919	59,793	56,464	3,329
<i>Capital Outlay</i>	--	76,408	69,730	6,658
Total Finance	416,813	492,692	478,840	13,852
Purchasing:				
<i>Personal Services</i>	96,647	104,856	104,643	213
<i>Supplies</i>	13,200	12,660	8,522	3,138
<i>Services</i>	8,775	6,024	3,164	860
<i>Equipment Maintenance</i>	200	200	--	200
Total Purchasing	118,822	123,740	116,329	4,411
Computer Operations:				
<i>Personal Services</i>	49,074	50,513	49,006	607
<i>Supplies</i>	33,625	38,673	37,402	1,271
<i>Services</i>	70,200	63,795	62,653	936
<i>Equipment Maintenance</i>	5,000	--	--	--
Total Computer Operations	157,899	152,981	150,157	2,814
Total Management Services Department	1,082,890	1,163,603	1,126,617	36,986
Legal Department				
<i>Personal Services</i>	159,705	159,701	156,743	3,958
<i>Supplies</i>	1,800	4,904	3,941	963
<i>Services</i>	38,400	51,300	40,056	11,242
Total Legal Department	199,905	215,905	199,742	16,163
Urban Development Department				
Planning:				
<i>Personal Services</i>	131,077	131,849	127,242	4,607
<i>Supplies</i>	2,700	2,233	2,112	121
<i>Services</i>	3,300	23,205	36,454	(13,249)
<i>Building Maintenance</i>	--	47,432	47,795	(363)
Total Planning	137,077	204,719	213,603	(8,884)

CITY OF KINGSVILLE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2012

EXHIBIT B-1
Page 5 of 8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Permits and Licenses:				
<i>Personal Services</i>	156,319	152,126	150,296	1,830
<i>Supplies</i>	7,560	11,204	11,124	80
<i>Services</i>	5,774	4,969	4,283	686
<i>Equipment Maintenance</i>	800	2,375	2,336	36
Total Permits and Licenses	170,453	170,674	168,042	2,632
Community Appearance:				
<i>Personal Services</i>	150,140	148,940	142,346	6,594
<i>Supplies</i>	8,200	17,625	15,736	1,889
<i>Services</i>	71,100	96,675	59,128	37,547
<i>Equipment Maintenance</i>	500	769	769	1
<i>Building Maintenance</i>	-	25,350	24,850	500
Total Community Appearance	229,940	289,359	242,829	46,531
Engineering:				
<i>Personal Services</i>	86,945	86,749	82,669	4,086
<i>Supplies</i>	2,741	8,030	8,585	(555)
<i>Services</i>	4,772	34,204	2,065	31,139
<i>Equipment Maintenance</i>	750	750	413	337
<i>Capital Outlay</i>	-	14,825	14,825	-
Total Engineering	95,208	144,558	108,557	35,007
Total Urban Development Department	632,678	809,310	734,024	75,286
Police Department				
<i>Personal Services</i>	3,790,502	3,713,102	3,622,405	89,697
<i>Supplies</i>	163,238	252,810	195,749	56,061
<i>Services</i>	363,901	407,631	382,219	25,402
<i>Equipment Maintenance</i>	73,574	69,408	49,125	20,223
<i>Building Maintenance</i>	62,358	106,050	81,956	22,052
<i>Debt Service</i>	20,000	20,000	17,218	6,784
Total Police Department	4,473,573	4,569,001	4,348,702	220,219
Fire Department				
<i>Personal Services</i>	2,391,959	2,388,978	2,268,456	125,528
<i>Supplies</i>	163,071	230,345	217,460	12,885
<i>Services</i>	178,767	161,280	139,834	21,846
<i>Equipment Maintenance</i>	21,570	24,751	24,465	266
<i>Building Maintenance</i>	37,350	39,188	38,540	2,248
<i>Debt Service</i>	30,735	34,835	34,142	693
<i>Capital Outlay</i>	12,054	24,307	17,920	6,387
Total Fire Department	2,835,506	2,903,684	2,734,631	169,853

CITY OF KINGSVILLE**GENERAL FUND****BUDGETARY COMPARISON SCHEDULE****FOR THE YEAR ENDED SEPTEMBER 30, 2012****EXHIBIT B-1**

Page 6 of 8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Volunteer Fire Department				
<i>Personal Services</i>	11,600	11,600	11,255	341
<i>Supplies</i>	45,910	61,201	47,463	13,738
<i>Services</i>	51,471	65,872	43,184	22,688
<i>Equipment Maintenance</i>	4,000	4,409	4,409	--
<i>Building Maintenance</i>	3,000	11,869	11,869	--
Total Volunteer Fire Department	115,981	154,951	118,184	36,767
Public Works Department				
Public Works Administration:				
<i>Personal Services</i>	59,829	59,964	59,718	246
<i>Supplies</i>	7,497	11,868	8,512	2,356
<i>Services</i>	42,997	40,237	39,138	1,099
<i>Equipment Maintenance</i>	1,900	2,900	2,684	236
<i>Building Maintenance</i>	8,500	66,766	33,429	28,337
<i>Capital Outlay</i>	30,000	54,736	31,913	22,823
Total Public Works Administration	150,723	236,471	181,374	55,097
Garage:				
<i>Personal Services</i>	354,004	351,244	318,179	35,065
<i>Supplies</i>	26,820	29,079	28,192	887
<i>Services</i>	7,248	7,708	6,292	1,416
<i>Equipment Maintenance</i>	2,800	2,841	2,490	351
<i>Capital Outlay</i>	--	36,000	36,421	579
Total Garage	390,872	426,872	388,574	38,298
Sanitation:				
<i>Personal Services</i>	754,933	731,047	690,269	40,779
<i>Supplies</i>	126,810	189,215	187,206	2,010
<i>Services</i>	29,978	30,976	22,696	8,278
<i>Equipment Maintenance</i>	97,000	168,854	164,330	4,024
<i>Capital Outlay</i>	--	236,283	262,180	(25,897)
Total Sanitation	1,008,721	1,356,375	1,327,181	29,194
Street:				
<i>Personal Services</i>	736,013	736,013	660,702	85,311
<i>Supplies</i>	80,168	83,690	83,612	(1,922)
<i>Services</i>	283,149	272,691	246,891	25,800
<i>Equipment Maintenance</i>	52,500	39,373	39,029	344
<i>Building Maintenance</i>	77,600	604,811	409,887	194,924
<i>Capital Outlay</i>	--	33,616	32,323	1,293
Total Street	1,229,430	1,770,194	1,469,444	305,750

CITY OF KINGSVILLE

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2012

EXHIBIT B-1

Page 7 of 8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Train Depot:				
Supplies	150	150	50	98
Services	21,663	20,921	11,755	9,136
Building Maintenance	4,400	5,142	5,142	--
Total Train Depot	26,213	26,213	16,979	9,234
Landfill:				
Personal Services	359,631	359,903	320,240	39,663
Supplies	105,307	118,987	115,441	3,546
Services	231,789	211,847	183,644	48,803
Equipment Maintenance	49,000	49,786	30,586	19,217
Building Maintenance	8,000	8,000	6,057	1,943
Capital Outlay	--	223,441	103,441	120,000
Total Landfill	753,727	971,964	739,792	233,172
Recycling Center:				
Personal Services	31,699	31,773	30,961	812
Supplies	1,708	2,215	1,444	771
Services	8,667	8,518	5,643	2,875
Equipment Maintenance	2,000	2,000	621	1,379
Building Maintenance	2,500	36,051	30,694	5,357
Total Recycling Center	46,574	80,557	68,363	11,194
Total Public Works Department	3,606,260	4,868,646	4,196,707	681,939
Health Department				
Personal Services	256,648	256,648	243,711	13,937
Supplies	40,572	39,945	40,220	(275)
Services	21,675	24,032	21,794	2,238
Equipment Maintenance	10,258	13,058	8,071	4,987
Building Maintenance	10,000	8,970	8,968	2,072
Total Health Department	339,153	342,653	316,634	22,959
Parks and Recreation Department				
Services	200,000	200,000	200,000	--
Building Maintenance	--	5,000	5,000	--
Total Parks and Recreation Department	200,000	205,000	205,000	--

CITY OF KINGSVILLE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2012

EXHIBIT B-1
Page 8 of 8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Library Department				
<i>Personal Services</i>	176,720	176,720	171,577	5,143
<i>Supplies</i>	29,630	27,979	27,193	786
<i>Services</i>	29,430	30,306	29,249	1,057
<i>Equipment Maintenance</i>	11,567	10,857	10,455	1
<i>Building Maintenance</i>	8,500	9,985	9,844	141
Total Library Department	255,847	255,847	248,719	7,128
Other Expenses				
<i>Uncollectable Accounts</i>	38,809	38,809	17,187	21,622
Total Other Expenses	38,809	38,809	17,187	21,622
Total Expenditures	15,143,236	16,945,503	16,552,862	1,392,621
Excess (deficiency) of revenues (under) expenditures	(465,008)	(2,169,217)	(448,335)	1,722,884
Other financing sources (uses):				
<i>Operating transfers in</i>	1,250,000	1,250,000	1,250,000	--
<i>Operating transfers out</i>	(427,920)	(527,920)	(527,920)	--
<i>Gain on disposal of assets</i>	--	--	40,000	40,000
Total other financing sources (uses)	822,080	722,080	762,080	40,000
Excess of revenues and other financing sources over (under) expenditures and other financing uses	357,072	(1,447,137)	313,747	1,762,884
Fund balances/equity, October 1	10,418,580	10,418,580	10,418,580	--
Fund balances/equity, September 30	\$ 10,775,652	\$ 8,971,443	\$ 10,734,327	\$ 1,762,884

CITY OF KINGSVILLE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
TEXAS MUNICIPAL RETIREMENT SYSTEM
YEAR ENDED SEPTEMBER 30, 2012

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)
12/31/09	\$ 23,123,074	\$ 32,383,854	\$ 9,260,780	71.4%	\$ 8,665,138	106.9%
12/31/10	37,068,999	42,290,552	5,221,553	87.7%	8,912,036	58.6%
12/31/11	40,246,749	44,637,193	4,390,444	90.2%	9,024,567	48.6%

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%
10/01/11	--	2,883,303	2,883,303	--	8,003,491	36.0%

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

CITY OF KINGSVILLE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2012

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



COMBINING
STATEMENTS
&
BUDGETARY
COMPARISON
SCHEDULES

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CITY OF KINGSVILLE
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2012

	<u>Tourism Fund</u>	<u>Federal Grants</u>
ASSETS		
Assets:		
Equity in pooled cash and cash equivalents	\$ 88,987	\$ 1,287
Receivables (net of allowances for uncollectibles):		
Accounts	36,477	--
Due from:		
Other funds	--	2,924
Other governments	--	225,869
Restricted assets:		
Cash and cash equivalents	337,024	--
Total Assets	\$ 462,488	\$ 230,080
LIABILITIES AND EQUITY		
Liabilities:		
Accounts payable	\$ 17,783	\$ --
Due to:		
Other funds	501	208,166
Other governments	--	18,410
Deferred revenues	--	3,447
Total Liabilities	18,284	230,023
Equity:		
Fund balances:		
Restricted:		
Tourism	444,204	--
Federal and state programs	--	57
Community Enrichment	--	--
Assigned:		
Drug Awareness	--	--
Total equity	444,204	57
Total Liabilities and Equity	\$ 462,488	\$ 230,080

EXHIBIT C-1

State Grants	Other Special Revenues	Total Nonmajor Special Revenue Funds (See Exhibit A-3)
\$ 29,315	\$ 5,227	\$ 124,816
--	--	36,477
--	--	2,924
426	--	226,295
--	--	337,024
<u>\$ 29,741</u>	<u>\$ 5,227</u>	<u>\$ 237,536</u>
\$ 19,700	\$ --	\$ 37,483
--	--	208,667
--	--	18,410
7,958	--	11,405
<u>27,658</u>	<u>--</u>	<u>275,965</u>
--	--	444,204
2,083	--	2,140
--	2,862	2,862
--	2,365	2,365
<u>2,083</u>	<u>5,227</u>	<u>451,571</u>
<u>\$ 29,741</u>	<u>\$ 5,227</u>	<u>\$ 227,526</u>

CITY OF KINGSVILLE

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Tourism Fund	Federal Grants
Revenue:		
Taxes	\$ 541,630	\$ --
Charges for services	952	--
Interest and miscellaneous	--	--
Donations	289,544	--
Federal and state grants	--	305,584
Total revenues	<u>832,126</u>	<u>305,584</u>
Expenditures:		
Current:		
General government and administration	--	57,508
Public Safety	--	248,076
Tourism	389,081	--
Total expenditures	<u>389,081</u>	<u>305,584</u>
Net change in fund balances	443,045	--
Fund balances/equity, October 1	1,159	57
Fund balances/equity, September 30	<u>\$ 444,204</u>	<u>\$ 57</u>

EXHIBIT C-2

State Grants	Other Special Revenues	Total Nonmajor Special Revenue Funds (See Exhibit A-5)
\$ --	\$ --	\$ 541,630
--	--	952
--	1,438	1,438
--	--	289,544
21,044	--	326,628
<u>21,044</u>	<u>1,438</u>	<u>1,160,192</u>
--	1,438	58,946
21,044	1,776	270,896
--	--	389,081
<u>21,044</u>	<u>3,214</u>	<u>718,923</u>
--	(1,776)	441,269
2,083	7,003	10,302
<u>2,083</u>	<u>5,227</u>	<u>451,571</u>

CITY OF KINGSVILLE

TOURISM FUND

SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2012

EXHIBIT C-3

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Hotel/Motel Property Tax	\$ 453,636	\$ 453,636	\$ 541,636	\$ 87,994
Miscellaneous	500	500	952	452
Donations	--	--	289,544	289,544
Total Revenues	454,136	454,136	832,132	377,990
Expenditures:				
Tourism Department				
Personal Services	35,276	51,388	67,426	13,963
Supplies	--	3,569	4,414	(845)
Services	418,860	385,767	342,816	42,951
Building Maintenance	--	--	3,951	(3,951)
Lease Payments	--	--	476	(475)
Total Tourism Department	454,136	440,724	399,061	51,643
Total Expenditures	454,136	440,724	399,061	51,643
Excess (deficiency) of revenues (under) expenditures	--	13,412	430,045	429,633
Fund balances/equity, October 1	1,159	1,159	1,159	--
Fund balances/equity, September 30	1,159	14,571	444,204	429,633

CITY OF KINGSVILLE
FEDERAL GRANT FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2012

EXHIBIT C-4

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total To Date</u>
Revenues:				
<i>Federal and state grants</i>	\$ 1,172,712	\$ 589,304	\$ 305,584	\$ 894,888
Total Revenues	<u>1,172,712</u>	<u>589,304</u>	<u>305,584</u>	<u>894,888</u>
Expenditures:				
Emergency Management:				
<i>General Government and Administration</i>	57,508	--	57,508	57,508
<i>Public Safety</i>	<u>1,115,204</u>	<u>589,304</u>	<u>248,076</u>	<u>837,380</u>
Total Expenditures	<u>1,172,712</u>	<u>589,304</u>	<u>305,584</u>	<u>894,888</u>
Excess (deficiency) of revenues (under) expenditures	\$ <u> --</u>	\$ <u> --</u>	<u> --</u>	\$ <u> --</u>
Fund balances/equity, October 1			57	
Fund balances/equity, September 30			<u>\$ 57</u>	

CITY OF KINGSVILLE
STATE GRANTS FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2012

EXHIBIT C-5

	Project Authorization	Prior Years	Current Year	Total To Date
Revenues:				
<i>Federal and state grants</i>	\$ 49,391	\$ 9,395	\$ 21,044	\$ 30,439
Total Revenues	49,391	9,395	21,044	30,439
Expenditures:				
<i>Public Safety</i>	49,391	9,395	21,044	30,439
Total Expenditures	49,391	9,395	21,044	30,439
Excess (deficiency) of revenues (under) expenditures	\$ --	\$ --	--	\$ --
Fund balances/equity, October 1			2,083	
Fund balances/equity, September 30			\$ 2,083	

DEBT SERVICE FUND

CITY OF KINGSVILLE
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2012

EXHIBIT C-6

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
General Property Taxes:	\$ 1,513,542	\$ 1,513,542	\$ 1,450,437	\$ (63,105)
Interest from Investments	1,348	1,348	3,795	2,447
Total Revenues	1,514,890	1,514,890	1,454,232	(60,658)
Expenditures:				
Principal retired	1,300,000	1,300,000	1,266,933	33,067
Interest	518,948	518,948	534,012	(15,064)
Paying agent fees	4,250	4,250	2,050	2,200
Total Expenditures	1,823,198	1,823,198	1,802,995	20,203
Excess (deficiency) of revenues (under) expenditures	(308,308)	(308,308)	(348,763)	(40,455)
Other financing sources (uses):				
Operating transfers in	428,420	428,420	427,920	(500)
Total other financing sources (uses)	428,420	428,420	427,920	(500)
Excess of revenues and other financing sources over (under) expenditures and other financing uses	120,112	120,112	79,157	(40,955)
Fund balances/equity, October 1	654,664	654,664	654,664	--
Fund balances/equity, September 30	\$ 774,776	\$ 774,776	\$ 733,821	\$ (40,955)



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CITY OF KINGSVILLE
CAPITAL IMPROVEMENTS FUND
CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2012

EXHIBIT C-7

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Interest from Investments	\$ 2,848	\$ 2,848	\$ 20,169	\$ 17,321
Total Revenues	2,848	2,848	20,169	17,321
Expenditures:				
General Government	--	3,787	--	3,787
Public Safety	--	228,489	200,922	27,567
Public Works	1,189,466	2,399,855	1,220,380	1,179,575
City/County	--	1,384	--	1,384
Total Expenditures	1,189,466	2,633,515	1,421,202	1,212,313
Excess (deficiency) of revenues (under) expenditures	(1,186,618)	(2,630,667)	(1,401,033)	1,229,634
Other financing sources (uses):				
Operating transfers in	--	100,000	100,000	--
Gain on disposal of assets	--	--	18,500	18,500
Total other financing sources (uses)	--	100,000	118,500	18,500
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(1,186,618)	(2,530,667)	(1,282,533)	1,248,134
Fund balances/equity, October 1	4,349,467	4,349,467	4,349,467	--
Fund balances/equity, September 30	3,162,849	1,818,800	3,066,934	1,248,134



TRUST AND AGENCY FUNDS

CITY OF KINGSVILLE

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
YEAR ENDED SEPTEMBER 30, 2012

EXHIBIT C-8

	Balance October 1, 2012	Additions	Deductions	Balance September 30, 2012
Corporation Court Cash Bond Account Fund				
ASSETS				
Cash & Investments	\$ 25,680	\$ 83,326	\$ 74,759	\$ 34,247
Total Assets	\$ 25,680	\$ 83,326	\$ 74,759	\$ 34,247
LIABILITIES				
Cash Bonds Held	\$ 25,680	\$ 83,326	\$ 74,759	\$ 34,247
Total Liabilities	\$ 25,680	\$ 83,326	\$ 74,759	\$ 34,247



Statistical Section

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

<u>Contents</u>	<u>Page</u>
Financial Trends	
These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.	98-105
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.	106-114
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.	115-121
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.	122-123
Operating Information	
These schedules contain information about the city's operations and resources to help the reader understand how the city's financial information relates to the services the city provides and the activities it performs.	124-128

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 TEN FISCAL YEARS

	Fiscal Year				
	2012	2011	2010	2009	2008
Governmental activities					
Invested in capital assets, net of related debt	\$ 8,641,553	\$ 8,703,647	\$ 7,242,987	\$ 7,229,724	\$ 7,980,938
Restricted	3,139,930	682,867	911,541	2,946,915	2,727,155
Unrestricted	4,221,605	6,456,755	5,818,599	5,341,187	3,037,771
Total governmental activities net assets	<u>\$ 16,003,088</u>	<u>\$ 15,843,269</u>	<u>\$ 13,973,127</u>	<u>\$ 15,517,826</u>	<u>\$ 13,745,864</u>
Business-type activities					
Invested in capital assets, net of related debt	\$ 4,049,345	\$ 3,398,641	\$ 3,028,078	\$ 1,028,641	\$ 4,376,931
Restricted	1,086,225	1,403,545	2,225,545	1,704,129	3,056,231
Unrestricted	8,689,906	6,601,689	5,843,383	7,191,437	1,229,553
Total business-type activities net assets	<u>\$ 13,825,476</u>	<u>\$ 11,403,875</u>	<u>\$ 11,097,006</u>	<u>\$ 9,924,207</u>	<u>\$ 8,662,715</u>
Primary government					
Invested in capital assets, net of related debt	\$ 12,690,898	\$ 12,102,288	\$ 10,271,065	\$ 8,258,365	\$ 12,357,869
Restricted	4,226,155	2,086,412	3,137,086	4,651,044	5,783,386
Unrestricted	12,911,511	13,058,444	11,661,982	12,532,624	4,267,324
Total primary government net assets	<u>\$ 29,828,564</u>	<u>\$ 27,247,144</u>	<u>\$ 25,070,133</u>	<u>\$ 25,442,033</u>	<u>\$ 22,408,579</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				
2007		2006	2005	2004	2003	
\$	7,410,484	\$ 7,190,499	\$ 5,751,650	\$ 4,472,660	\$ 1,810,325	
	2,649,969	2,314,775	2,325,562	2,804,822	4,954,300	
	2,079,519	1,085,412	1,150,966	754,079	379,136	
\$	<u>12,139,972</u>	<u>\$ 10,590,686</u>	<u>\$ 9,228,178</u>	<u>\$ 8,031,561</u>	<u>\$ 7,143,761</u>	
\$	4,311,656	\$ 4,315,474	\$ 4,033,396	\$ 3,321,566	\$ 2,419,270	
	2,496,143	2,174,298	2,528,455	2,293,034	3,934,520	
	679,366	113,403	(1,908,572)	(1,117,171)	(549,286)	
\$	<u>7,487,165</u>	<u>\$ 6,603,175</u>	<u>\$ 4,653,279</u>	<u>\$ 4,497,429</u>	<u>\$ 5,804,504</u>	
\$	11,722,140	\$ 11,505,973	\$ 9,785,046	\$ 7,794,226	\$ 4,229,595	
	5,146,112	4,489,073	4,854,017	5,097,856	8,888,820	
	2,758,885	1,198,815	(757,606)	(363,092)	(170,150)	
\$	<u>19,627,137</u>	<u>\$ 17,193,861</u>	<u>\$ 13,881,457</u>	<u>\$ 12,528,990</u>	<u>\$ 12,948,265</u>	

CITY OF KINGSVILLE
CHANGES IN NET ASSETS,
LAST TEN FISCAL YEARS

	2012	2011	Fiscal Year 2010	2009	2008
Expenses					
Governmental activities:					
General government	\$ 3,285,875	\$ 2,974,363	\$ 2,853,471	\$ 2,481,859	\$ 2,438,913
Public safety	9,475,608	9,144,528	8,450,026	8,175,281	8,167,213
Public works	2,823,707	2,521,159	2,838,815	2,770,070	2,414,167
City/County	811,546	801,490	782,399	761,837	731,158
Tourism	389,259	484,470	421,233	440,694	421,633
Interest on long-term debt	335,136	319,288	190,913	262,818	292,623
Total governmental activities expenses	17,121,131	16,245,298	15,536,857	14,892,559	14,465,707
Business-type activities:					
Water	4,570,338	3,847,697	3,474,155	3,687,376	3,153,345
Solidwaste	2,417,443	2,669,749	2,273,372	2,201,955	2,516,322
Wastewater	2,451,466	2,392,136	3,201,052	2,692,116	2,020,090
Total business-type activity expenses	9,439,247	8,909,582	8,948,579	8,581,447	7,689,757
Total primary government expenses	\$ 26,560,378	\$ 25,154,880	\$ 24,485,436	\$ 23,474,006	\$ 22,155,464
Program Revenue (see schedule 3)					
Governmental activities					
Charges for services:					
General government	\$ 265,724	\$ 357,478	\$ 160,225	\$ 309,430	\$ 284,438
Public safety	1,975,762	2,486,253	2,476,666	2,981,961	2,980,370
Public works	23,470	48,367	60,302	661	-
City/County	21,581	32,587	20,302	9,117	8,924
Tourism	542,582	483,424	422,584	440,694	421,633
Operating grants and contributions	308,366	479,148	486,855	294,364	260,506
Capital grants and contributions	19,700	92,993	-	176,363	30,000
Total governmental activities program revenues	3,157,185	3,980,250	3,626,934	4,212,590	3,985,871
Business-type activities:					
Charges for services:					
Water	5,064,986	4,516,381	3,769,784	4,808,714	4,325,645
Wastewater	3,815,313	3,646,165	3,572,534	3,378,346	3,036,567
Solid waste	3,329,276	3,363,894	2,708,503	3,510,339	2,958,287
Operating grants and contributions	-	-	700	172,469	650
Capital grants and contributions	-	-	-	-	-
Total business-type activities program revenues	12,209,575	11,526,440	10,051,521	11,869,918	10,321,149
Total primary government program revenues	\$ 15,366,760	\$ 15,506,690	\$ 13,678,455	\$ 16,082,508	\$ 14,307,020

SCHEDULE 2

	2007	2006	Fiscal Year 2005	2004	2003
\$	2,569,502	\$ 2,303,626	\$ 2,238,161	\$ 2,813,029	\$ 2,673,387
	7,266,533	6,787,270	6,787,640	6,432,401	6,748,452
	2,340,083	2,576,604	2,474,543	2,371,205	2,286,788
	688,378	648,270	673,849	682,565	621,925
	312,153	290,697	288,215	264,132	265,401
	300,810	300,163	328,631	357,424	483,697
	<u>13,477,459</u>	<u>12,906,630</u>	<u>12,791,039</u>	<u>12,920,756</u>	<u>13,079,650</u>
	2,454,389	3,495,064	3,542,762	3,341,572	3,270,337
	2,043,922	1,931,459	2,007,918	1,931,493	1,644,626
	2,031,746	1,334,749	1,372,391	1,367,139	1,074,319
	<u>6,530,057</u>	<u>6,761,272</u>	<u>6,923,071</u>	<u>6,640,204</u>	<u>5,989,282</u>
\$	<u>20,007,516</u>	<u>19,667,902</u>	<u>19,714,110</u>	<u>19,560,960</u>	<u>19,068,932</u>
\$	250,769	\$ 254,972	\$ 282,481	\$ 874,749	\$ 612,004
	2,637,213	2,191,585	1,452,667	1,097,017	1,493,803
	-	-	240	3,029	40,500
	5,871	6,776	3,525	4,183	2,483
	312,153	290,697	288,215	264,132	265,145
	168,700	177,828	473,600	885,712	997,389
	55,609	600,341	1,131,399	-	-
	<u>3,430,315</u>	<u>3,522,199</u>	<u>3,632,127</u>	<u>3,128,822</u>	<u>3,411,324</u>
	3,834,915	4,026,953	3,676,035	3,296,486	3,337,331
	2,772,879	2,825,020	2,799,958	2,747,268	2,470,948
	2,519,463	2,578,493	2,070,306	1,872,741	1,663,558
	21,031	28,441	24,230	299,718	-
	-	-	86,251	-	-
	<u>9,148,288</u>	<u>9,458,907</u>	<u>8,656,780</u>	<u>8,216,213</u>	<u>7,471,837</u>
\$	<u>12,578,603</u>	<u>12,981,106</u>	<u>12,288,907</u>	<u>11,345,035</u>	<u>10,883,161</u>

CITY OF KINGSVILLE
CHANGES IN NET ASSETS,
LAST TEN FISCAL YEARS

	2012	2011	Fiscal Year 2010	2009	2008
Net (Expense)/Revenue					
Governmental activities	\$ (13,963,946)	\$ (12,265,048)	\$ (11,909,923)	\$ (10,679,969)	\$ (10,479,836)
Business-type activities	<u>2,770,328</u>	<u>2,616,858</u>	<u>1,102,942</u>	<u>3,288,471</u>	<u>2,631,392</u>
Total primary government net expenses	<u>\$ (11,193,618)</u>	<u>\$ (9,648,190)</u>	<u>\$ (10,806,981)</u>	<u>\$ (7,391,498)</u>	<u>\$ (7,848,444)</u>
General Revenues and Other Changes in Net Assets					
Governmental activities					
Taxes					
Property taxes	\$ 5,891,693	\$ 5,898,032	\$ 5,467,439	\$ 5,251,584	\$ 4,835,723
Franchise taxes	977,459	981,170	976,187	989,368	996,518
Sales taxes	4,204,521	4,582,312	3,699,421	3,872,834	3,891,958
Other taxes	45,703	46,381	49,591	50,319	49,676
Payment in lieu of taxes	100,000	100,000	100,000	100,000	100,000
Investment earnings	83,886	87,229	147,868	239,018	506,573
Miscellaneous (loss)	295,794	220	36,672	(23,926)	5,311
Transfers	<u>2,662,842</u>	<u>2,439,847</u>	<u>1,002,840</u>	<u>1,972,734</u>	<u>1,699,969</u>
Total governmental activities	<u>14,261,898</u>	<u>14,135,191</u>	<u>11,480,018</u>	<u>12,451,931</u>	<u>12,085,728</u>
Business-type activities					
Investment earnings	137,410	129,857	78,863	29,285	249,258
Other	-	-	-	-	(5,130)
Transfers	<u>(2,662,842)</u>	<u>(2,439,847)</u>	<u>(1,002,838)</u>	<u>(1,972,734)</u>	<u>(1,699,968)</u>
Total business-type activities	<u>(2,525,432)</u>	<u>(2,309,990)</u>	<u>(923,975)</u>	<u>(1,943,449)</u>	<u>(1,455,840)</u>
Total primary government	<u>\$ 11,736,466</u>	<u>\$ 11,825,201</u>	<u>\$ 10,556,043</u>	<u>\$ 10,508,482</u>	<u>\$ 10,629,888</u>
Changes in Net Assets					
Governmental activities (loss)	\$ 297,952	\$ 1,870,143	\$ (429,905)	\$ 1,771,962	\$ 1,605,892
Business-type activities	<u>244,896</u>	<u>306,863</u>	<u>178,967</u>	<u>1,345,022</u>	<u>1,175,552</u>
Total primary government (loss)	<u>\$ 542,848</u>	<u>\$ 2,177,011</u>	<u>\$ (250,938)</u>	<u>\$ 3,116,984</u>	<u>\$ 2,781,444</u>

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

SCHEDULE 2
(Continued)

	2007	2006	Fiscal Year 2005	2004	2003
\$	(10,047,144)	\$ (9,384,431)	\$ (9,158,912)	\$ (9,791,934)	\$ (9,668,326)
	<u>2,618,231</u>	<u>2,697,635</u>	<u>1,733,709</u>	<u>1,576,009</u>	<u>1,482,555</u>
\$	<u>(7,428,913)</u>	<u>(6,686,796)</u>	<u>(7,425,203)</u>	<u>(8,215,925)</u>	<u>(8,185,771)</u>
\$	4,147,121	\$ 4,012,188	\$ 3,733,214	\$ 3,536,180	\$ 3,732,215
	985,016	1,012,220	1,026,424	1,038,640	980,307
	3,784,310	3,795,341	3,390,122	3,032,676	2,899,006
	44,886	39,183	39,132	27,952	30,606
	100,000	100,000	100,000	100,000	100,000
	391,675	170,314	130,266	90,738	84,724
	693	(30,052)	119	(41,966)	26,204
	<u>2,293,521</u>	<u>1,961,699</u>	<u>1,936,252</u>	<u>1,371,639</u>	<u>1,000,000</u>
	<u>11,747,222</u>	<u>11,060,893</u>	<u>10,355,529</u>	<u>9,155,859</u>	<u>8,853,062</u>
	559,280	603,158	353,232	26,406	35,104
	-	30,775	5,161	18,433	-
	<u>(2,293,522)</u>	<u>(1,961,699)</u>	<u>(1,936,252)</u>	<u>(1,371,639)</u>	<u>(1,000,000)</u>
	<u>(1,734,242)</u>	<u>(1,327,766)</u>	<u>(1,577,859)</u>	<u>(1,326,800)</u>	<u>(964,896)</u>
\$	<u>10,012,980</u>	<u>9,733,127</u>	<u>8,777,670</u>	<u>7,829,059</u>	<u>7,888,166</u>
\$	1,700,078	\$ 1,676,642	\$ 1,196,617	\$ (636,075)	\$ (815,264)
	<u>883,989</u>	<u>1,369,869</u>	<u>155,850</u>	<u>249,209</u>	<u>517,659</u>
\$	<u>2,584,067</u>	<u>3,046,511</u>	<u>1,352,467</u>	<u>(386,866)</u>	<u>(297,605)</u>

CITY OF KINGSVILLE

FUND BALANCES, GOVERNMENTAL FUNDS, LAST TEN FISCAL YEARS

	<u>2003</u>	<u>2004</u>	<u>Fiscal Year 2005</u>	<u>2006</u>	<u>2007</u>
General Fund					
Reserved	\$ 3,380,142	\$ 2,226,519	\$ 1,589,496	\$ 1,035,938	\$ 2,167,647
Unreserved	2,324,845	2,972,504	4,032,056	5,936,909	6,695,729
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Unassigned	-	-	-	-	-
Total general fund	\$ 5,704,987	\$ 5,199,023	\$ 5,621,552	\$ 6,972,847	\$ 8,863,376
All Other Governmental Funds					
Reserved	\$ 48,188	\$ 7,844	\$ 8,699	\$ 9,331	\$ 66,454
Unreserved, reported in:					
Special revenue funds	651,579	33,559	41,016	332,879	793,897
Capital projects funds	487,518	626,779	379,116	343,697	363,062
Debt service funds	364,499	69,062	108,402	274,014	311,414
Restricted					
Debt service funds	-	-	-	-	-
Special revenue funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Unassigned, reported in:					
Special revenue funds	-	-	-	-	-
Total all other governmental funds	\$ 1,551,784	\$ 737,244	\$ 537,233	\$ 959,921	\$ 1,534,827

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

SCHEDULE 3

<u>2008</u>	<u>2009</u>	<u>Fiscal Year 2010</u>	<u>2011</u>	<u>2012</u>
\$ 1,553,672	\$ 445,405	\$ 279,242	\$ -	\$ -
7,643,773	8,209,389	8,441,728	-	-
-	-	-	186,270	208,104
-	-	-	124,067	124,837
-	-	-	4,191,118	4,254,674
-	-	-	5,917,128	6,146,712
<u>\$ 9,197,445</u>	<u>\$ 8,654,794</u>	<u>\$ 8,720,970</u>	<u>\$ 10,418,583</u>	<u>\$ 10,734,327</u>
\$ 28,416	\$ 8,301	\$ 483	\$ -	\$ -
1,521,263	2,187,562	2,434,595	-	-
353,284	3,064,926	702,976	-	-
355,415	397,850	431,185	-	-
-	-	-	654,664	733,821
-	-	-	10,303	451,571
-	-	-	4,349,466	3,066,934
-	-	-	2,509,776	1,681,034
<u>\$ 2,258,378</u>	<u>\$ 5,658,639</u>	<u>\$ 3,569,239</u>	<u>\$ 7,524,209</u>	<u>\$ 5,933,360</u>

CITY OF KINGSVILLE

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

	2003	2004	Fiscal Year 2005	2006	2007
Revenues					
Property Taxes	\$ 3,816,412	\$ 3,569,222	\$ 3,804,469	\$ 4,141,313	\$ 4,266,405
Taxes-other	4,175,064	4,463,397	4,743,894	5,137,441	5,126,365
Licenses, fees, and permits	592,442	803,815	226,716	172,814	189,269
Fines and penalties	1,167,684	803,192	1,163,398	1,844,000	2,230,194
Charges for services	2,840,098	3,080,519	3,128,451	3,211,482	3,225,782
Special assessment	40,500	3,029	240	-	3,966
Intergovernmental	968,481	709,566	455,182	174,136	211,535
Investment earnings/other	118,869	127,253	202,335	282,200	511,883
Donations	-	176,146	3,299	2,890	1,842
Total revenues	<u>13,719,530</u>	<u>13,736,139</u>	<u>13,727,984</u>	<u>14,966,276</u>	<u>15,767,241</u>
Expenditures					
General government	2,410,041	2,947,294	2,357,112	2,398,046	2,673,852
Public safety	7,409,439	6,265,404	6,644,503	6,703,918	7,411,077
Public works	4,738,879	4,113,344	3,472,610	3,561,348	3,291,447
City/county	687,404	674,392	672,019	655,411	686,184
Tourism	265,401	264,132	288,215	290,697	312,153
Other	71,161	248,936	60,258	2,532	-
Capital Outlay	-	-	-	-	-
Debt Service					
Interest	316,527	462,722	411,195	378,281	362,456
Principal	925,000	1,045,000	885,000	910,000	975,000
Total expenditures	<u>16,823,852</u>	<u>16,021,224</u>	<u>14,790,912</u>	<u>14,900,233</u>	<u>15,712,169</u>
Excess of revenues over (under) expenditures	<u>(3,104,322)</u>	<u>(2,285,085)</u>	<u>(1,062,928)</u>	<u>66,043</u>	<u>55,072</u>
Other Financing Sources (uses)					
Gain on Sale of Assets					
Lease Proceeds	-	-	-	-	-
Bonds issued	5,223,000	-	-	450,000	1,200,000
Bond Issuance Costs	-	-	-	-	-
Bond Issuance Premium	-	-	-	-	-
Refunding bonds issued	-	-	-	-	-
Transfers in	1,107,971	1,131,652	1,340,861	1,338,041	1,250,000
Transfers out	(107,971)	(134,786)	(56,280)	(88,041)	-
Total other financing sources (uses)	<u>6,223,000</u>	<u>996,866</u>	<u>1,284,581</u>	<u>1,700,000</u>	<u>2,450,000</u>
Net change in fund balances	<u>\$ 3,118,678</u>	<u>\$ (1,288,219)</u>	<u>\$ 221,653</u>	<u>\$ 1,766,043</u>	<u>2,505,072</u>
Debt services as a percentage of noncapital expenditures	7.38%	9.41%	8.76%	8.65%	8.51%

SCHEDULE 4

	2008	2009	2010	2011	2012
\$	4,940,897	\$ 5,303,987	\$ 5,268,890	\$ 5,998,518	6,019,795
	5,359,785	5,354,064	5,448,277	6,093,287	5,769,313
	210,267	217,657	194,004	175,386	185,708
	2,519,475	2,521,442	1,990,136	1,975,760	1,367,469
	3,585,591	4,017,155	4,106,546	4,245,457	4,453,626
	-	-	19,910	45,192	15,725
	240,829	463,770	544,351	548,805	326,628
	628,723	314,091	209,382	273,989	178,110
	-	1,890	2,007	220	295,794
	<u>17,485,567</u>	<u>18,194,056</u>	<u>17,783,503</u>	<u>19,356,614</u>	<u>18,612,168</u>
	2,461,771	2,675,542	2,998,296	3,519,126	3,406,264
	8,848,662	8,176,498	8,251,125	9,470,845	9,221,523
	3,772,521	6,377,218	6,440,127	4,360,930	5,447,175
	710,931	859,333	750,783	813,991	773,413
	421,633	440,694	420,379	484,470	389,081
	-	53,376	37,237	37,053	17,187
	-	-	-	-	-
	374,201	1,760,000	1,590,000	291,020	536,062
	<u>1,270,000</u>	<u>2,156,860</u>	<u>428,796</u>	<u>1,453,000</u>	<u>1,266,933</u>
	<u>17,859,719</u>	<u>22,499,521</u>	<u>20,916,743</u>	<u>20,430,435</u>	<u>21,057,638</u>
	<u>(374,152)</u>	<u>(4,305,465)</u>	<u>(3,133,240)</u>	<u>(1,073,821)</u>	<u>(2,445,470)</u>
	181,772	-	-	11,000	58,500
	-	4,270,000	-	5,385,040	-
	-	(175,273)	-	-	-
	-	128,181	-	80,361	-
	-	1,890,000	-	-	-
	1,250,000	2,211,690	1,684,912	1,682,936	1,677,920
	-	(957,037)	(574,890)	(432,936)	(427,920)
	<u>1,431,772</u>	<u>7,367,561</u>	<u>1,110,022</u>	<u>6,726,401</u>	<u>1,308,500</u>
\$	<u>1,057,620</u>	<u>3,062,096</u>	<u>(2,023,218)</u>	<u>5,652,580</u>	<u>(1,136,970)</u>
	9.21%	17.41%	9.65%	8.54%	8.56%

CITY OF KINGSVILLE

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

SCHEDULE 5

Fiscal Year	Real Property	Mineral Property	Personal Property	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value
2003	473,289,371	19,935,752	60,834,420	62,248,898	491,810,645	0.70527	554,059,543
2004	483,998,442	21,427,249	58,866,750	61,340,271	502,952,170	0.68510	564,292,441
2005	494,578,206	21,411,787	70,088,910	67,093,679	518,985,224	0.70196	586,078,903
2006	518,890,658	24,066,085	70,375,100	65,948,903	547,382,940	0.71000	613,331,843
2007	560,137,513	29,501,037	79,767,230	70,371,329	599,034,451	0.68544	669,405,780
2008	575,350,800	31,069,213	78,941,550	68,941,277	616,420,286	0.76780	685,361,563
2009	600,156,971	28,662,138	76,930,280	66,981,930	638,767,459	0.80187	705,749,389
2010	629,910,921	31,453,548	76,203,240	66,282,243	671,285,466	0.80187	737,567,709
2011	649,713,780	31,463,010	70,658,350	69,436,322	682,398,818	0.84220	751,835,140
2012	660,216,670	24,266,424	72,655,450	73,884,909	683,253,635	0.84220	757,138,544

Source: Kleberg County Tax Assessor Office

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

CITY OF KINGSVILLE

SCHEDULE 6

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

Fiscal Year	City Direct Rates			Overlapping Rates		
	Basic Rate	General Obligation Debt Service	Total Direct Rate	School District	County	STWA
2003	0.44399	0.26128	0.70527	1.62000	0.69070	0.11500
2004	0.42980	0.25530	0.68510	1.62637	0.63192	0.05543
2005	0.44924	0.25272	0.70196	1.59449	0.60779	0.05543
2006	0.45633	0.25367	0.71000	1.60032	0.60779	0.05516
2007	0.46453	0.22091	0.68544	1.45303	0.57100	0.05471
2008	0.50040	0.26740	0.76780	1.40529	0.64640	0.05688
2009	0.54154	0.26033	0.80187	1.33925	0.67530	0.05590
2010	0.56672	0.23515	0.80187	1.32165	0.67546	0.05731
2011	0.62543	0.21677	0.84220	1.35520	0.69546	0.06189
2012	0.63752	0.20468	0.84220	1.46380	0.75100	0.06189

Source: Kleberg County Tax Assessor Office

CITY OF KINGSVILLE

PRINCIPAL PROPERTY TAX PAYERS,
CURRENT YEAR AND NINE YEARS AGO

SCHEDULE 7

Taxpayer	2012			2003		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
AEP Texas Central Company	10,269,870	1	1.50%	-	-	-
Wal-Mart Stores East LP	7,790,360	2	1.14%	6,959,410	1	1.42%
Kingsville Two	6,876,800	3	1.01%	3,506,650	7	0.71%
Eddie Yaklin Ford Lincoln Mercury Ltd.	6,836,240	4	1.00%	3,376,060	8	0.69%
HBC Holding LTD.	6,829,380	5	1.00%	-	-	-
Collegiate Kingsville Partners L.P.	6,387,370	6	0.93%	-	-	-
Wal-Mart Stores Inc.	5,555,450	7	0.81%	5,636,860	4	1.15%
HEB Grocery Inc	4,698,090	8	0.69%	5,196,090	5	1.06%
Lowe's Home Center, Inc.	4,296,710	9	0.63%	-	-	-
Yaklin Eddie L	4,112,500	10	0.60%	-	-	-
Southwestern Bell Telephone Co.	-	-	-	6,666,760	3	1.36%
Alpha Lake Ltd	-	-	-	2,933,370	9	0.60%
Central Power & Light	-	-	-	6,879,080	2	1.40%
Kingsville Bordeaux, Ltd.	-	-	-	2,406,600	10	0.49%
Christus Spohn Hospital	-	-	-	3,962,410	6	0.81%
Total	\$ 63,652,770		9.32%	\$ 47,523,290		9.66%

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
2003	3,429,931	3,237,999	94.4%	174,080	3,412,079	99.48%
2004	3,447,050	3,250,187	94.3%	173,927	3,424,114	99.33%
2005	3,653,715	3,455,881	94.6%	158,538	3,614,419	98.92%
2006	3,886,219	3,726,279	95.9%	139,111	3,865,390	99.46%
2007	4,136,029	3,911,104	94.6%	179,197	4,090,301	98.89%
2008	4,734,428	4,530,260	95.7%	145,866	4,676,126	98.77%
2009	5,207,851	4,990,889	95.8%	146,321	5,137,210	98.64%
2010	5,385,014	5,174,338	96.1%	136,711	5,311,049	98.63%
2011	5,759,638	5,557,746	96.5%	82,532	5,640,278	97.93%
2012	5,751,687	5,564,076	96.7%	-	5,564,076	96.74%

Source: Kleberg County Tax Assessor Office

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

CITY OF KINGSVILLE
TAXABLE SALES BY CATEGORY,
LAST TEN CALENDAR YEARS
(DOLLARS IN THOUSANDS)

	Fiscal Year				
	2003	2004	2005	2006	2007
Building materials, hardware, etc.	\$ 9,891	\$ 19,611	\$ 18,040	\$ 19,277	\$ 20,422
General merchandise	46,093	45,251	45,847	48,006	48,275
Food stores	11,039	11,074	11,832	12,052	13,915
Automotive dealers and gasoline	15,866	16,005	16,104	18,875	18,190
Apparel and accessory stores	3,738	3,698	4,388	4,597	4,207
Home furniture, furnishing, and equipment	3,944	3,982	3,993	3,223	4,252
Eating and drinking places	24,131	27,694	28,526	30,359	32,427
All other outlets	12,783	12,931	13,934	16,028	17,996
Total	\$ <u>127,485</u>	\$ <u>140,246</u>	\$ <u>142,664</u>	\$ <u>152,417</u>	\$ <u>159,684</u>
City direct sales tax rate	1.5%	1.5%	1.5%	1.5%	1.5%

Source: Texas Comptroller of Public Accounts

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

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

SCHEDULE 9

	Fiscal Year				
	2008	2009	2010	2011	2012
\$	22,706	\$ 21,737	\$ 22,382	\$ 12,245	\$ 18,895
	50,463	47,022	45,818	21,717	33,299
	15,702	16,560	16,567	8,408	13,121
	19,162	20,223	20,460	10,622	17,690
	3,775	4,570	4,620	2,547	4,082
	860	2,647	-	-	1,590
	36,009	35,430	37,059	19,921	32,605
	18,062	15,014	15,472	7,344	11,342
\$	<u>166,739</u>	\$ <u>163,203</u>	\$ <u>162,378</u>	\$ <u>82,804</u>	\$ <u>132,624</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>
2003	1.00%	0.50%	0.50%	6.25%
2004	1.00%	0.50%	0.50%	6.25%
2005	1.00%	0.50%	0.50%	6.25%
2006	1.00%	0.50%	0.50%	6.25%
2007	1.00%	0.50%	0.50%	6.25%
2008	1.00%	0.50%	0.50%	6.25%
2009	1.00%	0.50%	0.50%	6.25%
2010	1.00%	0.50%	0.50%	6.25%
2011	1.00%	0.50%	0.50%	6.25%
2012	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
2003	10,903,000	590,000	76,177	1,370,000	1,222,000
2004	7,683,000	300,000	45,352	1,250,000	3,687,000
2005	7,408,000	-	13,970	1,125,000	15,042,000
2006	7,273,000	-	-	990,000	13,897,000
2007	7,403,000	-	-	845,000	13,612,000
2008	6,524,208	-	181,772	695,000	12,935,792
2009	6,293,192	-	159,036	540,000	15,421,808
2010	5,335,990	-	135,299	370,000	14,484,007
2011	9,556,290	-	110,518	190,000	18,503,710
2012	8,899,248	-	84,647	-	17,400,752

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>
14,161,177	2.59%	537.81
12,965,852	2.34%	490.91
23,588,970	4.12%	890.86
22,160,000	3.83%	835.22
21,860,000	3.53%	817.10
20,336,772	3.05%	760.54
22,414,036	2.79%	797.79
20,325,296	3.08%	723.29
28,360,518	3.53%	861.08
26,384,647	3.79%	779.04

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

SCHEDULE 12

Fiscal Year	<u>General Bonded Debt Outstanding</u>		Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds			
2003	10,903,000		1.9700%	414.07
2004	7,683,000		1.3600%	290.89
2005	7,408,000		1.2600%	279.77
2006	7,273,000		1.1900%	274.12
2007	7,403,000		1.1100%	276.72
2008	6,524,208		0.9500%	243.60
2009	6,293,192		0.8900%	234.72
2010	5,335,990		0.7200%	203.56
2011	9,556,290		1.3980%	362.90
2012	8,899,248		1.3045%	327.24

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, 2012

SCHEDULE 13

	<u>Net Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Governmental Unit			
Debt repaid with property taxes			
Kingsville ISD	\$ 68,064,993	100%	\$ 68,064,993
Kleberg County	5,425,000	50%	2,712,500
South Texas Water Authority	-	0%	-
Subtotal, overlapping debt			<u>70,777,493</u>
City direct debt; Bonds			8,901,626
Capital leases			<u>84,647</u>
Total direct and overlapping debt			<u>\$ 79,763,766</u>

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

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

CITY OF KINGSVILLE

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

	<u>2003</u>	<u>2004</u>	<u>Fiscal Year 2005</u>	<u>2006</u>	<u>2007</u>
Debt limit	\$ 123,782,082	\$ 125,781,620	\$ 129,498,770	\$ 136,836,546	\$ 150,649,270
Total net debt applicable to limit	<u>11,118,807</u>	<u>10,378,938</u>	<u>9,454,598</u>	<u>9,315,986</u>	<u>7,091,586</u>
Legal debt margin	\$ <u>112,663,275</u>	\$ <u>115,402,682</u>	\$ <u>120,044,172</u>	\$ <u>127,520,560</u>	\$ <u>143,557,684</u>
Total net debt applicable to the limit as a percentage of debt limit	8.98%	8.25%	7.30%	6.81%	4.71%

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

	2008	2009	Fiscal Year 2010	2011	2012
\$	163,120,473	\$ 162,365,819	\$ 184,391,927	\$ 187,958,785	\$ 189,284,636
	<u>6,168,793</u>	<u>5,895,349</u>	<u>4,904,805</u>	<u>8,901,626</u>	<u>8,165,426</u>
\$	<u>156,951,680</u>	<u>156,470,470</u>	<u>179,487,122</u>	<u>179,057,159</u>	<u>181,119,210</u>
	3.78%	3.63%	2.66%	4.74%	4.31%

Legal Debt Margin Calculation for Fiscal Year 2012

Assessed Value		\$	<u>757,138,544</u>
Debt limit (25% of assessed value)			<u>189,284,636</u>
Debt applicable to limit:			
General obligation bonds	\$	8,899,248	
Less: Amount set aside for repayment of general obligation debt		<u>733,822</u>	
Total net debt applicable to limit			<u>8,165,426</u>
Legal debt margin		\$	<u>181,119,210</u>

CITY OF KINGSVILLE
PLEGDED-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	
2003	5,035,993	3,477,154	1,558,839	115,000	119,047	6.66
2004	5,195,633	3,842,774	1,352,859	120,000	121,562	5.60
2005	6,086,253	3,634,213	2,452,040	240,000	324,670	4.34
2006	6,605,466	3,482,212	3,123,254	505,000	583,460	2.87
2007	6,375,409	3,329,444	3,045,965	525,000	556,922	2.82
2008	7,285,503	3,820,260	3,465,243	435,000	480,813	3.78
2009	8,193,448	4,253,942	3,939,506	455,000	521,378	4.03
2010	6,500,945	4,012,820	2,488,125	475,000	503,192	2.54
2011	7,880,275	4,458,425	3,421,850	487,000	601,778	3.14
2012	8,394,262	7,021,804	1,372,458	683,067	620,735	1.05

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	
2003	-	-	-	-	-	-
2004	3,202,724	1,592,760	1,609,964	310,000	97,792	3.95
2005	2,892,724	1,642,222	1,250,502	325,000	85,065	3.05
2006	2,799,958	1,784,879	1,015,079	325,000	87,048	2.46
2007	2,851,654	1,487,099	1,364,555	335,000	75,023	3.33
2008	3,036,568	1,936,988	1,099,580	391,209	80,436	2.33
2009	3,510,389	1,840,539	1,669,850	808,000	62,241	1.92
2010	3,572,534	2,408,876	1,163,658	632,801	163,422	1.46
2011	3,642,049	2,669,749	972,300	288,256	144,941	2.24
2012	3,815,313	2,417,443	1,397,870	609,892	101,135	1.97

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**SCHEDULE 16****DEMOGRAPHIC AND ECONOMIC STATISTICS,
LAST TEN CALENDAR YEARS**

Calendar Year	Population	Personal Income (thousands of dollars)	Per Capita Personal Income	Median Age	Education Level in Years of Schooling	School Enrollment	Unemployment Rate
2003	26,331	546,289	20,747	28.3	N/A	4,620	6.2%
2004	26,412	554,705	21,002	28.3	N/A	4,541	6.0%
2005	26,479	572,794	21,632	28.3	N/A	4,339	5.0%
2006	26,532	578,636	21,809	28.4	N/A	4,246	4.2%
2007	26,753	619,025	24,761	27.9	N/A	4,156	4.4%
2008	26,782	619,952	26,740	27.8	N/A	4,026	4.5%
2009	26,812	625,497	28,095	29.2	N/A	3,999	6.4%
2010	26,213	626,305	28,101	27.9	N/A	3,729	6.7%
2011	26,333	1,000,382 *	32,936	27.6	N/A	3,533	6.5%
2012	26,417	1,001,268	33,868	27.4	N/A	3,821 **	4.8%

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

** Number does not include Santa Gertrudis ISD

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	2012			2003		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Naval Air Station (Military)	1,834	1	13.77%	1,792	1	6.81%
Texas A&M - Kingsville	1,500	2	11.27%	1,118	2	4.25%
Kingsville I.S.D	651	3	4.89%	763	3	2.90%
King Ranch	376	4	2.82%	325	8	1.23%
Wal-Mart	307	5	2.30%	373	7	1.42%
Spohn Kleberg Memorial Hospital	300	6	2.25%	391	6	1.48%
Border Patrol	300	7	2.25%	123	10	0.47%
Hoechst Celanese	290	8	2.18%	511	4	1.94%
Kleberg County	275	9	2.07%	-	-	-
City of Kingsville	260	10	1.95%	-	-	-
HEB Grocery	-	-	-	160	9	0.61%
Mundy Corporation	-	-	-	-	-	-
Calling Solutions	-	-	-	470	5	1.78%
	-	-	-	-	-	-
Total	<u>6,093</u>		<u>45.75%</u> \$	<u>6,026</u>		<u>22.89%</u>

Source: Chamber of Commerce

Reference the denominator for the % amount

CITY OF KINGSVILLE

SCHEDULE 18

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

	Full-Time Equivalent Employees									
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
City Commission	5	5	5	5	5	5	5	5	5	5
General Government	36	37	37	37	33	33	27	33	29	33
Fire	33	33	33	30	33	33	33	31	32	31
Health	12	12	12	12	11	12	12	12	12	12
Library	10	10	10	10	8	8	8	8	9	9
Police	67	67	67	67	63	60	63	62	64	64
Public Works	97	99	98	99	97	96	97	94	95	94
Task Force	<u>12</u>	<u>13</u>	<u>13</u>	<u>12</u>	<u>11</u>	<u>12</u>	<u>10</u>	<u>10</u>	<u>12</u>	<u>12</u>
Total	<u>272</u>	<u>276</u>	<u>275</u>	<u>272</u>	<u>261</u>	<u>259</u>	<u>255</u>	<u>255</u>	<u>258</u>	<u>260</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	2003	2004	Fiscal Year 2005	2006	2007
General government					
Building permits issued	2,063	2,186	2,821	2,523	2,355
Building inspections conducted	-	-	-	1,337	1,477
Police					
Physical arrest	2,433	1,838	1,902	1,791	2,208
Parking violations	37	29	16	70	158
Traffic violations	3,947	2,829	2,449	4,334	5,561
Fire					
Emergency responses	2,113	1,980	1,883	1,973	2,108
Fire extinguishers	359	338	363	424	438
Inspections	189	374	376	234	300
Refuse Collections					
Refuse collected (tons per day; 365)	68	80	97	76	76
Recyclables collected (tons per day; 365)	1	0	1		1
Other public works					
Street resurfacing (miles)	-	4	4	3	6
Potholes repaired	-	2,100	2,200	2,000	1,900
Parks and recreation					
Athletic field permits issued					
Community center admissions					
Library					
Volumes in collection	58,300	59,973	61,648	63,086	65,306
Total volumes borrowed	48,306	51,784	51,791	53,209	56,446
Health					
Environmental Health		16,861	16,298	17,670	17,153
Consumer Health		2,329	1,984	1,854	2,222
Weed Control		2,964	2,533	3,224	2,575
Animal Control		6,516	7,406	7,925	7,484
Water					
New connections	38	80	45	45	99
Water main breaks	377	334	415	537	780
Average daily consumption (thousands of gallons)	3,412	3,184	3,184	3,579	3,059
Peak daily consumption (thousands of gallons)	4,615	4,420	4,987	4,955	4,462
Wastewater					
Average daily sewer treatment (thousands of gallons)	2,000	2,000	2,000	2,000	2,000

Sources: Various City Departments

SCHEDULE 19

2008	2009	Fiscal Year 2010	2011	2012
2,301	2,349	1,997	1,964	2,392
1,934	1,575	1,324	1,654	2,267
1,829	1,955	1,999	2,590	1,519
111	78	39	47	243
3,796	3,066	3,416	4,611	3,240
2,159	2,831	2,990	2,214	2,797
521	546	600	398	460
409	412	480	383	462
82	82	127	70	74
1	1	1	1	1
4	3	3	3	2
2,900	4,900	4,900	5,000	2,400
66,015	64,749	65,013	59,245	58,503
50,526	48,643	49,012	45,420	47,997
5,028	1,770	1,742	1,763	1,846
2,440	2,519	2,464	2,348	1,833
2,527	2,401	2,569	2,915	2,827
10,956	8,535	6,748	8,681	9,220
50	31	25	28	48
445	608	556	339	244
3,447	3,836	3,076	3,818	4,036
4,778	5,300	5,451	5,633	5,554
1,700	2,100	2,200	1,800	2,200

CITY OF KINGSVILLE

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM LAST TEN FISCAL YEARS

<u>Function/Program</u>	<u>2003</u>	<u>2004</u>	<u>Fiscal Year 2005</u>	<u>2006</u>	<u>2007</u>
Police					
Stations	1	1	1	1	1
Patrol units	63	63	54	53	45
Fire stations	2	2	2	2	2
Refuse collections					
Collection trucks	15	18	18	18	18
Other public works					
Street (miles)	104	104	105	106	106
Highway (miles)					
Streetlights	-	-	546	554	554
Traffic signals	4	4	4	4	4
Parks and recreation					
Acreage	195	195	195	195	195
Playgrounds	9	9	9	9	9
Baseball/Softball diamonds	12	12	12	12	12
Soccer/football fields	12	12	12	12	12
Community centers	2	2	2	2	2
Water					
Water mains (miles)	113	113	115	116	116
Fire hydrants	674	681	686	692	692
Storage capacity (thousands of gallons)	9,594	9,594	9,594	9,679	9,679
Wastewater					
Sanitary sewers (miles)	91	91	92	95	95
Storm sewers (miles)	16	16	16	16	16
Treatment capacity (thousand of gallons)	4,000	4,000	4,000	4,000	4,000

Sources: Various city departments

SCHEDULE 20

<u>2008</u>	<u>2009</u>	<u>Fiscal Year 2010</u>	<u>2011</u>	<u>2012</u>
1	1	1	1	1
43	47	48	55	64
2	2	2	2	2
18	20	16	13	13
106	113	121	121	121
554	569	569	584	584
4	4	4	4	4
195	195	195	195	195
9	9	9	9	9
12	12	12	12	12
12	12	12	12	12
2	2	2	2	2
116	116	117	123	120
696	705	801	812	808
9,764	9,764	9,764	9,764	9,764
96	96	97	97	98
16	16	16	16	16
4,000	4,000	4,000	4,000	6,000



OTHER
SUPPLEMENTARY
INFORMATION

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

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Independent Auditor's Report

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

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, each major fund, and the aggregate remaining fund information of City of Kingsville as of and for the year ended September 30, 2012, which collectively comprise the City of Kingsville's basic financial statements and have issued our report thereon dated April 26, 2013. 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

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as item(s) 2012-1 to 2012-3, that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Kingsville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item(s) 2012-4.

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 cursive script, appearing to read "John Womack, P.C.", written in dark ink.

John Womack & Company, P.C.
April 26, 2013

CITY OF KINGSVILLE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED SEPTEMBER 30, 2012

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

One or more material weaknesses identified?

____ Yes X No

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

____ 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

2012-1 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:

Over the past several years, there have been continual changes and turnover in the accounting department which has resulted in continual training in personnel. This trend continued with the turnover in the Accounting Manager and Accountant II position in Fiscal Year 2012.

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. In Fiscal Year 2013, the City has taken an aggressive strategy in attracting and retaining the financial personnel necessary. An assertive effort is being made to realign the Finance Office staff salaries with the marketplace. The Accountant II position will be replaced with an Accounting Supervisor and an Assistant Finance Director position has been added. This additional staff should assist in continuing to improve this aspect of our business

CITY OF KINGSVILLE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED SEPTEMBER 30, 2012

2012-2 Internal Control - Reporting

Condition:

Two awards, for \$78,537 and \$44,151, were erroneously recorded as revenue in prior years, but were not actually awarded by the court until the current fiscal year.

Criteria:

Seized funds are recorded as liabilities until the related court case is settled, and the funds released to the Task Force by the Court.

Cause:

Inaccurate Listing of Pending Cases and related seized funds.

Effect:

Revenue was overstated in prior year, and the related liability was understated.

Recommendation:

We recommend more accurate tracking of all pending cases, with a higher level of review of the detailed listing.

Client Response/Corrective Action:

In the latter part of Fiscal Year 2012, the City has implemented a new system of tracking all pending cases which provides much more detailed information on each case and is submitted to the Finance Director by the Task Force Commander on a regular basis. It was this improved listing which enabled the prior error to be discovered and corrected.

2012-3 Internal Control - New Employees Incorporated into Payroll

Condition:

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

Criteria:

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

Cause:

Lack of segregation of duties in this area.

Effect/Potential Effect:

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

Recommendation:

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

CITY OF KINGSVILLE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED SEPTEMBER 30, 2012

Client Response/Corrective Action:

The City is implementing a new bio-metric payroll/human resources system in Fiscal Year 2013. As an additional internal control, Human Resources Department will eventually be responsible for entering new employees, changes in employee hourly rates, and terminations into the payroll system.

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

2012-4 State Compliance - Public Funds Investment Act

Condition:

The City Manager and Accounting Manager, as Investment Officers, do not have the education/training hours required by the City's Investment Policy and the Public Funds Investment Act.

Criteria:

The Public Funds Investment Officers, as named in the City's Investment Policy, are required by the Public Funds Investment Act to obtain ten hours of education/training hours not less than once every two-year period. Proof of this education/training is to be kept on file.

Cause:

The Public Funds Investment Act had been misinterpreted, and only the Finance Director had been receiving this education/training.

Effect:

The Finance Director is the only employee that has received this training. In his absence, no other employee would have the proper education/training to cover the investment activities of the City. In addition, this is a violation of the State law.

Perspective Information:

The City only invests in Certificates of Deposit and Money Market accounts. There are no complex investment strategies.

Recommendation:

We recommend the City Manager and Accounting Manager begin immediately to acquire their education/training requirements.

Client Response/Corrective Action:

The City Manager and Accounting Manager will acquire and maintain the Public Funds Investment Act education/training as required.

C. Federal Award Findings and Questioned Costs

NONE

CITY OF KINGSVILLE**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
<p>2011-1 Internal Control - Reconciliation of Asset and Liability Accounts</p> <p>Condition: The City has not reconciled certain asset and liability accounts on a timely basis during the year or at year-end.</p> <p>Criteria: Asset and liability accounts should be reconciled timely and all related journal entries made on a timely basis.</p> <p>Cause: The City experienced staffing changes and turnover in the accounting department in 2009 and 2010, and are continuing to train 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>Not Implemented</p>	<p>The City has had personnel turnover in key positions, and has hired a new Accounting Manager. In addition, the City plans to hire an Assistant Finance Director to enable the timely completion of these key tasks.</p>

CITY OF KINGSVILLE
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2012

2012-1 Internal Control - Reconciliation of Assets and Liability Accounts

The City concurs with this finding, and has made improvements in this area. In Fiscal Year 2013, the City has taken an aggressive strategy in attracting and retaining the financial personnel necessary. An assertive effort is being made to realign the Finance Office staff salaries with the marketplace. The Accountant II position will be replaced with an Accounting Supervisor and an Assistant Finance Director position has been added. This additional staff should assist in continuing to improve this aspect of our business.

2012-2 Internal Control - Reporting

In the latter part of Fiscal Year 2012, the City has implemented a new system of tracking all pending cases which provides much more detailed information on each case and is submitted to the Finance Director by the Task Force Commander on a regular basis. It was this improved listing which enabled the prior error to be discovered and corrected.

2012-3 Internal Control - New Employees Incorporated into Payroll

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2012-4 State Compliance - Public Funds Investment Act

The City Manager and Accounting Manager will acquire and maintain the Public Funds Investment Act education/training as required.