

CITY OF INGLESIDE, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2012

PREPARED BY

**City of Ingleside
City Manager**

**Jim Gray
City Manager**

**CITY OF INGLESIDE, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

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INTRODUCTORY SECTION



December 27, 2012

The Honorable Mayor, City Council and City Manager
City of Ingleside
Ingleside, Texas

This report represents the Annual Financial Report for the City of Ingleside, Texas for the fiscal year ended September 30, 2012.

This report is published to provide the City Council, City Staff, our citizens, our bondholders and other interested parties with detailed information concerning the financial condition and activities of the City government. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City.

To the best of our knowledge and belief, the enclosed data is accurate in all material respects, and is organized in a manner designed to fairly present the financial position and results of operations of the City as measured by the financial activity of its various funds. We also believe that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

The City Staff is pleased to submit the Annual Financial Report for the City of Ingleside, Texas, for the fiscal year ended September 30, 2012.

THE REPORT

This report is presented in three sections: Introductory, Financial and Statistical. The Introductory Section includes this transmittal letter, a listing of the City Officials, and an organizational chart. The Financial Section includes a Management Discussion and Analysis (MD&A), basic financial statements and combining and individual fund statements and schedules, as well as the Independent auditors' report on the basic financial statements. This letter of transmittal is designed to complement and should be read in conjunction with the MD&A. The City of Ingleside's MD&A can be found immediately following the report of the independent auditors. The Statistical Section includes financial and demographic information, usually presented on a multi-year basis that is relevant to a financial statement reader.

The City of Ingleside's financial statements have been audited by Ernest R. Garza & Company, P.C.; a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Ingleside for the fiscal year ending September 30, 2012 are free of material misstatement. The independent audit involves 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 the fiscal year ending September 30, 2012 financial statements to be considered to be fairly presented in conformity with generally accepted accounting principles for governments as prescribed by the Governmental Accounting Standards Board and other professional promulgations, as applicable.

CITY PROFILE

Location

The City of Ingleside is the second largest city in population in San Patricio County. Located on the eastern tip of San Patricio County, Ingleside is 18 miles from Corpus Christi, about 150 miles south of San Antonio and 225 miles southwest of Houston. The City encompasses approximately 16.0 square miles of land within the City's corporate boundary. Ingleside is about 35% developed.

The City of Ingleside, Texas, (the "City") was incorporated on June 18, 1951 under the provisions of the laws for the State of Texas. The City operates under a charter with a Council-Manager type of government where the Mayor and six Council members are elected on a rotating schedule. Members are elected under a place format. The City Council and Mayor are responsible for enacting ordinances, resolutions, and regulations governing the City, appointing members of various statutory and advisory boards, the City Manager is responsible for enforcement of laws and ordinances, and appoints and supervises the heads of departments of the City organization.

Services Provided

Services provided by the City under the general governmental functions include police and fire protection, street maintenance, library services, public improvements, planning and zoning, engineering, traffic control, parks operation and maintenance, code enforcement, and general and administrative services. A private firm provides solid waste collection and disposal services under a contract with the City. In addition, water and sewer services are provided under an Enterprise Fund concept, with user charges set by the City Council to ensure adequate coverage of operating expenses, payments on outstanding debt and reserves.

The Ingleside Development Corporation (IDC) is considered to be a blended component unit of the City. A seven-member board of directors, of which four may be active council members, governs this legally separate entity. The function of the IDC is to oversee the appropriations of funds collected under the special sales tax for economic development, including the payment of debt service for the projects approved by the voters for the purpose. The operational and capital budget must be approved by the City Council.

Accounting System and Budgetary Control

The City's accounting records for governmental operations are maintained on a modified accrual basis, with the revenues being recorded when available and measurable, expenditures being recorded when the services or goods are received, and the liabilities are incurred. Accounting records for the City's utilities and other proprietary activities are maintained on the accrual basis.

In developing and maintaining the City's accounting system, consideration is given to the adequacy of the internal control structure. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining

accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the City's current internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The City Charter provides that on or before the sixth of August, the City Manager submits to the City Council a proposed budget and budget message to the City Council for the fiscal year commencing the following October 1. The budget message is the responsibility of the City Manager. The City Council shall review the proposed budget and make any appropriate changes prior to publishing the final budget. The budget is legally enacted through passage of an ordinance on or before September 20. The City Manager is authorized to transfer budgeted amount within departments; however, any revisions that alter the total expenditures of a department must be approved by the City Council. The City Manager has been authorized, by ordinance and by adoption of the City Council, to expend limited amounts which are included within the budget. Expenditures over \$50,000 require authorization by the City Council.

Budgetary control has been established at the individual fund level. Financial reports are produced showing budget and actual expenditures by line item for the current month and year-to-date and are distributed monthly to City department supervisors as well as to others upon request.

Individual line items are reviewed and analyzed for budgetary compliance. Personnel expenditures are monitored and controlled at a position level and capital expenditures are monitored and controlled item by item.

Following the Spring 2006 liquidity crisis, the City Council adopted certain financial goals for the City in order to create a better financial foundation and to improve the City's bond rating. These goals are basically to accumulate 25% of the City's annual general and utility expenditures in reserve and to re-establish the City's Utility Bond Reserves. The bond reserves were reestablished within a year of the adoption of these goals. And, the City's steady and deliberate progress towards these goals has resulted in three consecutive upgrades of the City's bond ratings as published by Standard & Poor. The most recent upgrade occurred on July 12, 2010 when the City's bond rating was changed from A- to A. In August 2011, the City issued Certificate of Obligations Series 2011 with a coupon rate of 3.12% for utility system projects. In addition, as of September 30, 2012, the General Fund - fund balance was \$1,361,627 and the Utility Fund unrestricted net assets were \$4,304,692. In addition to these amounts, the City has established and funded a capital improvement fund.

ECONOMIC OUTLOOK AND FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

Regional Economy

San Patricio County is located at the center of the Corpus Christi Bay Area on the Gulf of Mexico. Linked to Corpus Christi by the Harbor Bridge, the County is part of a three county MSA, which celebrates being the industrial area in the nation that has clean air, healthy bays and estuaries and sufficient water supplies. Coupled with abundant land and a young workforce, San Patricio is poised to be the center of growth in the region. Rail and interstate highway connectivity also link San Patricio County to Mexican and U.S. markets.

As a bedroom community to the larger City of Corpus Christi, which is to our south, our economic development is largely dependent on the growth of our industrial partners. Housing sales have remained steady in contrast to the national trend. Ingleside's housing remains affordable and in most cases is close to 25% less than a comparable property in neighboring metropolitan Corpus Christi.

The following facts reflect upon Ingleside's economic condition and outlook:

- Ingleside is the second largest city in San Patricio County, with ample space for additional growth.
- Home construction continues at a moderate pace.
- Ingleside and its adjacent lands continue to serve as plant locations for some of the nation's largest corporations:
 - Kiewit Offshore Services
 - Dupont
 - Gulf Marine Fabricators
 - OxyChem
 - Air Liquide America LP
 - Helix Energy Corporation
 - Tianjin Pipe Company
- Total taxable value for all residential and commercial property in the City of Ingleside exceeded \$371.6 million for fiscal year 2012, a 2.61% increase from the previous year.
- Total sales tax collections have increased over the prior fiscal year as it has for most Texas cities. The overall industrial growth of the area is considered to be major factor.

Ingleside's median household effective buying income of \$49,881 compares favorably at \$48,389 for San Patricio County and unfavorably for Texas at \$50,920.

Current Economic Outlook and New Developments

Ingleside's general economy has been stable in spite of the closure of Naval Station Ingleside. Although the City's budget required significant adjustment as a result of the decrease in utility revenue and sales tax collection resulting from the closure, those factors were assimilated into the City's operating budgets. These reductions were made primarily in the areas of maintenance and capital improvements. However, when that property is redeveloped, the City will be well positioned for new growth.

New developments:

China based **Tianjin Pipe Company**, (TPCO) a seamless steel pipe manufacturing facility has recently begun plant construction near the City. This one billion dollar project will be the largest Chinese project ever located in the United States. Ingleside is expected to be positively impacted both during construction and when the plant is completed with additional vendor support businesses and the resulting expanded workforce.

Cheniere Energy has announced that its wholly owned subsidiary, Corpus Christi Liquefaction, LLC is developing a liquefied natural gas, or LNG, export terminal at one of Cheniere's existing sites that was previously permitted for a re-gasification terminal. The LNG export terminal site is located in San Patricio County, Texas, and it is anticipated that the terminal would be primarily supplied by reserves from the Eagle Ford Shale, located approximately sixty miles northwest of Corpus Christi. The proposed liquefaction project is being designed for up to three trains capable of producing in aggregate up to 13.5M tonnes per annum, or mtpa.

Cash Management

The City awards its depository contract through official bidding procedures for a two-year period with an option to extend the contract for an additional three years. The current depository contract is with Frost National Bank. The remaining idle cash is invested by City officials in TexPool when the interest rates available at TexPool are higher than the depository bank. TexPool was created under the Public Funds Investment Act to provide local governments investment opportunities while protecting principal and liquidity. The total amount of interest earned across funds in 2012 was \$9,050 compared to 2011 which was \$6,416 and \$7,962 in 2010.

It is the City's Policy that all demand deposits and time deposits be secured by pledged collateral with a market value equal to no less than 100% of the deposits less an amount insured by the FDIC. Evidence of the pledged collateral is periodically obtained at a third party financial institution. Collateral is reviewed to assure the market value of the securities pledged equals or exceeds the related bank balances. All collateral is subject to inspection and audit by the City's independent auditors.

Risk Management

The City of Ingleside risk management program has been implemented in order to minimize or eliminate any harm to the financial position of the City, any physical injury to employees or potential destruction of property by providing proper insurance coverage, safety training and safety assessment. Insurance coverage at a minimum includes:

- Worker's Compensation
- General Liability
- Law Enforcement Liability
- Public Official Errors and Omissions
- Automobile and Physical Damage
- Windstorm Damage

Pension Plan

The City of Ingleside provides pension benefits for its employees except for firefighters through a non-traditional, joint contributory, hybrid defined benefit plan in the statewide 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 statutes of TRMS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) from 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 2012	Plan Year 2011
Employee deposit rate	5.0%	5.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/ years of service)	60/5,0/20	60/5,0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

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 rate amortizes the unfunded (over-funded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and 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:

1. Annual Required Contribution (ARC)	236,383
2. Interest on Net Pension Obligation	0
3. Adjustment to the ARC	0
4. Annual Pension Cost (APC)	236,383
5. Contributions Made	236,383
6. Increase (Decrease) in net pension obligation	0
7. Net Pension Obligation/(Asset), beginning of year	0
8. Net Pension Obligation/(Asset), end of year	0

The City has an unfunded Actuarial Accrued Liability overall but did not have a current year variance. See notes to financial statements for additional information.

Employee Health Plan

In June 2009, the City terminated its self funded health insurance plan and now provides an employee health plan for employees and dependents thru a contracted health insurance provider.

Post Employment Health Care Benefits

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City makes health care benefits available to eligible former employees and eligible dependents.

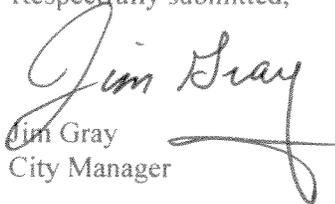
OTHER INFORMATION

Acknowledgments

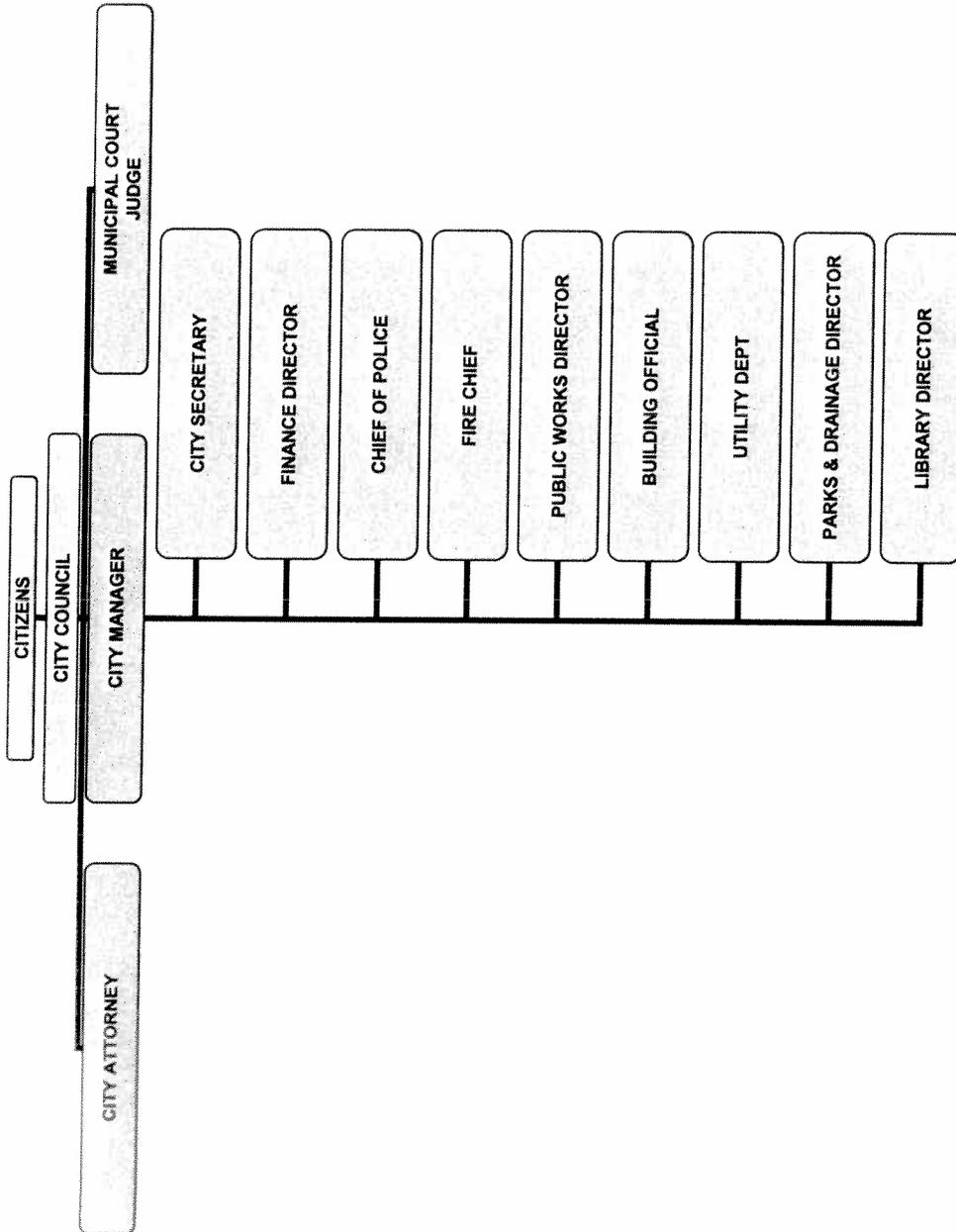
Appreciation is expressed to each and every City employee who, throughout the past year, has faithfully and diligently served the City and its community. They are to be thanked.

The members of the City Council, and Citizens, are to be thanked for their active participation and support in the operations of the City. The City continues to grow and enhance its overall operations as it plans for the future of the City of Ingleside, Texas. While challenges remain, there are also opportunities. As with any effort to improve, we have begun what will be an ongoing process. Further, this will not be one person's effort, but the efforts of everyone.

Respectfully submitted,


 Jim Gray
 City Manager





CITY OF INGLESIDE

List of Principal Officials

ELECTED OFFICIALS

Pete Perkins	Mayor
John F. Schack	Mayor Pro-Tem
Rayman Kinman	Council Member
Cynthia Wilson	Council Member
Paul Pierce	Council Member
Willie Vaden	Council Member
Eliane W. Kemp	Council Member

APPOINTED OFFICIALS AND DEPARTMENT HEADS

Jim Gray	City Manager
Paul Baen, CPA	Assistant City Manager /Finance Director
Stan Bynum	Police Chief
Donald Paty	Director of Public Works
Belinda Casanova	Library Director
Kimberly Drysdale	City Secretary/ HR
Robert Stoddard	Building Official
Cheryl Deal	Municipal Court Judge
Michael E. Morris	City Attorney
Vacant	Director of Parks and Drainage

FINANCIAL SECTION





**ERNEST R. GARZA
AND COMPANY, P.C.**
Certified Public Accountants

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Corpus Christi, Texas 78415
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Fax (361) 723-0689

Independent Auditor's Report

The Honorable Mayor,
Members of City Council
City of Ingleside, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Ingleside, 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 the City of Ingleside'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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ingleside, 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 December 27, 2012, on our consideration of the City of Ingleside's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 21 through 28 and the budgetary comparison information presented as a 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 inquires 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 opinion on the financial statements that collectively comprise the City of Ingleside's basic financial statements. The introductory section, combining and individual non-major fund financial statements and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Ingleside. The combining and individual non-major fund financial statements and the schedule of expenditures of state awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Ernest R. Garza & Company, P.C.
Certified Public Accountants

A handwritten signature in cursive script, appearing to read "Ernest R. Garza & Company, P.C.", written in dark ink.

December 27, 2012

**CITY OF INGLESIDE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2012**

This discussion and analysis of the City of Ingleside's financial performance is intended to provide an overview and analysis of the City's financial activities for the fiscal year ended September 30, 2012. The reader is encouraged to consider the information presented here in conjunction with the accompanying transmittal letter and the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- On a City wide basis, the City's liquidity changed from \$4,677,273 to \$6,191,223 during the past year.
- The City's total debt decreased by \$.48 million during 2012 from \$6.3 million to \$5.8 million. The Council passed a Certificate of Obligation Refunding Bonds Series 2012 in the amount of \$3,135,000 during the fiscal year, those funds were received the in the post audit period.
- As of September 30, 2012, the City of Ingleside's General Fund reported ending fund balance of \$1,361,627 compared to \$1,355,770 in the prior year. (Exhibit C-3)
- As of September 30, 2012, the City of Ingleside's governmental funds reported combined ending fund balance of \$2,286,859 compared to \$2,051,617 in the year before. (Exhibit C-3)
- The net assets of the City of Ingleside exceeded its liabilities at the close of the fiscal year ending September 30, 2012 for governmental and enterprise funds from \$28,853,275 to \$30,073,875, an increase of \$222,965 in the governmental activities and \$997,635 for the business-type activities for a total increase of \$1,220,600 from the prior year. (Exhibit B-1)

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis serves as an introduction to the City of Ingleside's basic financial statements. The City of Ingleside's basic financial statements are comprised of three components: government-wide financial statements, fund financial statements and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the City of Ingleside's finances, in a manner similar to a private-sector business.

**CITY OF INGLESIDE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2012**

The Statement of Net Assets presents information on all of the City of Ingleside'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 of Ingleside is improving or deteriorating. This statement combines and consolidates governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations. To assess the overall health or financial condition of the City, other non financial factors should be taken into consideration, such as changes in the City's property tax base and the condition of the City's infrastructure (i.e. roads, drainage improvements, storm and sewer lines, etc).

The Statement of Activities presents information showing 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 when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxed and earned but not used vacation leave). Both the Statement of Net Assets and the Statement of Activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis used in prior reporting models.

In the Statement of Net Assets and the Statement of Activities, the City is divided into three kinds of activities:

- Governmental Activities - Most of the City's basic services are reported here, including the police, fire, library, building and inspections, sanitation, code enforcement, parks and recreation and general administration. Property taxes, sales taxes and franchise fees finance most of these activities.
- Business type Activities - the City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer system are reported here.
- Blended Component Units - The City of Ingleside Development Corporation was formed to promote economic development within the City and to administer the distribution of the proceeds of any developmental bonds issued and certain development sales taxes received on behalf of the City. Due to the financial interdependency of the Corporation, it is a blended component unit reported as a special revenue fund.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds- not the City as a whole. Some funds are required to be established by state law and by bond covenants. However, the City has established many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. The City's two kinds of funds- governmental and propriety- utilize different accounting guidelines.

**CITY OF INGLESIDE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2012**

- **Governmental Funds-** the majority of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted into cash. The governmental fund statements provided a detailed short term view of the City's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

By comparing information presented for governmental activities in the government-wide statements, readers may better understand the long term effect of the government's near term operating decisions. The relationships or differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds are detailed in a reconciliation following the fund financial statement.

The City of Ingleside maintains twelve individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund and the Local Redevelopment Authority Fund all of which are considered to be major funds. Data from the other nine governmental funds are combined into a single, aggregated non major fund presentation. Individual fund data for each of these non major governmental funds is provided in the form of combining statements elsewhere in this report.

- **Proprietary Funds-** the City charges customers for the services it provides. These services are generally reported in the proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are identical to the business type activities that are reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. In prior years the Internal service funds (the other component of proprietary funds) are utilized to report activities that provide supplies or services for the City's other programs and activities, such as the City's self-funded insurance fund. Because these services benefit both governmental as well as business type functions, their cost has been included in both the governmental and business type activities in the government-wide financial statements.

Notes to the Financial Statements

These notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

**CITY OF INGLESIDE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2012**

Other Information

In addition to basic financial statement and accompanying notes, this report presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to the employees and budgetary comparative information for the general fund.

The City as a Whole- Government-wide Financial Analysis

The City's combined net assets were \$30.1 million as of September 30, 2012 compared to \$28.85 million as of September 30, 2011. Analyzing the net assets and net expenses of governmental and business-type activities separately, the business type activities net assets are \$18.1 million. The analysis focuses on the net assets (Table 1) and changes in general revenues (Table 2) and significant expenses of the City's governmental and business type-activities.

By far the largest portion of the City's net assets reflects its investment in capital assets (e.g. land, infrastructure, buildings, machinery, equipment, and furniture), less any related debt used to acquire those assets that are 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.

Table I
CITY OF INGLESIDE, TEXAS
STATEMENT OF NET ASSETS

	Governmental Activities		Business Type Activities	
	2012	2011	2012	2011
Current and other assets	3,820,467	3,507,032	7,288,009	6,090,599
Capital assets	11,237,579	11,459,648	15,512,679	16,093,504
Total assets	15,058,046	14,966,680	22,800,688	22,184,103
Long-term liabilities	1,446,000	1,581,000	3,760,000	4,135,000
Other liabilities	1,672,397	1,668,998	906,462	912,512
Total liabilities	3,118,397	3,249,998	4,666,462	5,047,512
Net Assets:				
Invested in capital assets net of related debt	9,646,312	9,584,825	13,285,972	13,565,915
Restricted	522,415	733,081	390,607	390,321
Commitments	417,633	-	152,955	145,571
Unrestricted	1,353,289	1,398,778	4,304,692	3,034,784
Total net assets	11,939,649	11,716,684	18,134,226	17,136,591

Table II
CITY OF INGLESIDE, TEXAS
CHANGES IN NET ASSETS

	<u>Governmental Activities</u>		<u>Business Type Activities</u>	
	2012	2011	2012	2011
Revenues:				
Property Taxes, Penalties & Interest	3,037,265	2,754,161	-	-
Sales Tax	1,330,328	1,212,971	-	-
Franchise Taxes	423,370	396,549	-	-
Charges for Services	1,173,756	1,112,562	4,249,843	4,026,661
Other Taxes	16,097	18,054	-	-
Licenses and Permits	112,644	108,656	-	-
Grants & Contributions Not Restricted	506,962	969,193	22,222	-
Investment Earnings	972	969	5,031	2,596
Other Revenue - net	66,152	302,328	294,608	17,000
Total Revenue	6,667,546	6,875,443	4,571,704	4,046,257
Expenses:				
General Government	1,087,412	1,074,108	-	-
Public Safety	1,770,607	1,682,808	-	-
Public Works	1,765,328	1,633,585	3,496,090	3,330,545
Cultural and Recreational	918,017	859,277	-	-
Economic Development	725,403	1,207,187	-	-
Bond Interest and Fiscal Agent Fees	87,707	100,105	168,086	137,919
Total Expenses	6,354,474	6,557,070	3,664,176	3,468,464
Increase (Decrease) in net assets before transfers and special items	313,072	318,373	907,528	577,794
Prior Period Adjustment	-	-	-	-
Transfers	(90,107)	(37,218)	90,107	37,218
Total Net Changes in Net Assets	222,965	281,155	997,635	615,012
Net assets at beginning	11,716,683	11,435,528	17,136,591	16,521,579
Net assets at ending	11,939,649	11,716,683	18,134,226	17,136,591

Adjustments and reclassifications have been done for comparison purposes.

Government Fund Activities

The City’s general fund revenues increased when compared to the prior year by 4.42 percent or \$218,770. The assessed value of the property in the City increased by \$9.5 million from \$362,146,858 to \$371,625,078, or 2.6 percent, as compared to the prior year. In addition to ad valorem property taxes, the City collects sales taxes, franchise taxes, beverage taxes and other taxes in lieu of ad valorem taxes. General Fund sales tax revenue increased slightly by \$67,576 or 8.65 percent over the previous year due to conditions of the local economy.

**Table 3
General Fund Revenues
At September 30**

	<u>2012</u>	<u>2011</u>	<u>Increase (decrease)</u>
Taxes	\$3,829,117	\$3,488,251	\$340,866
Licenses and Permits	112,644	108,655	3,989
Intergovernmental	-	6,137	(6,137)
Charges for services	972,300	947,953	24,347
Fines and penalties	201,457	164,609	36,848
Other	<u>54,938</u>	<u>236,078</u>	<u>(181,142)</u>
Total General Revenues	<u>\$5,170,455</u>	<u>\$4,951,683</u>	<u>\$218,770</u>

The most significant governmental expense for the City was in public safety and sanitation. The public safety (Police & Fire) incurred expenses \$1,633,330. Police accounted for \$1,459,544 in public safety expense and Fire accounted for \$173,786 in public safety expense.

Enterprise Fund Activities

Revenues of the City’s Utility Funds were \$4.25 million for the fiscal year ending September 30, 2012. Operating expenses were \$3.5 million for the year, resulting in net revenues of \$.75 million after depreciation but before transfers out. The most significant expense of the Utility Fund was \$1.06 million to purchase water and \$.771 million in salaries and benefits.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year 2012, the City of Ingleside had nearly \$49.3 million invested in a broad range of capital assets, including police and fire equipment building, land, park facilities, roads, bridges, vehicles, and water and sewer lines, (See Table 4.) The bulk of the new additions were for the expansion of the infrastructure and utility improvements.

Table 4
Capital Assets before Depreciation
At September 30

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$3,836,406	\$3,836,406	\$329,494	\$329,494	\$4,165,900	\$4,165,890
Building and Improvements	5,655,302	5,339,839	475,080	452,300	6,130,382	5,792,139
Machinery and Equipment	3,455,007	3,283,438	1,036,066	1,039,362	4,491,073	4,322,800
Infrastructure	6,491,107	6,491,107	-	-	6,491,107	6,491,107
Furniture and Fixtures	990,426	990,426	-	-	990,426	990,426
Water and Sewer System	-	-	27,011,526	26,884,149	27,011,526	26,884,148
Construction in Progress	-	-	120,357	123,482	120,357	123,482
Total Capital Assets	<u>\$20,428,248</u>	<u>\$19,941,216</u>	<u>\$28,972,523</u>	<u>\$28,828,787</u>	<u>\$49,400,771</u>	<u>\$48,770,003</u>

Debt

At year-end, the City of Ingleside had \$5.7 million in General Certifications of Obligation and Revenue Bonds as compared to \$6.3 million at the end of the prior fiscal year. Table 5 below reflects outstanding long-term debt decreased 8.04 percent.

Table 5
Outstanding Long-Term Debt
At September 30

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
General Certificates of Obligations	\$1,581,000	\$1,841,000	\$ 0	\$ 0	\$1,581,000	\$1,841,000
Revenue Bonds	-	-	4,135,000	4,375,000	4,135,000	4,375,000
Total Outstanding Debt	<u>\$1,581,000</u>	<u>\$1,841,000</u>	<u>\$4,135,000</u>	<u>\$4,375,000</u>	<u>\$5,716,000</u>	<u>\$6,216,000</u>

The above outstanding debt represents long term debt. The City Charter authorizes the City of Ingleside to issue bonds, when authorized by the voters or the City Council, for any purpose for which a city may issue bonds under the Constitution and laws of the State of Texas. The Charter precludes the use of bond proceeds for any other purpose other than that for which the bonds were sold. At September 30, 2012, the City has General Obligation Refunding Bonds, Series 2012 that have been approved but not issued.

Prior to the 2007 fiscal year, the City of Ingleside designated combination tax and revenue bond debt to be serviced by the collection of property taxes. In the 2011 fiscal year, the City issued certificate of obligations in the utility fund for infrastructure purposes.

The City bond rating was changed from A- to A during the 2010 audit from Standard and Poor's Corporation.

THE CITY'S FUNDS

At the close of the City's fiscal year on September 30, 2012, the governmental funds of the City reported a combined fund balance of \$2,286,859. This ending balance includes an increase in the City's General Fund Balance of \$5,857 from \$1,355,770 to \$1,361,627.

Other governmental fund balances include:

- Street Maintenance Tax Fund, increased from \$27,920 to \$34,414.
- The Ingleside Development fund balance increased from \$348,393 to \$417,633.
- The Hotel-Motel Tax Fund increased from \$247,158 to \$344,577.
- The Debt Service fund balance decreased from \$53,744 to \$23,873.

In the Proprietary Funds, retained earnings changes are:

- The unrestricted net assets of the Enterprise Funds increased \$3,034,784 to \$4,304,692.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2013 budget, tax rates and fees that will be charged for the business-type activities. The total growth of the City's commercial development and revenues remain on target. Total property tax valuations continue to increase; thus the property tax revenues are still increasing while the tax rate decreases. Water and sewer utility rates provide adequate revenue to cover the cash expenses of the Utility fund in spite of the reduction of the military.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives from all sources. If you have questions about this report or need additional financial information, contact Jim Gray, City Manager, at the City of Ingleside, P.O. Drawer 400, Ingleside, Texas 78362.

BASIC FINANCIAL STATEMENTS



CITY OF INGLESIDE, TEXAS
STATEMENT OF NET ASSETS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

EXHIBIT A-1

	Primary Government		
	Governmental Activities	Business Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	\$ 3,320,912	3,579,536	6,900,447
Investments - Current	-	-	-
Receivables (net of allowance)	158,683	328,793	487,476
Prepaid Items	-	4,198	4,198
Due From Other Funds	-	1,197,822	1,197,822
Due From Others	330,042	-	330,042
Inventory	10,830	77,130	87,960
Bond Issue Cost (net)	-	192,236	192,236
Restricted Assets:			
Temporarily Restricted:			
Temporarily Restricted Assets	-	1,908,293	1,908,293
Capital Assets:			
Land	3,836,406	329,494	4,165,900
Infrastructure and Buildings, net	5,773,595	14,999,572	20,773,167
Machinery and Equipment, net	1,627,578	63,256	1,690,834
Construction in Progress	-	120,357	120,357
TOTAL ASSETS:	\$ 15,058,046	22,800,688	37,858,734
LIABILITIES:			
Accounts Payable & Other Current Liab.	\$ 330,066	192,656	522,723
Due to Other Funds	1,125,191	72,631	1,197,822
Due to Others	-	-	-
Accrued Liabilities	71,872	114,630	186,502
Current Bonds/Loans Payable	145,267	375,000	520,267
Payable from Restricted Assets	-	151,545	151,545
Bonds Payable - Long Term	1,446,000	3,760,000	5,206,000
TOTAL LIABILITIES	\$ 3,118,397	4,666,462	7,784,859
NET ASSETS:			
Invested in Capital Assets, Net of Debt	\$ 9,646,312	13,285,972	22,932,283
Restricted for Revenue Bond Retirement	-	390,607	390,607
Commitments	417,633	152,955	570,587
Restricted for Capital Project Funds	41,359	-	41,359
Restricted for Special Revenue Funds	442,367	-	442,367
Restricted for Debt Service Funds	38,688	-	38,688
Unrestricted Net Assets	1,353,290	4,304,692	5,657,982
TOTAL NET ASSETS	\$ 11,939,649	18,134,226	30,073,875

The notes to the Financial Statements are an integral part of this statement.

CITY OF INGLESIDE, TEXAS
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

<u>Primary Government:</u>	Program Revenues		
	Expenses	Charges For Services	Operating Grants and Contributions
GOVERNMENTAL ACTIVITIES:			
10 General Government	\$ 1,087,412	-	-
21 Public Safety	1,770,607	201,457	-
31 Public Works	1,765,328	972,300	-
50 Culture and Recreation	918,017	-	-
65 Economic Development and Assistance	725,403	-	142,086
73 Bond Interest	87,707	-	-
 TOTAL PRIMARY GOVERNMENT	 \$ 6,354,474	 1,173,756	 142,086
 BUSINESS-TYPE ACTIVITIES:			
701 Utility Fund	\$ 3,496,090	4,249,843	-
Total Business Type Activities:	\$ 3,496,090	4,249,843	-

General Revenues:

Taxes:

Property Taxes, Levied for Debt Service, Penalty, Int.

Sales Taxes

Franchise Taxes

Other Taxes

Licenses and Permits

Grants and Contributions not Restricted

Sundry Revenue

Investment Earnings

Transfers In (Out)

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning

Prior Period Adjustment

Net Assets - Ending

The notes to the Financial Statements are an integral part of this statement.

EXHIBIT B-1

Net (Expense) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (1,087,412)	-	(1,087,412)
(1,569,150)	-	(1,569,150)
(793,028)	-	(793,028)
(918,017)	-	(918,017)
(583,318)	-	(583,318)
(87,707)	(168,086)	(255,793)
<u>\$ (5,038,632)</u>	<u>(168,086)</u>	<u>(5,206,718)</u>
-	753,753	753,753
-	585,668	753,753
\$ 3,037,265	-	3,037,265
1,330,328	-	1,330,328
423,370	-	423,370
16,097	-	16,097
112,644	-	112,644
364,876	22,222	387,098
66,152	294,607	360,759
972	5,031	6,004
(90,107)	90,107	-
<u>\$ 5,261,597</u>	<u>411,967</u>	<u>5,673,565</u>
<u>222,965</u>	<u>997,635</u>	<u>1,220,600</u>
<u>11,716,684</u>	<u>17,136,591</u>	<u>28,853,275</u>
-	-	-
<u>\$ 11,939,649</u>	<u>18,134,226</u>	<u>30,073,875</u>

CITY OF INGLESIDE, TEXAS
BALANCE SHEET
GOVERNMENT FUNDS
SEPTEMBER 30, 2012

EXHIBIT C-1

	General	Ingleside Development Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Texpool Accounts	2,479,647	393,090	448,174	3,320,912
Receivables and Allowances:				
Accounts				
Assesments, Fees and Other	-	24,989	5,776	30,764
Hotel-Motel Tax/Other	2,762	-	46,806	49,568
Inventory	14,972	-	-	14,972
Due From Other Governmental Agencies				
Sales Taxes and Other	205,832	-	109,239	315,070
Ad Valorem Taxes	235,314	-	54,871	290,186
Allowance for Uncollectible Taxes	(171,779)	-	(40,056)	(211,836)
Due From Other Funds	102,574	-	4,960	107,533
Prepaid Items	10,830	-	-	10,830
TOTAL ASSETS	2,880,152	418,079	629,769	3,928,000
LIABILITIES AND FUND BALANCE				
Accounts Payable	324,839	-	5,227	330,066
Other Payables	-	-	-	-
Due to Other Funds	1,130,151	446	102,127	1,232,725
Deferred Revenues	63,535	-	14,815	78,350
TOTAL LIABILITIES	1,518,525	446	122,169	1,641,141
FUND BALANCE				
Nonspendable Fund Balance				
Inventory	14,972	-	-	14,972
Prepaid Items	10,830	-	-	10,830
Restricted Fund Balance				
Public Safety/Works	-	-	41,359	41,359
Tourism and Development	-	-	442,367	442,367
Debt Service	-	-	23,873	23,873
Committed Fund Balance				
Economic Development	-	417,633	-	417,633
Compensated Absences	71,385	-	-	71,385
Unassigned Fund Balance	1,264,440	-	-	1,264,440
TOTAL FUND BALANCE	1,361,627	417,633	507,600	2,286,859
TOTAL LIABILITIES AND FUND BALANCE	2,880,152	418,079	629,769	3,928,000

CITY OF INGLESIDE, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET ASSETS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$ 2,286,859
Capital assets are used in governmental activities are not financial resources and therefore are not reported in governmental funds. The net effect of including these balances for capital assets (net of depreciation) in the governmental activities is to increase net assets. At the beginning of the year, the costs of these assets were: <u>\$ 19,941,216</u> and the accumulated depreciation was: <u>\$ (8,523,140)</u> . In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net assets -- <u>(1,908,648)</u> .	- 9,509,428
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the governmental-wide financial statements. The net effect of including the 2012 capital outlays and debt principal payments is to increase (decrease) net assets.	732,541
The 2012 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.	(667,529)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and the recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net assets.	78,350
Net assets of Governmental Activities	<u>\$ 11,939,649</u>

The accompanying notes are an integral part of this statement.

CITY OF INGLESIDE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2012

EXHIBIT C-3

	General	Ingleside Development Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	3,829,117	141,650	913,581	4,884,349
Licenses and Permits	112,644	-	-	112,644
Intergovernmental	-	-	506,961	506,961
Charges for Services	972,300	-	-	972,300
Fines and Penalties	201,457	-	-	201,457
Interest	-	436	537	972
Other	54,938	-	11,214	66,152
TOTAL REVENUES	5,170,455	142,086	1,432,294	6,744,834
EXPENDITURES				
Current				
General Administration	1,001,250	-	-	1,001,250
Cultural and Recreational, Tourism/Advertising/Training	578,987	-	100,000	678,987
Public Safety	1,963,826	-	2,022	1,965,848
Economic Development	16,511	871	518,851	536,232
Public Works	1,269,739	-	619,723	1,889,462
Debt Service				
Principal Retirement	-	50,000	210,000	260,000
Interest and Fiscal Charges	-	21,975	65,732	87,707
TOTAL EXPENDITURES	4,830,313	72,846	1,516,327	6,419,486
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	340,142	69,240	(84,034)	325,349
OTHER FINANCING SOURCES (USES)				
Bond Proceeds	-	-	-	-
Transfers from Other Funds	460,000	-	499,172	959,172
Transfer to Other Funds	(794,285)	-	(254,994)	(1,049,279)
TOTAL OTHER FINANCING SOURCES (USES)	(334,285)	-	244,178	(90,107)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	5,857	69,240	160,145	235,242
FUND BALANCE (Deficit), beginning of year	1,355,770	348,393	347,455	2,051,617
Prior Period Adjustment	-	-	-	-
FUND BALANCE, end of year	1,361,627	417,633	507,600	2,286,859

CITY OF INGLESIDE, TEXAS

RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$ 235,242
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2012 capital outlays and debt principal payments is to increase (decrease) net assets.	732,541
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.	(667,529)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing deferred revenue as revenue adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds from bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions as to increase (decrease) net assets.	(77,289)
Change in Net Assets of Governmental Activities	<u>\$ 222,965</u>

The accompanying notes are an integral part of this statement.

CITY OF INGLESIDE, TEXAS

EXHIBIT C-5

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET (GAAP) AND ACTUAL

YEAR ENDED SEPTEMBER 30, 2012 WITH COMPARATIVE ACTUAL AMOUNTS FOR 2011

	2012			Variance With Final Budget Positive/Negative	2011
	BUDGETED AMOUNTS		Actual		Actual
	Original	Final			
REVENUES					
Taxes	3,600,949	3,600,949	3,829,117	228,168	3,488,251
Licenses and Permits	36,850	36,850	112,644	75,794	108,655
Intergovernmental	5,950	5,950	-	(5,950)	6,137
Charges for Services	941,550	941,550	972,300	30,750	947,953
Fines and Penalties	157,500	157,500	201,457	43,957	164,609
Other	41,148	41,148	54,938	13,790	236,080
Total Revenues	<u>4,783,947</u>	<u>4,783,947</u>	<u>5,170,455</u>	<u>386,508</u>	<u>4,951,685</u>
EXPENDITURES					
Current					
General Administration	1,074,495	1,074,495	1,001,250	73,245	992,824
Public Safety	2,154,433	2,154,433	1,963,826	190,607	1,885,381
Public Works	1,334,996	1,334,996	1,269,739	65,257	1,243,998
Culture and Recreation	629,145	629,145	578,987	50,158	516,986
Economic Development	27,100	27,100	16,511	10,589	50,695
Total Expenditures	<u>5,220,169</u>	<u>5,220,169</u>	<u>4,830,313</u>	<u>389,856</u>	<u>4,689,884</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(436,222)	(436,222)	340,142	776,364	261,801
OTHER FINANCING SOURCES (USES)					
Transfers From Other Funds	460,000	460,000	460,000	-	517,915
Transfers (To) Other Funds	(18,000)	(18,000)	(794,285)	(776,285)	(698,179)
Transfers From (To) Other Funds	<u>442,000</u>	<u>442,000</u>	<u>(334,285)</u>	<u>(776,285)</u>	<u>(180,264)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	5,778	5,778	5,857	79	81,537
FUND BALANCE, beginning of year	<u>1,355,770</u>	<u>1,355,770</u>	<u>1,355,770</u>	-	<u>1,274,233</u>
Prior Period Adjustment	-	-	-	-	-
FUND BALANCE, end of year	<u><u>1,361,548</u></u>	<u><u>1,361,548</u></u>	<u><u>1,361,627</u></u>	<u><u>79</u></u>	<u><u>1,355,770</u></u>

CITY OF INGLESIDE, TEXAS
INGLESIDE DEVELOPMENT FUND
SCHEDULES OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE- BUDGET (GAAP BASIS) AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2012
WITH COMPARATIVE TOTALS FOR 2011

Exhibit C-6

	2012			Final Budget Variance	2011
	BUDGETED AMOUNTS		Actual		Actual
	Original	Final			
REVENUES					
Sales Tax	117,717	117,717	141,650	23,933	130,211
Interest	0	0	436	436	406
Total Revenues	117,717	117,717	142,086	24,369	130,617
EXPENDITURES					
Advertising and Training, Development	22,000	22,000	871	21,130	843
Debt Service:					
Certificate Principal	50,000	50,000	50,000	0	50,000
Interest on CO's	21,975	21,975	21,975	0	24,325
Fiscal Agent Fees	1,000	1,000	0	1,000	1,150
Other	0	0	0	0	0
Total Expenditures	94,975	94,975	72,846	22,130	76,318
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	22,742	22,742	69,240	46,498	54,299
OTHER FINANCING SOURCES (USES)					
Other Sources - Transfers In	0	0	0	0	0
Other Sources - Transfers (Out)	0	0	0	0	0
TOTAL OTHER FINANCING SOURCES (USES)	0	0	0	0	0
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	22,742	22,742	69,240	46,498	54,299
FUND BALANCE, beginning of year	348,393	348,393	348,393	0	294,093
FUND BALANCE, end of year	371,135	371,135	417,633	46,498	348,393

CITY OF INGLESIDE, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2012

EXHIBIT D-1

	Business-Type Activities Enterprise Fund
	<u>Utility Fund</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	3,579,536
Receivables and Allowances Accounts	
Water and Wastewater Billings	495,189
Assessments	9,449
Other	24,166
Allowance for Uncollectible Accounts	(200,010)
Due from Other Funds	1,197,822
Bond Issue Cost (Net)	192,236
Prepaid Items	4,198
Inventory	77,130
Total Current Assets	<u>5,379,716</u>
Non-Current Assets:	
Restricted Assets:	
Cash and Cash Equivalents	
Meter Deposits/Bond Projects	1,517,684
Revenue Bond Reserves/Sinking Fund	390,609
Total Non-Current Assets	<u>1,908,293</u>
Capital Assets	
Land	329,494
Construction in Progress	48,277
Buildings	475,080
Water System	6,471,235
Sewer System	20,612,372
Vehicles	791,174
Furniture and Equipment	244,892
Total Capital Assets	28,972,524
Less Accumulated Depreciation	<u>(13,459,844)</u>
Net Capital Assets	<u>15,512,679</u>
TOTAL ASSETS	<u>22,800,688</u>

CITY OF INGLESIDE, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2012

EXHIBIT D-1
continued

	Business-Type Activities Enterprise Fund
	<u>Utility Fund</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	192,656
Accrued Liabilities	97,932
Compensated Absences	16,698
Due to Other Funds	72,631
Other Payables	-
Capital Leases Payable	-
Current Portion of Revenue Bonds Payable	375,000
Customer Meter Deposits	<u>151,545</u>
Total Current Liabilities	<u>906,462</u>
Liabilities (Payable from Restricted Assets):	
Long-Term Liabilities	
Revenue Bonds Payable	<u>3,760,000</u>
Total Long-Term Liabilities	<u>3,760,000</u>
Total Liabilities	<u>4,666,462</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	13,285,972
Restricted for:	
Revenue Bond Retirement	390,607
Commitments	152,955
Unrestricted	<u>4,304,692</u>
Net Assets	<u><u>18,134,226</u></u>

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

CITY OF INGLESIDE, TEXAS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2012

EXHIBIT D-2

	Business-Type Activities Enterprise Fund Utility Fund
OPERATING REVENUES	
Water Sales	2,507,472
Sewer Sales	1,567,663
Other Fees and Charges	174,709
Total Operating Revenues	<u>4,249,843</u>
OPERATING EXPENSES	
Personnel Costs	771,275
Contracted Services	550,516
Supplies	79,258
Maintenance	167,336
Self Insurance Claims & Administration	-
Other Operating Expenses	120,255
Water Purchased	1,059,390
Depreciation	724,559
Amortization	23,501
Total Operating Expenses	<u>3,496,090</u>
Net Operating Income	<u>753,753</u>
NON-OPERATING REVENUES (EXPENSES)	
Sale of Assets	294,607
Refunding Bonds Issued	-
Payments to Escrow Agents	-
Grant Income	22,222
Interest Income	5,031
Interest and Fiscal Charges	(168,086)
Net Non-Operating Revenues (Expenses)	<u>153,775</u>
Income Before Transfers	<u>907,528</u>
Transfers in	1,433,528
Transfers (out)	(1,343,422)
Total Transfers in (out)	<u>90,107</u>
Change in Net Assets	<u>997,635</u>
Prior Period Adjustment	<u>-</u>
NET ASSETS BEGINNING OF YEAR	<u>17,136,591</u>
NET ASSETS END OF YEAR	<u><u>18,134,226</u></u>

CITY OF INGLESIDE, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2012

EXHIBIT D-3

	Business-Type Activities Enterprise Fund Utility Fund
Cash flow from operating activities:	
Cash received from customers	4,107,352
Cash received from other funds for services	-
Cash payments to suppliers for goods and services	(2,121,214)
Cash payments to employees for services	(767,867)
Other adjustments	-
Net cash provided by operating activities	<u>1,218,272</u>
Cash flows from noncapital financing activities:	
Transfers to other funds	<u>90,107</u>
Cash Flows from Capital and Related Financing Activities:	
Net Refunds bonds/costs	-
Grant Proceeds	22,222
Principal Payment on bonds	(240,000)
Interest and Fiscal Charges Paid	(168,086)
Purchase of Capital Assets	(143,735)
Prior period adjustment	294,607
Net Cash (Used) Generated for Capital and Related Financing Activities	<u>(234,992)</u>
Cash Flows from Investing Activities- Interest Income	<u>5,031</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,078,418
Cash and Cash Equivalents at Beginning of Year	4,409,411
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>5,487,829</u></u>
Reconciliation of Operating Income to Net Cash	
Operating Activities	
Operating Income	753,753
Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities:	
Depreciation	724,559
Amortization	23,501
Change in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable (Net)	36,679
(Increase) Decrease in Due from Other Funds	(177,239)
(Increase) Decrease in Due from Other Governments	-
(Increase) Decrease in Prepaid Items	(646)
(Increase) Decrease in Inventory	(1,284)
Increase (Decrease) in Accounts Payable	(112,099)
Increase (Decrease) in Accrued Liabilities	(109,330)
Increase (Decrease) in Due to Other Funds	72,080
Increase (Decrease) in Capital Leases Payable	-
Increase (Decrease) in Compensated Absences	3,408
Increase (Decrease) in Customer Deposits	4,890
Net Cash Provided by Operating Activities	<u><u>1,218,272</u></u>



NOTES TO FINANCIAL STATEMENTS

CITY OF INGLESIDE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

I SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Ingleside, Texas, (the "City") was incorporated on June 18, 1951 under the provisions of the laws for the State of Texas. The City operates under a charter with a Council-Manager type of government where the Mayor and six Council members are elected on a rotating schedule. Prior to 2010, members were elected at large, after 2010 members are elected under a place format. The City provides the following services: public safety (police and fire), highways and streets, sanitation, waterworks, cultural and recreation, public improvements, planning and zoning, and general and 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 its component units, entities for which the City is considered financially accountable. Blended component units, although legally separate entities are, in substance, part of the City operations and so data from these units are combined with data from the City. If applicable, discretely presented units are reported in a separate column in the combined financial statements to emphasize they are legally separate from the City.

Blended Component Units

The City of Ingleside Development Corporation (the Corporation) was formed to promote economic development within the City and to administer the distribution of the proceeds of any development bonds issued and certain development sales taxes received on behalf of the City. The City Council appoints a seven-member board of directors of which four are council members. The operational and capital budget must be approved by the City Council. Due to the financial interdependency of the Corporation, it is a blended component unit reported as a special revenue fund. The Corporation does not issue separate financial statements. Additional financial information can be obtained at City Hall.

On April 8, 2009, the City Council adopted Resolution 950 creating the Ingleside Local Development Corporation for the purpose of facilitating the development, assisting and acting on behalf of the City to cause and arrange for the design, development, construction, implementation financing and operation of a master planned community with an architecturally controlled commercial town center on a 1200 acre tract within the City of Ingleside. The public improvements within this tract will be funded through the creation of the Ingleside Tax Increment Reinvestment Zone #1. The TIRZ#1 will collect 65% of the ad valorem tax collections on the incremental value above the 2006 base value of the property in the amount of \$2,932,154.

Discretely Presented Component Unit

There are no component units, which require discrete presentation

CITY OF INGLESIDE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Related and Jointly Governed Organizations

Organizations that are administered by separate boards or commissions provide services within the City. However, the City is not financially accountable for these organizations. Therefore, they are not component units of the City, even if the City Council could appoint a voting majority of the organizations' board. Consequently, financial information for the Coastal Bend Council of Governments and in the Ingleside Chamber of Commerce is not included in these financial statements.

The City complies with Generally Accepted Accounting Principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Enterprise funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

B. Government-wide and fund financial statements

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the activities of the City. The effect of inter-fund activity, within the governmental and business-type activities columns, has been removed from these statements. However, any inter-fund services provided and used are not eliminated in the process of consolidation. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements:

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balances of current financial resources. The City has presented the following major governmental funds:

**CITY OF INGLESIDE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

General Fund-

The General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Assets. The City has presented the following major proprietary funds:

Utility Fund-

The Utility Fund is used to account for the provision of water and sewer services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water and sewer system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water and sewer debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

Additionally, the City reports the following fund types:

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

CITY OF INGLESIDE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

C. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers revenue as available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred. However, debt services expenditures, except for interest payable accrued at the debt issuance date for which cash is received with the debt proceeds, as well as expenditures related to compensated absences are recorded only when payment has matured and will be payable shortly after year-end.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. Sales taxes collected and held by the state at year-end on behalf of the government are also recognized as revenue. All other governmental fund revenues are recognized when received, as they are deemed immaterial.

D. Encumbrances/Commitments

Encumbrances represent commitments related to unperformed contracts for goods and services. There are no significant encumbrances outstanding at September 30, 2012.

Committed Fund Balances – Obligations of a fund for a future period(s) have been shown as a commitment of Fund Balance.

**CITY OF INGLESIDE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

E. Cash and Investments

The City can legally invest in certificates of deposit, obligations of the U.S. Government and its Agencies or instrumentalities, State obligations, local government investment pools and certain money market funds.

The City has implemented GASB Statement 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." As a governmental entity other than an external investment pool, in accordance with GASB 31 the City's investments are stated at market value, except for money market investments with remaining maturity of one year or less when purchased and nonparticipating interest earning investment contracts.

For purposes of the statement of cash flows, the enterprise funds consider cash on hand, demand deposits, and short-term investments with original maturities of three months or less when purchased to be cash and cash equivalents.

F. Prepaid Items

Prepaid balances are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year, and the reserve for prepaid items has been recorded to signify that a portion of fund balance is not available for other subsequent expenditures.

G. Inventories

Inventories in the Proprietary Funds are valued at cost, which approximates market, using the first in/first out (FIFO) method. The costs of governmental fund type inventories are recorded as expenditures when consumed rather than when purchased.

H. Inter-fund Receivables and Payables

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

I. Transactions Between Funds

Legally authorized transfers are treated as inter-fund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

**CITY OF INGLESIDE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

J. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has been capitalized during the construction period on capital assets. Assets capitalized have an original cost of \$5,000 or more and over three years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	10-50 Years
Water and Sewer System	20-50 Years
Infrastructure	20-30 Years
Machinery and Equipment	5-10 Years
Improvements	10-20 Years
Vehicles	5-10 Years

K. Compensated Absences

In proprietary fund types, accumulated unpaid compensated absences are accrued when incurred. The accruals are reported as liabilities and expenses for the year incurred. The liability in the governmental fund types is recorded only in the Government-wide Financial Statements. The amount expected to be paid from current resources is not considered to be significant. The City allows employees to accumulate up to a maximum of 960 hours of sick leave. However, sick days do not vest, and accordingly, employees can be paid sick leave only when sick. Since an employee's right to receive compensation for future absences is contingent upon the absences being caused by future illnesses and since amounts cannot be reasonably estimated, a liability for unused sick leave is not recorded in the financial statements. Up to 15 days of accumulated earned vacation will be paid to an employee upon termination.

L. Net Assets and Fund Equity, Commitments

In the government-wide financial statements and proprietary funds financial statements, net assets are reported in three categories: net assets invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Net assets invested in capital assets, net of related debt represents capital assets less accumulated depreciation less outstanding principal of related debt.

Committed Fund Equity/Net Assets – Obligations of fund equity/net assets for a future period(s) have been shown as a commitment of Fund Equity/Net Assets.

**CITY OF INGLESIDE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

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

M. Use of Estimates

The preparation of basic financial statements in conformance with GAAP requires management to make estimates and assumptions that affect the amount reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

II Reconciliation of Government-wide and fund financial statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net assets for governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds. The details of capital assets and long-term debt at the beginning of the year were as follows:

<u>Capital Assets</u> <u>at the Beginning of the year</u>	<u>Historic Cost</u>	<u>Accumulated</u> <u>Depreciation</u>	<u>Net Value at the</u> <u>Beginning of the</u> <u>Year</u>	<u>Change in Net</u> <u>Assets</u>
Land	3,836,406	-	3,836,406	
Buildings	5,339,839	(1,363,941)	3,975,898	
Furniture & Fixtures	3,283,438	(2,242,429)	1,041,009	
Machinery and Equipment	990,426	(241,619)	748,807	
Construction in Progress	-	-	-	
Infrastructure	<u>6,491,107</u>	<u>(4,675,151)</u>	<u>1,815,956</u>	
Change in Net Assets	19,494,216	(8,523,140)		<u>11,418,076</u>
<u>Long-term Liabilities</u> <u>at the Beginning of the year</u>				
Bonds and Loans Payable	1,841,000			
Comp. Absences & Other	<u>67,648</u>			
Change in Net Assets	1,908,648			<u>(1,908,648)</u>
 Net Adjustment to Net Assets				 <u>9,509,428</u>

**CITY OF INGLESIDE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

Exhibit C-4 provides the reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net assets of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net asset balance and the change in net assets. The details of this adjustment are as follows:

	<u>Amount</u>	<u>Adjustments to Changes in Net Assets</u>	<u>Adjustments to Net Assets</u>
<u>Current Year Capital Outlay</u>			
Land			
Buildings & Improvements	315,463	315,463	315,463
Furniture & Equipment	171,569	171,569	171,569
Infrastructure	-	-	-
Construction in Progress			
Total Capital Outlay	<u>487,032</u>	<u>487,032</u>	<u>487,032</u>
<u>Debt Principal Payments</u>			
Bond Principal – net	260,000	260,000	260,000
Loan Principal			
Capital Lease Payments			
Other	<u>(14,491)</u>	<u>(14,491)</u>	<u>(14,491)</u>
Total Principal Payments	<u>245,509</u>	<u>245,509</u>	<u>245,509</u>
Total Adjustment to Net Assets	<u>241,523</u>	<u>241,523</u>	<u>241,523</u>

Another element of the reconciliation on Exhibit C-4 is described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This adjustment is the result of several items. The details for this element are as follows:

	<u>Amount</u>	<u>Adjustments to Change in Net Assets</u>	<u>Adjustments to Net Assets</u>
<u>Adjustments to Revenue and Deferred Revenue</u>			
Taxes Collected from Prior Year Levies	102,346	102,346	102,346
Uncollected taxes(assumed collectible) from Current Year			
Levy	(49,553)	(49,553)	(49,553)
Uncollected Taxes (assumed collectible) from Prior Year	(162,263)	(162,263)	(162,263)
Levy			
Other			
Total	<u>(109,470)</u>	<u>(109,470)</u>	<u>(109,470)</u>

**CITY OF INGLESIDE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

III Stewardship, Compliance and Accountability

1 CASH AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments

The Public Funds Investment Act (Texas Government Code Charter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. Agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial Compliance with the requirements of the Act and with local policies.

A. Cash Deposits

At September 30, 2012, the carrying amount of the City's deposits (cash, Tex-Pool, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$8,808,740 and the bank balance was \$9,169,804. The City's cash deposits at September 30, 2012 and during the period ended September 30, 2012, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

B. Investments

As of September 30, 2012, the City had the following investments and maturities:

	Investment Maturities (In Years)			
<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1</u>	<u>1 to 2</u>	<u>2 to 3</u>
U.S. Treasury Money Markets	-	-	-	-
Investment Pools:				
Investment in Tex-Pool	<u>\$8,151,749</u>	<u>8,151,749</u>	<u>-</u>	<u>-</u>
Total Fair Value	<u>\$8,151,749</u>	<u>8,151,749</u>	<u>-</u>	<u>-</u>

**CITY OF INGLESIDE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

Interest Rate Risk- In accordance with state law and City policy, the City does not purchase any investments with maturities greater than 10 years.

Credit Risk- In accordance with state law and the City's investment policy, investments in mutual funds and investment pools must be rated at least AAA, commercial paper must be rated at least A-1 or P-1, and investments in obligations from other states, municipalities, countries, etc. must be rated at least A. The City's investments in investment pools were rated AAA.

Concentration of Credit Risk- the City does not place a limit on the amount the City may invest in any one issuer. The City does not have a concentration of credit risk.

Custodial Credit Risk- For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a custodial credit risk.

2. CAPITAL ASSETS

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

**CITY OF INGLESIDE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Balance October 1 st	Additions/ Completion	Retirements/ Adjustments	Balance 30-Sep
Governmental Activities:				
Capital assets, not being depreciated				
Land	\$3,836,406	-	-	\$3,836,406
Construction in Progress	<u>0</u>	<u>-</u>	<u>-</u>	<u>0</u>
Total capital assets, not being depreciated	<u>\$3,836,406</u>	<u>-</u>	<u>-</u>	<u>\$3,836,406</u>
Capital assets, being depreciated				
Building and Improvements	5,339,839	315,463	-	5,655,302
Machinery and Equipment	3,283,438	171,569	-	3,455,007
Furniture and Fixtures	990,426	-	-	990,426
Infrastructure	<u>6,491,107</u>	<u>-</u>	<u>-</u>	<u>6,491,107</u>
Total capital assets, being depreciated	<u>\$16,104,810</u>	<u>487,032</u>	<u>-</u>	<u>\$16,591,842</u>
Less accumulated depreciation for:				
Buildings and Improvements	(1,363,941)	(144,551)	-	(1,508,492)
Machinery and Equipment	(2,242,429)	(280,061)	-	(2,522,490)
Furniture and Fixtures	(241,619)	(53,746)	-	(295,395)
Infrastructure	<u>(4,675,151)</u>	<u>(189,171)</u>	<u>-</u>	<u>(4,864,322)</u>
Total accumulated Depreciation	<u>(\$8,523,140)</u>	<u>(667,529)</u>	<u>-</u>	<u>(\$9,190,669)</u>
Total capital assets, being depreciated, net	<u>\$7,581,670</u>	<u>(180,497)</u>	<u>-</u>	<u>\$7,401,173</u>
Governmental activities capital assets, net	<u>11,418,076</u>	<u>(180,497)</u>	<u>-</u>	<u>\$11,237,579</u>
Business-type Activities:				
Capital assets, not being depreciated				
Land	\$329,494	-	-	\$329,494
Construction in Progress	<u>97,000</u>	<u>121,857</u>	<u>(98,500)</u>	<u>120,357</u>
Total capital assets, not being depreciated	<u>\$426,494</u>	<u>121,857</u>	<u>(98,500)</u>	<u>\$449,851</u>
Capital assets, being depreciated				
Buildings	452,301	22,779	-	475,079
Water System	6,445,654	25,580	-	6,471,234
Sewer System	20,441,791	98,500	-	20,536,994
Vehicles	791,174	-	-	791,174
Furniture and Equipment	<u>244,891</u>	<u>-</u>	<u>-</u>	<u>248,188</u>
Total capital assets, being depreciated	<u>28,375,811</u>	<u>146,859</u>	<u>-</u>	<u>28,522,670</u>
Less accumulated depreciation for:				
Buildings	(374,497)	(9,077)	-	(383,574)
Water System	(3,651,867)	(169,335)	-	(3,821,202)
Sewer System	(7,752,888)	(529,369)	-	(8,282,257)
Vehicles	(200,777)	(6,279)	-	(207,056)
Furniture and Equipment	<u>(755,254)</u>	<u>(10,499)</u>	<u>-</u>	<u>(765,753)</u>
Total accumulated depreciation	<u>(12,735,283)</u>	<u>(724,559)</u>	<u>-</u>	<u>(13,459,842)</u>
Total capital assets, being depreciated, net	<u>\$15,640,528</u>	<u>(577,700)</u>	<u>-</u>	<u>15,062,828</u>
Business-type activities capital assets, net	<u>\$16,067,002</u>	<u>(455,843)</u>	<u>(98,500)</u>	<u>15,512,679</u>

**CITY OF INGLESIDE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

Depreciation expense was charged as direct expense to programs of the primary government as follows:

Governmental activities:	
General government and administration	71,671
Cultural and recreational	115,632
Public Safety	239,030
Public Works	52,025
Streets-Infrastructure	<u>189,171</u>
Total depreciation expense- Governmental activities	<u>667,529</u>
Business-type activities:	
Water	182,263
Sewer	542,297
Total depreciation expense- Business-type activities	<u>724,559</u>

3. LONG-TERM DEBT

At September 30, 2012, bonds payable consisted of the following individual issues:

	<u>Governmental</u>	<u>Business-type</u>
1997-A Combination Tax and Limited Pledge Revenue Of Obligation, due in annual installments through February 1, 2017, bearing interest rates of 4.6% to 5.35%. (Original Debt \$1,000,000) - See Note 1 below	390,000	--
1997 Combination Tax and Limited Pledge Revenue Certificate of Obligation, due in annual installments Through February 1, 2037, bearing interest rates of 4.875%. (Original Debt \$951,000) - See Note 1 below	791,000	--
2002 Combination Tax and Limited Pledge Revenue Certificates of Obligation, due in annual installments Through February 1, 2020, bearing interest rates of 4.7% to 5.5%. (Original Debt \$1,200,000) - See Note 1 below	400,000	--
2002 Waterworks and Sewer System Revenue Bonds, Due in annual installments through February 1, 2022, Bearing interest rates of 2.15% to 4.35%. (Original debt \$2,915,000) - See Note 1 below	--	1,605,000
2002- A Waterworks and Sewer System Revenue Bonds, Due in annual installments through February 1, 2015, Bearing interest rates of 4.75% to 5.9%. (Original debt \$285,000)	--	85,000

Note 1 - These bonds are being refunded in the post audit period.

**CITY OF INGLESIDE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

2007 Utility System Combination Tax and Revenue Bonds, due in annual Installments through February 1, 2020, bearing interest Rate of 4.50% (Original debt \$1,670,000)	--	1,140,000
2011 Utility System Certificate of Obligations, due in annual Installments through February 1, 2024, bearing interest Rate of 3.12% (Original debt \$1,350,000)	<u> -- </u>	<u>1,305,000</u>
Total Bonds Payable	<u>1,581,000</u>	<u>4,135,000</u>

LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended September 30, 2012:

	BALANCE			BALANCE	DUE WITHIN ONE YEAR
	1-Oct	ADDITIONS	REDUCTIONS	30-Sep	
GOVERNMENTAL ACTIVITIES					
General Obligation Bonds	\$125,000	\$ -	\$125,000	\$0	0
Certificates of Obligation	1,716,000	-	135,000	1,581,000	135,000
Compensated Absences	67,648	14,491	-	82,139	10,267
Health Claims Liability	<u>0</u>	<u>-</u>	<u>-</u>	<u>0</u>	<u>0</u>
Total Governmental Activities	<u>\$1,908,648</u>	<u>\$14,491</u>	<u>\$260,000</u>	<u>\$1,663,139</u>	<u>\$145,267</u>
BUSINESS-TYPE ACTIVITIES					
Revenue Bonds/Cert. of Obligations	\$4,375,000	\$-	240,000	\$4,135,000	\$375,000
Capital Leases	-	-	-	-	-
Compensated Absences	<u>13,290</u>	<u>3,408</u>	<u>-</u>	<u>16,698</u>	<u>8,349</u>
Total Business-Type Activities	<u>4,388,290</u>	<u>3,408</u>	<u>240,000</u>	<u>4,151,698</u>	<u>383,349</u>
Total Government	<u>\$6,296,938</u>	<u>\$3,408</u>	<u>500,000</u>	<u>\$5,814,837</u>	<u>\$528,616</u>

**CITY OF INGLESIDE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

The annual requirements for bonds for years subsequent to September 30, 2012, are as follows:

YEAR ENDING 30-Sep	GOVERNMENTAL ACTIVITIES GENERAL/ CERTIFICATE OBLIGATIONS			BUSINESS-TYPE ACTIVITIES REVENUE BONDS		
	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL
2013	135,000	76,585	211,585	375,000	154,869	529,869
2014	145,000	69,600	214,600	400,000	139,565	539,565
2015	150,000	62,121	212,121	410,000	123,304	533,304
2016	150,000	54,482	204,482	395,000	107,257	502,257
2017	150,000	46,801	196,801	405,000	91,435	496,435
Thereafter	<u>851,000</u>	<u>412,045</u>	<u>1,263,045</u>	<u>2,150,000</u>	<u>224,028</u>	<u>2,374,028</u>
TOTAL	<u>1,581,000</u>	<u>721,634</u>	<u>2,302,634</u>	<u>4,135,000</u>	<u>840,457</u>	<u>4,975,457</u>

RESTRICTED CASH AND INVESTMENTS- UTILITY FUND

Revenue Bonds-

Water and Sewer Revenue Bonds constitute special obligations of the City solely secured by a lien on the pledge of the net revenues of the water and sewer system.

The Revenue Bonds are collateralized by the revenue of the water and sewer system and the various special funds established by the bond ordinances. The ordinances provide that the revenue of the system is to be used first to pay operating and maintenance expenses of the system and second to establish and maintain the Revenue Bond funds. Remaining revenues may then be used for any lawful purpose. The ordinances also contain provisions which, among other items, restrict the issuance of additional Revenue Bonds unless the special funds noted above contain the required amounts. Management of the City believes that it is in the compliance with all significant financial requirements as of September 30, 2012.

The components of restricted cash and investments as of September 30, 2012 are as follows:

Meter Deposit Funds	\$ 152,955
Bond Construction	1,364,729
Revenue Bond Payment Reserve	200,527
Interest and Sinking Fund- Bonds	<u>190,082</u>
Total Restricted Cash and Investments	<u>\$1,908,293</u>

The City is fully funded in the Bond Reserve Fund and is in compliance with its bond ordinance.

**CITY OF INGLESIDE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

Defeased Bonds Outstanding-

On July 11, 2007, the city issued Refunding Bonds, Series 2007 in the amount of \$1,670,000 to provide resources to purchase U.S. Government State and Local Series Securities that were placed in an irrevocable trust for the purpose of generating resources for portions of future debt service payments of certificate of obligation Series 2000. As a result, the bonds are considered to be defeased and the liability has been removed from the governmental and business type activities columns of the statement of net assets.

Authorized but Not Issued Debt - See Note 13 regarding Series 2012, issued October 10, 2012

CAPITAL LEASES

The City did not have any material or significant capital leases during the fiscal year.

Fiscal Year Ended September 30, 2012	Business-Type Activities
Total	-0-
Less amount representing interest	-0-
	-0-
Present value of future lease payments	-0-
	-0-

4. COMMITMENTS UNDER NONCAPITALIZED LEASES

Operating Leases:

The City leases equipment. Most of the leases are cancelable.

Minimum lease commitments for the next five years are immaterial.

**CITY OF INGLESIDE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

5. INTERFUND TRANSACTIONS AND BALANCES

Interfund balances at September 30, 2012 consisted of the following individual fund balances:

	<u>Due From</u> <u>Other Funds</u>	<u>Due To</u> <u>Other Funds</u>
General Fund:		
Special Revenue Fund	\$ 15,841	\$ 4,960
Debt Service Fund	1,705	-
Capital Projects Fund	85,028	-
Enterprise Funds	-	1,125,191
Internal Service Fund	<u>-</u>	<u>-</u>
Total General Fund	<u>102,574</u>	<u>1,130,151</u>
Special Revenue Fund		
General Fund	4,960	15,568
Special Revenue Funds	<u>-</u>	<u>-</u>
Total Special Revenue Fund	<u>4,960</u>	<u>15,568</u>
Capital Projects Fund		
General Fund	-	85,301
Special Revenue Fund	-	<u>-</u>
Total Capital Projects Fund	-	<u>85,301</u>
Debt Service Fund		
General Fund	-	1,705
Enterprise Funds	-	<u>-</u>
Total Debt Service Fund	-	<u>1,705</u>
Enterprise Funds		
General Fund	1,091,822	-
Enterprise Funds	<u>106,000</u>	<u>72,631</u>
Total Enterprise Funds	<u>1,197,822</u>	<u>72,631</u>
TOTAL	<u>\$1,305,356</u>	<u>\$1,305,356</u>

The interfund balances at September 30, 2012 are generally short-term loans to cover temporary cash flows and reimbursements for various funds.

CITY OF INGLESIDE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Interfund transfers during the year ended September 30, 2012 were as follows:

Transfer In	<u>General</u> <u>Fund</u>	<u>Debt</u> <u>Service</u> <u>Fund</u>	<u>Special</u> <u>Revenue</u> <u>Funds</u>	<u>Utility</u> <u>Fund</u>	<u>Total</u>
Utility Fund	460,000	-	-	1,084,316	1,544,316
General Fund	-	-	499,172	-	499,172
Spec. Rev. Fund	-	-	-	48,359	48,359
Debt Service Fund	-	-	-	252,494	252,494
Total	<u>460,000</u>	-	<u>499,172</u>	<u>1,385,139</u>	<u>2,344,341</u>
Less Transfers	<u>(794,285)</u>	<u>(252,494)</u>	<u>(2,500)</u>	<u>(1,295,063)</u>	<u>(2,344,341)</u>
Net Transfers	<u>(334,285)</u>	<u>(252,494)</u>	<u>496,672</u>	<u>90,107</u>	-

The Utility Fund transfers to the General Fund were for an allocated amount for administrative service charges, payments in lieu of taxes and the transfer from the Debt Service Fund to the Utility Fund for payments related to the Series 2007 and Series 2011 Combination Revenue Bonds.

6. DISAGGRAGATION OF RECEIVABLES AND PAYABLES

Receivables at September 30, 2012, were as follows:

	<u>Property</u> <u>Taxes</u>	<u>Other</u> <u>Governments</u>	<u>Due From</u> <u>Other Funds</u>	<u>Other</u>	<u>Total</u> <u>Receivables</u>
Governmental Activities:					
General Fund – net	63,535	-	102,574	208,594	374,703
Major Gov. Funds	-	-	-	24,989	24,989
Nonmajor Gov. Funds - net	<u>14,815</u>	-	<u>4,960</u>	<u>161,820</u>	<u>181,595</u>
Total - Governmental Activities	<u>78,350</u>	-	<u>107,534</u>	<u>395,403</u>	<u>581,287</u>

Payables at September 30, 2012, were as follows:

	<u>Accounts</u>	<u>Loans, Leases</u> <u>and Bonds</u> <u>Payable –</u> <u>Current Year</u>	<u>Salaries</u> <u>and</u> <u>Benefits</u>	<u>Due To</u> <u>Other</u> <u>Funds</u>	<u>Due to</u> <u>Other</u> <u>Governments</u>	<u>Other</u>	<u>Total</u> <u>Payables</u>
Governmental Activities:							
General Fund	324,839	330,066	-	1,130,151	-	-	1,785,056
Major Gov. Fund	-	-	-	446	-	-	446
Nonmajor Gov. Funds	<u>5,227</u>	-	-	<u>102,128</u>	-	-	<u>107,355</u>
Total- Gov. Activities	<u>330,066</u>	<u>330,066</u>	-	<u>1,232,725</u>	-	-	<u>1,892,857</u>

**CITY OF INGLESIDE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

7. PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1. Property taxes are levied on October 1 based on 100% of appraise value of property as listed on the previous January 1. Appraised values are determined by the San Patricio County Appraisal District; approved by the San Patricio County Appraisal Review Board; and certified by the Chief Appraiser. Property taxes are due upon receipt of the tax bill and are delinquent if not paid before February 1st of the year following the year in which imposed. The city does not offer a discount or early payment of taxes. The City's taxes are billed and collected by the San Patricio County Tax Office. Ad valorem taxes of \$2,526,979 were assessed on property values totaling \$371,625,078 using a tax rate of \$.6800 (\$.53685 for general operations and \$.14316 for debt service) per \$100 assessed value.

8. PENSION PLAN

Plan Description: The City of Ingleside provides pension benefits for all of its eligible employees (except firefighters and part – time personnel) through a non – traditional, joint contributory, hybrid defined benefit plan in the statewide 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 provisions are adopted by the governing body of the City of Ingleside, within the options available in the state statutes governing TMRS. Plan provision for the City were as follows:

	Plan Year 2011	Plan Year 2010
Employee deposit rate	5.0%	5.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/ years of service)	60/5,0/20	60/5,0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

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 rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

**CITY OF INGLESIDE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
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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:

1. Annual Required Contribution (ARC)	236,383
2. Interest on Net Pension Obligation	0
3. Adjustment to the ARC	0
4. Annual Pension Cost (APC)	236,383
5. Contributions Made	236,383
6. Increase (Decrease) in net pension obligation	0
7. Net Pension Obligation/(Asset), beginning of year	0
8. Net Pension Obligation/(Asset), end of year	0

Three year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Actual Contributions Made	Percentage of APC Contributed	Net Pension Obligation/(Asset)
2010	252,994	252,994	100%	0
2011	240,119	240,119	100%	0
2012	236,383	236,383	100%	0

The required contribution rates for fiscal year 2012 were determined as part of the December 31, 2009 and 2010 actuarial valuations. Additional information as of the latest actuarial valuation, December 2011, also follows:

Valuation Date	12/31/2008	12/31/2009	12/31/2010	12/31/2011
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization method	Level percent of payroll	Level percent of payroll	Level percent of payroll	Level percent of payroll
GASB 25 Equivalent Single Amortization Period	29 years – closed period	28.2 years – closed period	27 years – closed period	25.9 years – closed period
Amortization Period for new Gains/Losses	30 years	30 years	30 years	30 years
Asset Valuation Method	Amortized Cost	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions				
Investment Rate of Return	7.0%	7.5%	7.0%	7.0%
Projected Salary Increases	Varies by age and service	Varies by age and service	Varies by age and service	Varies by age and service
Inflation	3.00%	3.00%	3.00%	3.00%
Cost-of-living adjustments	2.1%	2.1%	2.1%	2.1%

**CITY OF INGLESIDE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

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 of Percentage of Covered Payroll
	(1)	(2)	(3)	(4)	(5)	(6)
			(1)/(2)	(2)-(1)		(4)/(5)
12/31/2007	2,204,666	3,597,512	61.3%	1,392,846	1,977,161	70.4%
12/31/2008	2,418,690	3,900,265	62.0%	1,481,575	2,089,488	70.9%
12/31/2009	2,770,226	4,388,305	63.1%	1,618,079	2,561,892	63.2%
12/31/2010	5,083,745	6,376,267	79.7%	1,292,522	2,360,157	54.8%
12/31/2011	5,524,284	6,735,754	82.0%	1,211,470	2,317,972	52.3%

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.

The city also participates in the cost sharing multi-employer defined benefit group-term life insurance coverage plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The city elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The city may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

**CITY OF INGLESIDE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

9. POST EMPLOYMENT HEALTH CARE BENEFITS

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City provides health care benefits to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premiums are paid in full by the insured for the actual month covered. This program is offered for a period of 18 months after the termination date. There is no associated cost to the City under this program.

City supplemental death to:	Plan Year 2011	Plan Year 2012
Active employees (yes or no)	Yes	Yes
Retirees (yes or no)	Yes	Yes

Contributions

The city contributes to the Supplemental Death Benefits Fund at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the Supplemental Death Benefits Fund program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The city's contribution to the TMRS SDBF for the years ended 2012, 2011 and 2010 were \$5,165, \$3,807 and \$2,532, respectively, which equaled the required contributions each year.

10. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees and others; and natural disasters. The City's program for managing risks include: 1) participation in a public entity risk pool (Texas Municipal League) to cover liability claims such as workers compensation and general liability claims and to cover property damage claims; 2) purchasing commercial property insurance for protection from damages due to windstorms, hurricanes, hail storms and floods; and 3) providing employees with various safety programs. Except for deductibles, the City has maintained insurance for risk of loss to the public entity risk pool and commercial issuers.

11. COMMITMENTS AND CONTINGENT LIABILITIES /SHORT TERM LOANS

There are no significant claims or lawsuits pending against the City.

The City participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives.

12. FUND EQUITY - GASB 54 note

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. Fund balance is classified as non-spendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the government funds. The classifications are as follows:

**CITY OF INGLESIDE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

Non-spendable - The non-spendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of inter-fund loans.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of the City of Council. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the City Council or state statute. Board of Trustees or a District official delegated that authority by the City Council.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

City Fund Balance Policy

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used. The City has in the past and plans to continue in the future its conservative approach to monitoring expenditures to ensure that fund balances stay strong at the 25% general fund policy level. Good management practices contributed toward the credit rating agencies deciding to reaffirm the City's "A" ratings. As Standard & Poor's stated, "[Our] stable outlook also reflects our expectation that City officials will maintain reserve levels at a strong level.

**CITY OF INGLESIDE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

Fund Balance - GASB 54 Compliance

By a majority vote in a scheduled meeting of the City Council, the Council may commit fund balances and it may modify or rescind these commitments. The City Council may also delegate authority to persons or parties to assign fund balances in specific circumstances. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented as follows.

<u>Fund Balance Classification</u>	Amount
Non-spendable	
Inventories	\$ 14,972
Pre-paids	10,830
Restricted	
Federal/State Grants	483,727
Retirement of Long Term Debt	23,873
Committed Fund Balances	
Economic	417,633
Compensated	71,385
Assigned Fund Balances	
Undesignated/Unassigned	-
Unassigned Fund Balance	<u>1,264,440</u>
Total Fund Balances	<u>\$ 2,286,859</u>

13. Subsequent Events

On September 11, 2012, the City Council authorized the issuance of General Obligation Refunding Bonds, Series 2012 in the amount of \$3,135,000. These bonds were issued on October 10, 2012, and provided resources to purchase U.S. Government State and Local Series Securities that were placed in an irrevocable trust for the purpose of generating resources for portions of future debt service payments of Certification of Obligation Series 1997, Series 1997A, Series 2002 and Revenue Bonds Series 2002. As a result, the bonds are considered to be defeased and those liabilities will be removed from the governmental and business type activities columns of the statement of net assets.

The District has evaluated subsequent events through January 23, 2013, the date which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

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

BUDGETARY DATA

Annual budgets are legally adopted by council. The City Manager is authorized to transfer budgeted amounts within departments; however, any revisions that alter the total expenditures of a department must be approved by the City Council. Budgeted amounts reported in the 2011-2012 financial statements present the original and final amended budget approved by the Council. All unencumbered budget appropriations except project budgets, lapse at the end of each fiscal year. The following procedures are used by the City in establishing the budgetary date reflected in the financial statements:

1. Prior to August 6th each year, the City Manager is required to submit a proposed budget to the City Council. The operating budget includes proposed expenditures and the means of financing them.
2. Advertised public hearings are conducted.
3. The budget is required to be approved by September 20th.
4. The tax rates are approved after the budget has been approved.
5. The budget may be amended as considered necessary. The budget and tax rates are enacted through the passage of ordinances.

CITY OF INGLESIDE, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 TEXAS MUNICIPAL RETIREMENT SYSTEM
 ANALYSIS OF FUNDING PROGRESS

LAST EIGHT VALUATION DATES

<u>Actuarial Value Date</u>	<u>Actuarial Value of Assets</u> (a)	<u>Actuarial Accrued Liability (AAL)</u> (b)	<u>Unfunded AAL (UAAL)</u> (b-a)	<u>Funded Ratio</u> (a/b)	<u>Annual Covered Payroll</u> (c)	<u>UAAL as a Percentage of Covered Payroll</u> ((b-a)/c)
12/31/04	2,143,938	2,659,146	515,208	80.60%	1,831,616	28.10%
12/31/05	2,093,976	2,711,769	617,793	77.22%	2,106,365	29.30%
12/31/06	2,180,324	2,804,362	624,038	77.75%	1,775,820	35.14%
12/31/07	2,204,666	3,597,512	1,392,846	61.30%	1,977,161	70.40%
12/31/08	2,418,690	3,900,265	1,481,575	62.00%	2,089,488	70.90%
12/31/09	2,770,226	4,388,305	1,618,079	63.10%	2,561,892	63.20%
12/31/10	5,083,745	6,376,267	1,292,522	79.70%	2,360,157	54.80%
12/31/11	5,524,284	6,735,754	1,211,470	82.00%	2,317,972	52.30%



COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES AS SUPPLEMENTARY INFORMATION



GOVERNMENTAL FUNDS



GENERAL FUND

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The general operating expenditures, fixed charges, and capital improvement costs that are not paid through other funds are paid from the General Fund. The Fund uses the modified accrual basis of accounting.



CITY OF INGLESIDE, TEXAS
GENERAL FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2012 AND 2011

Exhibit H-1

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and Texpool Accounts	2,479,647	2,361,595
Receivables and Allowances:		
Accounts		
Assessments and Fees (net)	-	5,310
Miscellaneous	2,762	6,176
Inventory	14,972	14,224
Due From Other Governmental Agencies		
Sales Taxes	205,832	216,418
Parks and Wildlife	-	-
Ad Valorem Taxes	235,314	264,922
Allowance for Uncollectible	(171,779)	(190,589)
Due from Other Funds	102,574	82,603
Prepaid Items	<u>10,830</u>	<u>10,663</u>
TOTAL ASSETS	<u><u>2,880,152</u></u>	<u><u>2,771,322</u></u>
LIABILITIES AND FUND BALANCE		
	-	-
Accounts Payable/Accrued Expenditures	324,839	301,416
Other Payables	-	-
Due to Other Funds	1,130,151	1,037,305
Deferred Revenues	63,535	76,833
TOTAL LIABILITIES	<u><u>1,518,525</u></u>	<u><u>1,415,554</u></u>
FUND BALANCE		
Nonspendable Fund Balance		
Inventory	14,972	14,224
Prepaid Items	10,830	10,663
Committed Fund Balance		
Economic Development	-	-
Compensated Absenses	71,385	67,647
Unassigned Fund Balance	<u>1,264,440</u>	<u>1,263,234</u>
TOTAL FUND BALANCE	<u><u>1,361,627</u></u>	<u><u>1,355,768</u></u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>2,880,152</u></u>	<u><u>2,771,322</u></u>

CITY OF INGLESIDE, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER SOURCES
BUDGET (GAAP BASIS) AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2012
WITH COMPARATIVE ACTUAL AMOUNT FOR 2011

Exhibit H-2
Page 1 of 2

	2012			Variance with Final Budget Variance	2011
	BUDGETED AMOUNTS		Actual		Actual
	Original	Final			
REVENUES					
Taxes					
Ad valorem- Current	2,046,472	2,046,472	1,962,973	(83,499)	2,033,459
Ad valorem- Delinquent	55,000	55,000	75,596	20,596	61,305
Ad valorem- Penalty & Interest	30,000	30,000	46,478	16,478	38,192
Indust. District- in lieu of taxes	411,442	411,442	455,703	44,261	159,369
City Sales (1%)	706,303	706,303	848,900	142,597	781,324
Beverage Tax	10,000	10,000	14,684	4,684	16,471
Bingo Tax	1,500	1,500	1,413	(87)	1,583
Franchise	318,232	318,232	394,487	76,255	372,175
In-Lieu of Franchise Tax	22,000	22,000	28,883	6,883	24,374
Total Taxes	3,600,949	3,600,949	3,829,117	228,168	3,488,252
Licenses and Permits					
Dog Licenses	2,500	2,500	1,170	(1,330)	2,126
Dog Donation and Adoption	3,500	3,500	3,200	(300)	3,195
Contractor Licenses	5,000	5,000	7,550	2,550	10,200
Electricians Licenses	0	0	0	0	0
Building Permits	12,500	12,500	54,244	41,744	74,361
Electrical Permits	5,000	5,000	14,199	9,199	6,394
Plumbing Permits	3,000	3,000	5,469	2,469	4,583
Other Permits	1,200	1,200	17,700	16,500	450
Mechanical Permits	2,000	2,000	5,496	3,496	3,092
Beer & Wine Permits	2,000	2,000	3,313	1,313	3,415
Solicitors Permits	150	150	303	153	840
Total Licenses and Permits	36,850	36,850	112,644	75,794	108,656
Intergovernmental					
Grant- Texas Capital Project	0	0	0	0	0
Grant- TIF	5,950	5,950	0	(5,950)	5,950
Grant- Texas Parks & Wildlife	0	0	0	0	0
Grants- Other	0	0	0	0	187
Total Intergovernmental	5,950	5,950	0	(5,950)	6,137

CITY OF INGLESIDE, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER SOURCES
BUDGET (GAAP BASIS) AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2012
WITH COMPARATIVE ACTUAL AMOUNT FOR 2011

Exhibit H-2
Page 2 of 2

REVENUES	2012			Variance with Final Budget Variance	2011
	BUDGETED AMOUNTS		Actual		Actual
	Original	Final			
Charges for Services					
Sanitation	900,000	900,000	925,849	25,849	896,166
Rural Fire Calls	15,000	15,000	16,467	1,467	16,233
Swimming Pool Charges	12,400	12,400	6,013	(6,387)	7,719
Skate Park Charges	200	200	131	(69)	5,133
Platting Fees	3,000	3,000	550	(2,450)	2,455
Rezoning Applications	350	350	1,050	700	1,150
Driveway Placement Fees	2,000	2,000	1,862	(138)	3,677
Library	5,500	5,500	12,787	7,287	11,480
Tax Certificates	100	100	(46)	(146)	38
Lot Clearing	3,000	3,000	7,635	4,635	3,903
Subtotal	<u>941,550</u>	<u>941,550</u>	<u>972,300</u>	<u>30,750</u>	<u>947,954</u>
Fines and Penalties	<u>157,500</u>	<u>157,500</u>	<u>201,457</u>	<u>43,957</u>	<u>164,609</u>
Other					
Rents and Fees- Garden Center	5,000	5,000	4,960	(40)	6,445
Interest	3,000	3,000	3,046	46	2,851
Contributions	0	0	6,187	6,187	117,823
Bldg Lease- Humble Fees	11,200	11,200	12,822	1,622	27,027
Copies	1,000	1,000	975	(25)	899
Cash Over/Short	0	0	0	0	(1)
Wrecker	0	0	0	0	0
Sale of Assets	0	0	21	21	25,856
Sundry	13,000	13,000	21,831	8,831	47,699
Arrest Fees	623	623	731	108	583
Map Sales	25	25	70	45	85
Emergency Beacons	0	0	0	0	0
Police Peace Officers Allocation	0	0	0	0	0
Pound Boarding & Impoundment	5,000	5,000	3,995	(1,005)	4,180
Police Payphone Commissions	500	500	302	(198)	36
Law Enforcement Education	1,700	1,700	0	(1,700)	2,595
Live Oak Park Rent	100	100	0	(100)	0
Subtotal	<u>41,148</u>	<u>41,148</u>	<u>54,938</u>	<u>13,790</u>	<u>236,078</u>
Total Revenues	<u>4,783,947</u>	<u>4,783,947</u>	<u>5,170,455</u>	<u>386,508</u>	<u>4,951,686</u>
OTHER SOURCES- Operating Transfers					
Transfers	460,000	460,000	460,000	0	517,915
Total Operating Transfers	<u>460,000</u>	<u>460,000</u>	<u>460,000</u>	<u>0</u>	<u>517,915</u>
TOTAL REVENUES AND OTHER SOURCES	<u>5,243,947</u>	<u>5,243,947</u>	<u>5,630,455</u>	<u>386,508</u>	<u>5,469,601</u>

CITY OF INGLESIDE, TEXAS
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2012
WITH COMPARATIVE ACTUAL AMOUNT FOR 2011

2012

	BUDGETED AMOUNTS		Personnel Costs	Supplies & Services
	Original	Final		
Current Expenditures				
General Administration				
Mayor and Council	14,825	14,825	0	13,841
City Manager	85,565	85,565	77,512	8,627
City Secretary	111,393	111,393	85,303	16,279
Finance	176,414	176,414	158,291	12,922
Municipal Court	208,516	208,516	149,463	32,429
City Attorney	0	0	0	0
Economic Development	20,000	20,000	0	14,876
Non-Departmental	457,782	457,782	0	430,573
Total General Administration	<u>1,074,495</u>	<u>1,074,495</u>	<u>470,571</u>	<u>529,547</u>
Public Safety				
Police	1,590,724	1,590,724	1,247,956	211,588
Fire	192,021	192,021	81,012	92,773
Inspections	136,386	136,386	126,551	8,819
Code Enforcement	91,592	91,592	57,942	9,247
Crossing Guards	0	0	0	0
Emergency Management	10,048	10,048	0	4,727
Animal Control	133,662	133,662	73,286	49,874
Total Public Safety	<u>2,154,433</u>	<u>2,154,433</u>	<u>1,586,748</u>	<u>377,028</u>
Public Works				
Streets Department	334,302	334,302	151,181	133,477
Vector Control	10,100	10,100	0	5,645
Buildings and Drainage	228,462	228,462	186,790	37,213
Sanitation	755,032	755,032	0	753,797
GIS	7,100	7,100	0	1,635
Total Public Works	<u>1,334,996</u>	<u>1,334,996</u>	<u>337,971</u>	<u>931,768</u>
Culture and Recreation				
Library	239,930	239,930	180,527	54,362
Parks and Recreation	380,150	380,150	190,176	141,343
Simmons Park Development	0	0	0	0
Citizens Center	36,165	36,165	20,027	9,063
Total Parks and Recreation	<u>656,245</u>	<u>656,245</u>	<u>390,730</u>	<u>204,768</u>
Tranfers Out	18,000	18,000	0	0
Total Current Expenditures	<u>5,238,169</u>	<u>5,238,169</u>	<u>2,786,019</u>	<u>2,043,111</u>

Debt Service	2012				Variance with Final Budget Variance	2011
	Capital Outlay	Transfers Out	Total Actual	Total Actual		
0	0	0	13,841	984	13,100	
0	0	0	86,140	(575)	82,963	
0	0	0	101,582	9,811	101,335	
0	0	0	171,213	5,201	169,342	
0	0	0	181,893	26,623	180,137	
0	0	0	0	0	0	
0	0	0	14,876	5,124	36,256	
1,132	0	0	431,705	26,077	409,691	
<u>1,132</u>	<u>0</u>	<u>0</u>	<u>1,001,250</u>	<u>73,245</u>	<u>992,824</u>	
0	0	0	1,459,544	131,180	1,360,805	
0	0	0	173,786	18,235	180,945	
0	0	0	135,370	1,016	134,249	
0	50	0	67,239	24,353	81,521	
0	0	0	0	0	0	
0	0	0	4,727	5,321	10,774	
0	0	0	123,160	10,502	117,086	
<u>0</u>	<u>50</u>	<u>0</u>	<u>1,963,826</u>	<u>190,607</u>	<u>1,885,380</u>	
0	0	0	284,658	49,644	308,629	
0	0	0	5,645	4,455	799	
0	0	0	224,003	4,459	204,206	
0	0	0	753,797	1,235	715,923	
0	0	0	1,635	5,465	14,441	
<u>0</u>	<u>0</u>	<u>0</u>	<u>1,269,739</u>	<u>65,257</u>	<u>1,243,998</u>	
0	0	0	234,888	5,042	208,229	
0	0	0	331,520	48,630	332,085	
0	0	0	0	0	0	
0	0	0	29,090	7,075	27,368	
<u>0</u>	<u>0</u>	<u>0</u>	<u>595,498</u>	<u>60,747</u>	<u>567,682</u>	
0	0	794,285	794,285	(776,285)	698,179	
<u>1,132</u>	<u>50</u>	<u>794,285</u>	<u>5,624,598</u>	<u>(386,429)</u>	<u>5,388,063</u>	



NON-MAJOR GOVERNMENTAL FUNDS

CITY OF INGLESIDE, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2012

Exhibit H-4

	Special Revenue Funds	Debt Service Fund	Ingleside Tax Reinvest. Zone #1 Capital Projects Fund	Total Nonmajor Governmental Funds
ASSETS				
Cash and Texpool Accounts	329,806	25,578	92,790	448,174
Receivables				
Ad Valorem Taxes	0	54,871	0	54,871
Allowance for Uncollectible Taxes	0	(40,056)	0	(40,056)
Other	5,776	0	0	5,776
Hotel-Motel Tax	46,806	0	0	46,806
Due from Other Governments	109,239	0	0	109,239
Due from Other Funds	4,960	0	0	4,960
TOTAL ASSETS	496,586	40,393	92,790	629,769
LIABILITIES AND FUND BALANCE				
Accounts Payable	5,227	0	0	5,227
Due to Other Funds	100,423	1,705	0	102,127
Deferred Revenue	0	14,815	0	14,815
TOTAL LIABILITIES	105,650	16,520	0	122,169
FUND BALANCE				
Restricted for Public Safety and Works	41,359	0	0	41,359
Restricted for Tourism and Development	349,577	0	92,790	442,367
Restricted for Debt Service	0	23,873	0	23,873
TOTAL FUND BALANCE	390,936	23,873	92,790	507,600
TOTAL LIABILITIES AND FUND BALANCE	496,586	40,393	92,790	629,769

CITY OF INGLESIDE, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2012

	Special Revenue Funds	Debt Service Fund	Ingleside Tax Reinvest. Zone #1 Capital Projects Fund	Total Nonmajor Governmental Funds
REVENUES				
Taxes	339,777	498,232	75,572	913,581
Intergovernmental	506,961	0	0	506,961
Interest	369	122	45	537
Other	11,214	0	0	11,214
TOTAL REVENUES	858,322	498,354	75,617	1,432,294
EXPENDITURES				
Current				
Tourism/Advertising/Training	100,000	0	0	100,000
Debt Service	0	275,732	0	275,732
Police	2,022	0	0	2,022
Development	517,654	0	1,196	518,851
Public Works	619,723	0	0	619,723
TOTAL EXPENDITURES	1,239,399	275,732	1,196	1,516,327
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(381,077)	222,623	74,421	(84,034)
OTHER FINANCING SOURCES (USES)				
Bond Proceeds	0	0	0	0
Transfers In from Other Funds	499,172	0	0	499,172
Transfer (Out) to Other Funds	(2,500)	(252,494)	0	(254,994)
TOTAL OTHER FINANCING SOURCES (USES)	496,672	(252,494)	0	244,178
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	115,595	(29,871)	74,421	160,145
FUND BALANCE, beginning of year	275,342	53,744	18,369	347,455
FUND BALANCE, end of year	390,936	23,873	92,790	507,600



SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds for specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures to specified purposes. The City maintains the following special revenue funds.

Hotel/Motel Tax Fund- required by Texas to account for occupancy tax collections. This fund is used to account for that portion of collections used for tourism advertising and promotion.

Texas Capital Fund Grant- established to account for grant funds received for Community Development Block Grant- Kiewit and Helix infrastructure.

Asset Seizures and Forfeitures Fund- accounts for drug related asset seizures and allowable expenditures.

Street Maintenance Tax Fund – established to account for sales taxes dedicated for street maintenance.

Other Grant Funds - established to account for SCBA and Home Grants that were acquired by the City during the fiscal year.

CITY OF INGLESIDE, TEXAS
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2012
WITH COMPARATIVE TOTALS FOR 2011

Exhibit H-6

	Hotel - Motel Tax Fund	Homeland	Asset	Home Grant	Safe	Street	General	Texas	Total Nonmajor Special Revenue Funds	
		Security/ Other Grant	Seizures & Forfeitures		Routes to School	Maint Tax Fd	Capital Projects Fund	Cap Fd Helix	2012	2011
ASSETS										
Cash and Texpool Accounts	297,772	4,881	2,334	0	0	24,547	0	273	329,806	514,249
Receivables										
Other	0	0	0	0	0	0	5,776	0	5,776	0
Hotel-Motel Tax	46,806	0	0	0	0	0	0	0	46,806	64,732
Due from Other Governments	0	84,209	0	40	0	24,989	0	0	109,239	129,986
Due from Other Funds	0	0	0	4,960	0	0	0	0	4,960	17,822
TOTAL ASSETS	344,577	89,090	2,334	5,000	0	49,536	5,776	273	496,586	726,789
LIABILITIES AND FUND BALANCE										
Accounts Payable	0	4,063	1,164	0	0	0	0	0	5,227	19,901
Due to Others	0	0	0	0	0	0	0	0	0	0
Deferred Revenues	0	0	0	0	0	0	0	0	0	0
Due to Other Funds	0	85,028	0	0	0	15,122	0	273	100,423	83,154
TOTAL LIABILITIES	0	89,090	1,164	0	0	15,122	0	273	105,650	103,055
FUND BALANCE										
Restricted for Public Safety/Works	0	0	1,169	0	0	34,414	5,776	0	41,359	28,184
Restricted for Tourism & Develop.	344,577	0	0	5,000	0	0	0	0	349,577	579,422
Restricted for Debt Service	0	0	0	0	0	0	0	0	0	16,128
TOTAL FUND BALANCE	344,577	0	1,169	5,000	0	34,414	5,776	0	390,936	623,735
TOTAL LIABILITIES & FUND BALANCE	344,577	89,090	2,334	5,000	0	49,536	5,776	273	496,586	726,789

Ingleside Development Fund moved to a major fund and therefore is the difference in fund balance differences.

CITY OF INGLESIDE, TEXAS
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
SEPTEMBER 30, 2012
WITH COMPARATIVE TOTALS FOR 2011

	Hotel - Motel Tax Fund	Homeland Security/ Other Grant	Asset Seizures & Forfeitures	Home Grant	Safe Routes to School	Street Mant. Tax Fd	General Capital Projects Fund	Texas Cap. Fd Helix	Total Nonmajor Special Revenue Funds	
									2012	2011
REVENUES										
Taxes	197,127	0	0	0	0	142,650	0	0	339,777	431,647
Intergovernmental	0	104,357	0	402,604	0	0	0	0	506,961	164,417
Interest	292	0	6	0	0	70	0	0	369	737
Other	0	0	5,421	18	0	0	5,776	0	11,214	66,246
TOTAL REVENUES	197,420	104,357	5,427	402,622	0	142,720	5,776	0	858,322	663,048
EXPENDITURES										
Current									100,000	102,718
Tourism/Advertising/Training	100,000	0	0	0	0	0	0	0	0	75,475
Debt Service	0	0	0	0	0	0	0	0	0	0
Police	0	0	2,022	0	0	0	0	0	2,022	0
Development/Grant Costs	0	115,214	0	402,440	0	0	0	0	517,654	207,650
Public Works	0	0	0	0	0	136,226	483,497	0	619,723	516,773
TOTAL EXPENDITURES	100,000	115,214	2,022	402,440	0	136,226	483,497	0	1,239,399	902,616
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	97,420	(10,857)	3,405	182	0	6,494	(477,721)	0	(381,077)	(239,568)
OTHER FINANCE SOURCES (USES)										
Transfer In from Other Funds	0	10,857	0	4,818	0	0	483,497	0	499,172	329,870
Transfer (Out) to Other Funds	0	0	(2,500)	0	0	0	0	0	(2,500)	0
TOTAL OTHER FINANCE SOURCES(USES)	0	10,857	(2,500)	4,818	0	0	483,497	0	496,672	329,870
EXCESS (DEFICIENCY) OF REV. AND OTHER SOURCES OVER EXPENDITURES & OTHER USES	97,420	0	905	5,000	0	6,494	5,776	0	115,595	90,302
FUND BALANCE, beginning of year	247,158	0	264	0	0	27,920	0	0	275,342	533,432
FUND BALANCE, end of year	344,577	0	1,169	5,000	0	34,414	5,776	0	390,936	623,735

Ingleside Development Fund moved to a major fund and therefore is the difference in fund balance differences.

CITY OF INGLESIDE, TEXAS
HOTEL-MOTEL TAX FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2012 AND 2011

Exhibit H-8

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and Texpool Accounts	297,772	182,426
Hotel-Motel Tax Receivable	46,806	64,732
Due From Other Funds	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u><u>344,577</u></u>	<u><u>247,158</u></u>
LIABILITIES AND FUND BALANCES		
Accounts Payable	-	-
Due to Other Fund	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>-</u>	<u>-</u>
FUND BALANCE		
Restricted for Tourism	<u>344,577</u>	<u>247,158</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>344,577</u></u>	<u><u>247,158</u></u>

CITY OF INGLESIDE, TEXAS
HOTEL-MOTEL TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE- BUDGET (GAAP BASIS) AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2012
WITH COMPARATIVE TOTALS FOR 2011

Exhibit H-9

	2012			Final Budget Variance	2011
	BUDGETED AMOUNTS		Actual		Actual
	Original	Final			
REVENUES					
Occupancy Tax	126,000	126,000	197,127	71,127	171,206
Interest	600	600	292	(308)	201
Total Revenues	<u>126,600</u>	<u>126,600</u>	<u>197,420</u>	<u>70,820</u>	<u>171,407</u>
EXPENDITURES					
Tourism and Development	100,000	100,000	100,000	0	100,000
Tourism/Chamber Support	6,400	6,400	0	6,400	1,875
Advertisement- Other					
Total Expenditures	<u>106,400</u>	<u>106,400</u>	<u>100,000</u>	<u>6,400</u>	<u>101,875</u>
OTHER FINANCING SOURCES (USES)					
Other Sources- Transfers In (Out)	0	0	0	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER USES	<u>20,200</u>	<u>20,200</u>	<u>97,420</u>	<u>77,220</u>	<u>69,532</u>
FUND BALANCE, beginning of year	<u>247,158</u>	<u>247,158</u>	<u>247,158</u>	<u>0</u>	<u>177,626</u>
FUND BALANCE, end of year	<u><u>267,358</u></u>	<u><u>267,358</u></u>	<u><u>344,577</u></u>	<u><u>77,220</u></u>	<u><u>247,158</u></u>

CITY OF INGLESIDE, TEXAS
ASSET SEIZURES AND FORFEITURES FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2012 AND 2011

Exhibit H-10

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and Cash Equivalents	2,334	2,165
Due from Other Funds	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u><u>2,334</u></u>	<u><u>2,165</u></u>
LIABILITIES AND FUND EQUITY		
Seizures Payable	1,164	1,901
Due to Other Funds	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u><u>1,164</u></u>	<u><u>1,901</u></u>
Restricted for Trust Fund	<u>1,169</u>	<u>264</u>
TOTAL LIABILITIES AND FUND EQUITY	<u><u>2,334</u></u>	<u><u>2,165</u></u>

Adjustments have been made for comparative purposes.

CITY OF INGLESIDE, TEXAS
ASSET SEIZURES AND FORFEITURES FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
YEAR ENDED SEPTEMBER 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
REVENUES		
Asset Seizures and Forfeitures	5,421	-
Other	6	2
Interest	<u>6</u>	<u>2</u>
Total Revenues	<u>5,427</u>	<u>2</u>
EXPENDITURES		
Current		
Police	<u>2,022</u>	<u>-</u>
Total Expenditures	<u>2,022</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,405	2
OTHER FINANCING SOURCES (USES)		
Other Sources- Bond Proceeds	0	0
Other Sources- Transfers (Out)	(2,500)	0
Other Sources- Transfers In	<u>0</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>(2,500)</u>	<u>0</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	905	2
FUND BALANCE, beginning of year	<u>264</u>	<u>262</u>
FUND BALANCE, end of year	<u><u>1,169</u></u>	<u><u>264</u></u>

Adjustments have been made for comparative purposes.

CITY OF INGLESIDE, TEXAS
INGLESIDE HOME GRANT
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2012 AND 2011

Exhibit H-12

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and Texpool Accounts	-	-
Due from Other Governments	40	716
Due from Other Funds	4,960	17,284
TOTAL ASSETS	<u><u>5,000</u></u>	<u><u>18,000</u></u>
 LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts Payable	-	18,000
Due to Other Funds	-	-
TOTAL LIABILITIES	<u><u>-</u></u>	<u><u>18,000</u></u>
 FUND BALANCE		
Restricted for Tourism and Development	<u>5,000</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>5,000</u></u>	<u><u>18,000</u></u>

CITY OF INGLESIDE, TEXAS
INGLESIDE HOME GRANT
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
YEAR ENDED SEPTEMBER 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
REVENUES		
Intergovernmental	402,604	3,471
Other	<u>18</u>	<u>14,196</u>
Total Revenues	<u>402,622</u>	<u>17,667</u>
EXPENDITURES		
Grant costs	<u>402,440</u>	<u>35,717</u>
Total Expenditures	<u>402,440</u>	<u>35,717</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>182</u>	<u>(18,050)</u>
OTHER FINANCING SOURCES (USES)		
Other Sources- Transfers In (Out)	<u>4,818</u>	<u>18,050</u>
Total Other Financing Sources (Uses)	<u>4,818</u>	<u>18,050</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>5,000</u>	<u>-</u>
FUND BALANCE, beginning of year	<u>-</u>	<u>-</u>
FUND BALANCE, end of year	<u><u>5,000</u></u>	<u><u>-</u></u>

CITY OF INGLESIDE, TEXAS
INGLESIDE SAFE ROUTES GRANT
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2012 AND 2011

Exhibit H-14

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and Texpool Accounts	-	-
Accounts Receivable	-	-
Due from Other Funds	-	-
TOTAL ASSETS	<u>-</u>	<u>-</u>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts Payable	-	-
Due to Other Funds	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>
FUND BALANCE		
Restricted	-	-
TOTAL LIABILITIES AND FUND BALANCE	<u>-</u>	<u>-</u>

CITY OF INGLESIDE, TEXAS
INGLESIDE SAFE ROUTES GRANT
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
YEAR ENDED SEPTEMBER 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
REVENUES		
Other	<u>-</u>	<u>363</u>
Total Revenues	<u>-</u>	<u>363</u>
EXPENDITURES		
Grant costs	<u>-</u>	<u>366</u>
Total Expenditures	<u>-</u>	<u>366</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>(3)</u>
OTHER FINANCING SOURCES (USES)		
Other Sources- Transfers In (Out)	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>-</u>	<u>(3)</u>
FUND BALANCE, beginning of year	<u>-</u>	<u>3</u>
FUND BALANCE, end of year	<u><u>-</u></u>	<u><u>-</u></u>

CITY OF INGLESIDE, TEXAS
STREET MAINTENANCE TAX FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2012 AND 2011

Exhibit H-16

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and Texpool Accounts	24,547	1,940
Due from Other Governments	24,989	25,635
Due from Other Funds	-	345
TOTAL ASSETS	<u><u>49,536</u></u>	<u><u>27,920</u></u>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts Payable	-	-
Due to Other Funds	15,122	-
TOTAL LIABILITIES	<u><u>15,122</u></u>	<u><u>-</u></u>
FUND BALANCE		
Restricted	<u>34,414</u>	<u>27,920</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>49,536</u></u>	<u><u>27,920</u></u>

CITY OF INGLESIDE, TEXAS
STREET MAINTENANCE TAX FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
YEAR ENDED SEPTEMBER 30, 2012 AND 2011

Exhibit H-17

	<u>2012</u>	<u>2011</u>
REVENUES		
Sales Tax Revenues	142,650	130,231
Interest Income	<u>70</u>	<u>128</u>
Total Revenues	<u>142,720</u>	<u>130,359</u>
EXPENDITURES		
Maintenance Expense	<u>136,226</u>	<u>164,607</u>
Total Expenditures	<u>136,226</u>	<u>164,607</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>6,494</u>	<u>(34,248)</u>
OTHER FINANCING SOURCES (USES)		
Other Sources- Transfers In (Out)	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>6,494</u>	<u>(34,248)</u>
FUND BALANCE, beginning of year	<u>27,920</u>	<u>62,168</u>
FUND BALANCE, end of year	<u><u>34,414</u></u>	<u><u>27,920</u></u>

CITY OF INGLESIDE, TEXAS
TEXAS CAPITAL FUND HELIX
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2012 AND 2011

Exhibit H-18

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and Texpool Accounts	273	273
Accounts Receivable	-	-
Due from Other Funds	-	-
Due from State	-	-
TOTAL ASSETS	<u><u>273</u></u>	<u><u>273</u></u>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts Payable	-	-
Due to Other Funds	<u>273</u>	<u>273</u>
TOTAL LIABILITIES	<u><u>273</u></u>	<u><u>273</u></u>
FUND BALANCE		
Restricted	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>273</u></u>	<u><u>273</u></u>

CITY OF INGLESIDE, TEXAS
TEXAS CAPITAL FUND HELIX
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
YEAR ENDED SEPTEMBER 30, 2011 AND 2010

	<u>2012</u>	<u>2011</u>
REVENUES		
Intergovernmental	<u>-</u>	<u>-</u>
Total Revenues	<u>-</u>	<u>-</u>
EXPENDITURES		
Capital Costs	<u>-</u>	<u>89</u>
Administrative Expense	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>89</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>(89)</u>
OTHER FINANCING SOURCES (USES)		
Other Sources- Transfers In (Out)	<u>-</u>	<u>89</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>89</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>-</u>	<u>-</u>
FUND BALANCE, beginning of year	<u>-</u>	<u>-</u>
FUND BALANCE, end of year	<u><u>-</u></u>	<u><u>-</u></u>

CITY OF INGLESIDE, TEXAS
HOMELAND SECURITY/OTHER GRANTS
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2012 AND 2011

Exhibit H-20

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and Texpool Accounts	4,881	4,880
Accounts Receivable	84,209	78,000
Due From Other Funds	<u>0</u>	<u>0</u>
TOTAL ASSETS	<u><u>89,090</u></u>	<u><u>82,880</u></u>
LIABILITIES AND FUND BALANCES		
Accounts Payable	4,063	0
Deferred Revenue	0	0
Due to Other Funds	<u>85,028</u>	<u>82,880</u>
TOTAL LIABILITIES	<u>89,090</u>	<u>82,880</u>
FUND BALANCE	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>89,090</u></u>	<u><u>82,880</u></u>

CITY OF INGLESIDE, TEXAS
HOMELAND SECURITY/OTHER GRANTS
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
YEAR ENDED SEPTEMBER 30, 2012 AND 2011

Exhibit H-21

	<u>2012</u>	<u>2011</u>
	<u>Actual</u>	<u>Actual</u>
REVENUES		
Intergovernmental Revenue	<u>104,357</u>	<u>160,583</u>
Total Revenues	<u>104,357</u>	<u>160,583</u>
EXPENDITURES		
Development Costs/Grant Costs	<u>115,214</u>	<u>171,933</u>
Total Expenditures	<u>115,214</u>	<u>171,933</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(10,857)	(11,350)
OTHER FINANCING SOURCES (USES)		
Other Sources- Transfers (Out)	-	-
Other Sources- Transfers In	<u>10,857</u>	<u>12,070</u>
Total Other Financing Sources (Uses)	<u>10,857</u>	<u>12,070</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	-	720
FUND BALANCE, beginning of year	<u>-</u>	<u>(720)</u>
FUND BALANCE, end of year	<u><u>-</u></u>	<u><u>-</u></u>

CITY OF INGLESIDE, TEXAS
INGLESIDE TAX REINVESTMENT ZONE #1
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2012 AND 2011

Exhibit H-22

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and Texpool Accounts	92,790	18,369
Due from Other Funds	-	-
Taxes Receivable	-	23,391
TOTAL ASSETS	<u><u>92,790</u></u>	<u><u>41,760</u></u>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts Payable	-	-
Due to Other Funds	-	-
Deferred Revenues	-	23,391
TOTAL LIABILITIES	<u><u>-</u></u>	<u><u>23,391</u></u>
FUND BALANCE		
Restricted	<u>92,790</u>	<u>18,369</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>92,790</u></u>	<u><u>41,760</u></u>

CITY OF INGLESIDE, TEXAS
INGLESIDE TAX REINVESTMENT ZONE #1
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
YEAR ENDED SEPTEMBER 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
REVENUES		
Tax/Other Revenues	<u>75,617</u>	<u>26</u>
Total Revenues	<u>75,617</u>	<u>26</u>
EXPENDITURES		
Development Costs	<u>1,196</u>	<u>2,320</u>
Total Expenditures	<u>1,196</u>	<u>2,320</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>74,421</u>	<u>(2,294)</u>
OTHER FINANCING SOURCES (USES)		
Other Sources- Transfers In (Out)	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>74,421</u>	<u>(2,294)</u>
FUND BALANCE, beginning of year	<u>18,369</u>	<u>20,663</u>
FUND BALANCE, end of year	<u><u>92,790</u></u>	<u><u>18,369</u></u>

CITY OF INGLESIDE, TEXAS
INGLESIDE GENERAL CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2012 AND 2011

Exhibit H-24

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and Texpool Accounts	-	-
Accounts Receivable	5,776	-
Due from Other Funds	-	-
TOTAL ASSETS	<u><u>5,776</u></u>	<u><u>-</u></u>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts Payable	-	-
Due to Other Funds	-	-
TOTAL LIABILITIES	<u><u>-</u></u>	<u><u>-</u></u>
FUND BALANCE		
Restricted	<u>5,776</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>5,776</u></u>	<u><u>-</u></u>

CITY OF INGLESIDE, TEXAS
INGLESIDE GENERAL CAPITAL PROJECTS FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
YEAR ENDED SEPTEMBER 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
REVENUES		
Other	<u>5,776</u>	<u>52,051</u>
Total Revenues	<u>5,776</u>	<u>52,051</u>
EXPENDITURES		
Public Works	<u>483,497</u>	<u>351,712</u>
Total Expenditures	<u>483,497</u>	<u>351,712</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(477,721)</u>	<u>(299,661)</u>
OTHER FINANCING SOURCES (USES)		
Other Sources- Transfers In (Out)	<u>483,497</u>	<u>299,661</u>
Total Other Financing Sources (Uses)	<u>483,497</u>	<u>299,661</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>5,776</u>	<u>-</u>
FUND BALANCE, beginning of year	<u>-</u>	<u>-</u>
FUND BALANCE, end of year	<u><u>5,776</u></u>	<u><u>-</u></u>



DEBT SERVICE FUND

The Debt Service Fund is used to account for the accumulation of resources for and payment of general long-term debt bond principal, interest, and related costs. The Debt Service Fund uses the modified accrual basis of accounting, except principal and interest are recognized when due.

CITY OF INGLESIDE, TEXAS
DEBT SERVICE FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2012 AND 2011

Exhibit H-26

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and Texpool Accounts	25,578	54,397
Receivables and Allowances		
Ad Valorem Taxes	54,871	46,559
Allowance for Uncollectible Taxes	(40,056)	(33,370)
Due from Other Funds	<u>-</u>	<u>0</u>
TOTAL ASSETS	<u><u>40,393</u></u>	<u><u>67,586</u></u>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts Payable	-	-
Due to Other Funds	1,705	-
Deferred Revenue- Ad Valorem Taxes	<u>14,815</u>	<u>13,842</u>
TOTAL LIABILITIES	<u>16,520</u>	<u>13,842</u>
FUND BALANCE		
Restricted for Debt Service	<u>23,873</u>	<u>53,744</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>40,393</u></u>	<u><u>67,586</u></u>

CITY OF INGLESIDE, TEXAS

Exhibit H-27

DEBT SERVICE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET (GAAP BASIS) AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR 2011

	2012			Final Budget Variance	2011
	BUDGETED AMOUNTS		Actual		Actual
	Original	Final			
REVENUES					
Ad valorem Taxes	493,979	493,979	488,512	(5,467)	462,668
Ad valorem- Penalty & Interest	6,000	6,000	9,720	3,720	8,627
Total Ad valorem Taxes	<u>499,979</u>	<u>499,979</u>	<u>498,232</u>	<u>(1,747)</u>	<u>471,295</u>
In Lieu Taxes	0	0	0	0	0
Interest	0	0	122	122	206
Total Revenues	<u>499,979</u>	<u>499,979</u>	<u>498,354</u>	<u>(1,625)</u>	<u>471,501</u>
EXPENDITURES					
Debt Service					
Principal Retirement	210,000	210,000	210,000	0	205,000
Interest and Fiscal Charges	67,782	67,782	65,732	2,050	74,631
Total Expenditures	<u>277,782</u>	<u>277,782</u>	<u>275,732</u>	<u>2,050</u>	<u>279,631</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>222,197</u>	<u>222,197</u>	<u>222,623</u>	<u>426</u>	<u>191,871</u>
OTHER FINANCING SOURCES (USES)					
Other Sources- Bond Proceeds	0	0	0	0	0
Other Sources- Transfers (Out)	(252,498)	(252,498)	(252,494)	4	(168,909)
Other Sources- Transfers In	0	0	0	0	0
Total Other Financing Sources (Uses)	<u>(252,498)</u>	<u>(252,498)</u>	<u>(252,494)</u>	<u>4</u>	<u>(168,909)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>(30,301)</u>	<u>(30,301)</u>	<u>(29,871)</u>	<u>430</u>	<u>22,962</u>
FUND BALANCE, beginning of year	53,744	53,744	53,744	0	30,782
FUND BALANCE, end of year	<u>23,443</u>	<u>23,443</u>	<u>23,873</u>	<u>430</u>	<u>53,744</u>



PROPRIETARY FUNDS



ENTERPRISE FUND

Enterprise Funds are used to account for operations financed and operated in a manner similar to private business enterprises. The intent of the governing body is that costs (including depreciation) or providing goods or services to the General public on a continuing basis be financed or recovered primarily through the user charges. The Enterprise Funds use the accrual basis of accounting. The City maintains the following Enterprise Fund:

Utility Fund- established to account for the operations of the City's water and sewer system. Inclusive of capital grant projects from the Texas Water Development Board.

CITY OF INGLESIDE, TEXAS
 COMPARATIVE STATEMENTS OF NET ASSETS
 PROPRIETARY FUNDS - UTILITY FUNDS
 SEPTEMBER 30, 2012 AND 2011

	Utility Fund 50	Utility Water Capital Fd 51	Utility RDA Hookups Fund 53	Impact Fees Fund 54
ASSETS				
Current Assets:				
Cash and Cash Equivalents	1,541,303	1,951,981	-	86,252
Receivables and Allowances				
Accounts				
Water and Wastewater Billings	495,189	-	-	-
Assessments	9,449	-	-	-
Other	1,944	22,222	-	-
Allowance for Uncollectible Accounts	(200,010)	-	-	-
Due from Other Funds	1,092,372	104,899	551	-
Bond Issue Cost (Net)	167,952	24,284	-	-
Prepaid Items	4,198	-	-	-
Inventory	77,130	-	-	-
Total Current Assets	<u>3,189,528</u>	<u>2,103,386</u>	<u>551</u>	<u>86,252</u>
Non-Current Assets:				
Restricted Assets:				
Cash and Cash Equivalents				
Revenue Bond Construction	152,955	1,364,729	-	-
Revenue Bond Reserve	200,526	-	-	-
Sinking Fund- Bonds	190,081	2	-	-
Total Restricted Assets	<u>543,562</u>	<u>1,364,731</u>	<u>-</u>	<u>-</u>
Capital Assets:				
Land	329,494	-	-	-
Construction in Progress	-	48,277	-	-
Buildings	475,080	-	-	-
Water System	6,471,235	-	-	-
Sewer System	20,540,292	72,080	-	-
Vehicles	791,174	-	-	-
Furniture and Equipment	244,892	-	-	-
Total Capital Assets	<u>28,852,166</u>	<u>120,357</u>	<u>-</u>	<u>-</u>
Less Accumulated Depreciation	(13,459,844)	-	-	-
Net Capital Assets	<u>15,392,322</u>	<u>120,357</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>19,125,411</u>	<u>3,588,474</u>	<u>551</u>	<u>86,252</u>
LIABILITIES				
Current Liabilities				
Accounts Payable	186,648	6,008	-	-
Accrued Liabilities	19,047	78,885	-	-
Compensated Absences	16,698	-	-	-
Due to Other Funds	-	72,080	551	-
Deferred Revenue	-	-	-	-
Current Portion of Revenue Bonds Payable	285,000	90,000	-	-
Customer Meter Deposits	151,545	-	-	-
Total Current Liabilities	<u>658,938</u>	<u>246,973</u>	<u>551</u>	<u>-</u>
Long-Term Liabilities				
Revenue Bonds Payable	2,545,000	1,215,000	-	-
Total Long-Term Liabilities	<u>2,545,000</u>	<u>1,215,000</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>3,203,938</u>	<u>1,461,973</u>	<u>551</u>	<u>-</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	13,105,884	180,088	-	-
Restricted for:				
Revenue Bond Retirement	390,607	-	-	-
Commitments	152,955	-	-	-
Unrestricted	2,272,027	1,946,413	-	86,252
Net Assets	<u>15,921,473</u>	<u>2,126,501</u>	<u>-</u>	<u>86,252</u>

EXHIBIT I-1

<u>2012</u> <u>Total</u>	<u>2011</u> <u>Total</u>
3,579,536	2,561,999
495,189	528,502
9,449	9,449
24,166	1,129
(200,010)	(173,608)
1,197,822	1,020,583
192,236	215,738
4,198	3,552
77,130	75,845
<u>5,379,716</u>	<u>4,243,188</u>
1,517,684	1,457,089
200,526	200,298
190,083	190,024
<u>1,908,293</u>	<u>1,847,411</u>
329,494	329,494
48,277	123,482
475,080	452,301
6,471,235	6,445,654
20,612,372	20,438,494
791,174	791,174
244,892	248,189
<u>28,972,524</u>	<u>28,828,789</u>
(13,459,844)	(12,735,285)
<u>15,512,679</u>	<u>16,093,503</u>
<u>22,800,688</u>	<u>22,184,103</u>
192,656	304,755
97,932	207,262
16,698	13,290
72,631	551
-	-
375,000	240,000
151,545	146,655
<u>906,462</u>	<u>912,512</u>
3,760,000	4,135,000
<u>3,760,000</u>	<u>4,135,000</u>
<u>4,666,462</u>	<u>5,047,512</u>
13,285,972	13,565,915
390,607	390,321
152,955	145,571
4,304,692	3,034,784
<u>18,134,226</u>	<u>17,136,591</u>

CITY OF INGLESIDE, TEXAS

Exhibit I-2

UTILITY FUND
 SCHEDULE OF OPERATING REVENUES AND EXPENSES- BY FUND
 YEAR ENDED SEPTEMBER 30, 2012

	Utility Fund 50	Utility Capital Fd 51	Utility RDA Hookups Fund 53	Impact Fees Fund 54	2012 Total	2011 Total
OPERATING REVENUES						
Charges for Services						
Water Sales	2,460,890	0	0	0	2,460,890	2,305,135
Sewer Sales	1,522,993	0	0	0	1,522,993	1,484,310
Water Taps/Impact Fees	26,224	0	0	20,357	46,581	15,209
Sewer Taps/Impact Fees	8,661	0	0	36,009	44,670	16,645
Total Charges for Services	<u>4,018,769</u>	<u>0</u>	<u>0</u>	<u>56,366</u>	<u>4,075,135</u>	<u>3,821,299</u>
Other Fees and Charges						
Delinquent Account Penalties	95,942	0	0	0	95,942	89,657
Water Reimbursement	47,015	0	0	0	47,015	71,522
Other	31,752	0	0	0	31,752	44,182
Total Other Fees and Charges	<u>174,709</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>174,709</u>	<u>205,361</u>
Total Operating Revenues	<u>4,193,477</u>	<u>0</u>	<u>0</u>	<u>56,366</u>	<u>4,249,843</u>	<u>4,026,660</u>
OPERATING EXPENSES						
Personnel Costs	771,275	0	0	0	771,275	735,828
Contracted Services	550,516	0	0	0	550,516	377,409
Supplies	79,258	0	0	0	79,258	96,564
Maintenance	167,336	0	0	0	167,336	190,507
Other Operating Expenses	120,255	0	0	0	120,255	118,418
Water Purchased	1,059,390	0	0	0	1,059,390	1,074,853
Depreciation	724,559	0	0	0	724,559	713,296
Amortization	21,478	2,024	0	0	23,501	23,670
Total Operating Expenses	<u>3,494,066</u>	<u>2,024</u>	<u>0</u>	<u>0</u>	<u>3,496,090</u>	<u>3,330,545</u>
NET OPERATING INCOME	<u>699,411</u>	<u>(2,024)</u>	<u>0</u>	<u>56,366</u>	<u>753,753</u>	<u>696,115</u>
NON-OPERATING REV. (EXPENSES)						
Sale of Assets	-	294,607	-	-	294,607	17,000
Refunding Bonds Issued	-	-	-	-	-	-
Payments to Escrow Agents	-	-	-	-	-	-
Grant Income	-	22,222	-	-	22,222	-
Interest Income	2,037	2,909	-	85	5,031	2,599
Interest and Fiscal Charges	(161,281)	(6,805)	-	-	(168,086)	(137,919)
Net Non-Operating Rev. (Exp.)	<u>(159,244)</u>	<u>312,934</u>	<u>-</u>	<u>85</u>	<u>153,775</u>	<u>(118,320)</u>
Income Before Transfers	540,167	310,910	-	56,451	907,528	577,795
Transfers in	300,853	1,132,676	-	-	1,433,528	887,959
Transfers (out)	(833,676)	(490,746)	-	(19,000)	(1,343,422)	(850,742)
Total Transfer in (out)	<u>(532,823)</u>	<u>641,930</u>	<u>-</u>	<u>(19,000)</u>	<u>90,107</u>	<u>37,217</u>
Change in Net Assets	<u>7,344</u>	<u>952,840</u>	<u>-</u>	<u>37,451</u>	<u>997,635</u>	<u>615,012</u>
Prior Period Adjustment	-	-	-	-	-	-
NET ASSETS BEG. OF YEAR	<u>15,914,129</u>	<u>1,173,661</u>	<u>-</u>	<u>48,801</u>	<u>17,136,591</u>	<u>16,521,579</u>
NET ASSETS END OF YEAR	<u>15,921,473</u>	<u>2,126,501</u>	<u>-</u>	<u>86,252</u>	<u>18,134,226</u>	<u>17,136,591</u>

CITY OF INGLESIDE, TEXAS
COMPARATIVE STATEMENTS OF CASH FLOWS
UTILITY FUND
YEAR ENDED SEPTEMBER 30, 2012 AND 2011

Exhibit I-3

	<u>2012</u>	<u>2011</u>
Cash flow from operating activities:		
Cash received from customers	4,107,352	3,879,688
Cash payments to suppliers for goods and services	(2,121,214)	(1,678,906)
Cash payments to employees for services	(767,867)	(737,110)
Net cash provided by operating activities	<u>1,218,272</u>	<u>1,463,672</u>
Cash flows from noncapital financing activities:		
Net transfers to funds	<u>90,107</u>	<u>37,218</u>
Net Cash flows from non-capital financing activities	<u>90,107</u>	<u>37,218</u>
Cash Flows from Capital and Related Financing Activities:		
Net Refunds bonds/costs	0	1,350,000
Grant Proceeds	22,222	0
Principal Payment on bonds	(240,000)	(270,000)
Interest and Fiscal Charges Paid	(168,086)	(137,919)
Purchase of Fixed Assets/Bond Costs	(143,735)	(81,926)
Sale of Assets/Insurance Proceeds	294,607	17,000
Net Cash (Used) Generated for Capital and Related Financing Activities	<u>(234,992)</u>	<u>877,155</u>
Cash Flows from Investing Activities- Interest Income	<u>5,031</u>	<u>2,596</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	 1,078,418	 2,380,641
 Cash and Cash Equivalents at Beginning of Year	 <u>4,409,411</u>	 <u>2,028,770</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>5,487,829</u></u>	<u><u>4,409,411</u></u>
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income	753,753	696,116
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	724,559	713,296
Amortization	23,501	23,670
Change in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable (Net)	36,679	(117,091)
(Increase) Decrease in Due from Other Funds	(177,239)	(11,577)
(Increase) Decrease in Due from Other Governments	0	0
(Increase) Decrease in Prepaid Items	(646)	6,091
(Increase) Decrease in Inventory	(1,284)	(24,396)
Increase (Decrease) in Accounts Payable	(112,099)	(14,912)
Increase (Decrease) in Accrued Liabilities/Deferred Revenues	(109,330)	182,161
Increase (Decrease) in Due to Other Funds	72,080	551
Increase (Decrease) in Capital Leases Payable	0	0
Increase (Decrease) in Compensated Absences	3,408	(1,282)
Increase (Decrease) in Customer Deposits	4,890	11,045
Net Cash Provided by Operating Activities	<u><u>1,218,272</u></u>	<u><u>1,463,672</u></u>

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



CAPITAL ASSETS USED IN THE OPERATION OF
GOVERNMENTAL FUNDS

CITY OF INGLESIDE, TEXAS
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULES- BY SOURCE
SEPTEMBER 30, 2012 AND 2011

Exhibit I-4

	<u>2012</u>	<u>2011</u>
GOVERNMENTAL FUNDS CAPITAL ASSETS		
Land	3,836,406	3,836,406
Buildings and Improvements	5,655,301	5,339,840
Infrastructure	6,491,106	6,491,106
Machinery and Equipment	3,455,008	3,283,440
Furniture and Fixtures	990,427	990,425
Construction in Progress	<u>0</u>	<u>0</u>
 Total	 <u><u>20,428,248</u></u>	 <u><u>19,941,217</u></u>
 INVESTMENT IN GOVERNMENTAL FUNDS CAPITAL ASSETS BY SOURCE		
Current Revenues	9,077,603	8,590,572
General Obligation	5,010,865	5,010,865
Special Assessments	88,954	88,954
Federal Revenue Sharing	75,454	75,454
Federal Grants	397,255	397,255
Other Governmental Agencies	323,754	323,754
Contributions and Other	<u>5,454,363</u>	<u>5,454,363</u>
 Total	 <u><u>20,428,248</u></u>	 <u><u>19,941,217</u></u>

CITY OF INGLESIDE, TEXAS

Exhibit I-5

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
SEPTEMBER 30, 2012

Function and Activity	<u>Total</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Cultural and Recreational</u>
Land	3,836,406	1,328,707	40,750	226,420	2,240,529
Buildings and Improvements	5,655,301	320,328	1,393,097	21,477	3,920,399
Machinery and Equipment	3,455,008	145,381	2,766,068	481,923	61,636
Furniture and Fixtures	990,427	302,479	64,479	0	623,469
Infrastructure	6,491,106	0	0	6,491,106	0
Construction in Progress	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Governmental Funds Capital Assets	<u><u>20,428,248</u></u>	<u><u>2,096,895</u></u>	<u><u>4,264,394</u></u>	<u><u>7,220,926</u></u>	<u><u>6,846,033</u></u>

CITY OF INGLESIDE, TEXAS
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
YEAR ENDED SEPTEMBER 30, 2012

Function and Activity	Balance October 1	Additions/ Completions	Retirements/ Adjustments	Balance September 30
General Government	1,997,788	99,105	(2)	2,096,895
Public Safety	4,010,000	254,394	0	4,264,394
Public Works	7,209,376	11,550	0	7,220,926
Cultural and Recreational	<u>6,724,053</u>	<u>121,980</u>	<u>0</u>	<u>6,846,033</u>
Total Governmental Funds Capital Assets	<u>19,941,217</u>	<u>487,029</u>	<u>(2)</u>	<u>20,428,248</u>

An adjustment was made for a prior year correction in the retirements/adjustments column.

INTERNAL CONTROL AND
COMPLIANCE SECTION





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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*

Independent Auditor's Report

To the Honorable Mayor,
 Members of City Council
 City of Ingleside, Texas

We have audited the basic financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City of Ingleside, Texas, as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 27, 2012. 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 and the State of Texas, *Single Audit Circular*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City'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 misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the 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 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.

Compliance and Other Matters

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

We noted certain matters that we reported to the administration of the City of Ingleside, Texas, in a letter dated December 27, 2012.

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

Ernest R. Garza and Company, P.C.
Certified Public Accountants

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December 27, 2012

CITY OF INGLESIDE, TEXAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

None

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

I. Summary of the Auditor's Results:

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
Material weakness (es) identified?	___ . Yes	__X . No
Significant deficiencies identified not considered being material weaknesses?	___ . Yes	__X . No
Noncompliance material to financial statements noted?	___ . Yes	__X . No
Federal Awards		
Internal Control over major programs:		
Material weakness (es) identified?	___ . Yes	__X . No
Significant deficiencies identified not considered to be material weaknesses?	___ . Yes	__X . No
Noncompliance material to financial statements noted?	___ . Yes	__X . No

An unqualified opinion was issued regarding compliance and internal controls.
 An unqualified opinion was issued regarding compliance for the major award programs

The audit disclosed no audit findings that are required to be reported in this schedule under OMB Circular A-133.

Major programs:
 Home Investment Partnership Program, 14.239

The threshold used to distinguish between Type A and Type B federal programs was \$300,000.
 The district was not classified as a low risk auditee in context of OMB Circular A-133.

II. Findings Relating to the Financial Statements Which Are Required To Be Reported in Accordance with *Generally Accepted Government Auditing Standards*.

None

III. Findings and Questioned Costs for Federal Awards

Program	Finding/Noncompliance	Questioned Cost
None		

CITY OF INGLESIDE, TEXAS
CORRECTION ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2012

None





**ERNEST R. GARZA
AND COMPANY, P.C.**
Certified Public Accountants

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**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND
MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Honorable Mayor,
Members of the City Council
City of Ingleside, Texas

Compliance

We have audited the compliance of City of Ingleside with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended September 30, 2012. City of Ingleside's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of City of Ingleside's management. Our responsibility is to express an opinion on City of Ingleside's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards, OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on City of Ingleside's compliance with those requirements.

In our opinion, the City of Ingleside, Texas complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2012.

Internal Control over Compliance

The management of the City of Ingleside, Texas is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs.

In planning and performing our audit, we considered the City of Ingleside, Texas' internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Ingleside, Texas internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information of the City's management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Ernest R. Garza & Company, P.C.
Certified Public Accountants
December 27, 2012

A handwritten signature in cursive script, appearing to read "Ernest R. Garza & Company, P.C.", written in black ink.

SCHEDULE OF FEDERAL AWARDS

**CITY OF INGLESIDE, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

FEDERAL GRANTOR PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS THROUGH NUMBER	EXPENDITURES INDIRECT REFUNDS	PASS THROUGH AMOUNT SUB RECIPIENTS
U S DEPARTMENT OF COMMERCE				
Direct Grant				
ARRA-Investments for Public Works and Economic Development Facilities Grant				
Period: 08/02/2012 to 08/07/2017	11.300	08-01-04775	\$ 22,019	\$ -
TOTAL U S DEPT. OF COMMERCE			\$ 22,019	\$ -
U S DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Through: Texas Department of Housing and Community Affairs				
Home Investment Partnership Program				
Period: 06/01/2010 to 06/01/2012	14.239	548277	\$ 402,440	\$ -
TOTAL U S DEPT. OF HOUSING AND URBAN DEVELOPMENT			\$ 402,440	\$ -
US DEPARTMENT OF TRANSPORTATION				
Through: Texas Department of Transportation				
ARRA-Highway Planning & Construction Grant				
Period: 10/05/2011 to Completion	20.205	CSJ#3540-01-001	\$ 68,416	\$ -
TOTAL US DEPARTMENT OF HOMELAND SECURITY			\$ 68,416	\$ -
US DEPARTMENT OF HOMELAND SECURITY				
Through: Office of the Governor - Division of Emergency Management				
Homeland Security Grant				
Period: 08/01/2010 to 07/31/2012	97.053	10-SR 36008-01	\$ 3,475	\$ -
Homeland Security Grant				
Period: 08/01/2009 to 04/15/2012	97.053	09-SR 36008-02	6,906	\$ -
TOTAL US DEPARTMENT OF HOMELAND SECURITY			\$ 10,381	\$ -
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 503,256	\$ -

**CITY OF INGLESIDE, TEXAS
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

STATE GRANTOR PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS THROUGH NUMBER	EXPENDITURES INDIRECT REFUNDS	PASS THROUGH AMOUNT SUB RECIPIENTS
TEXAS FOREST SERVICE				
Direct Grant				
Rural Volunteer Fire Department Assistance Period: 10/08/2011 to 04/05/2012	n/a	25-508-214	\$ 8,400	\$ -
Rural Volunteer Fire Department Assistance Period: 11/28/2011 to 05/23/2012	n/a	25-508-210	7,740	-
Rural Volunteer Fire Department Assistance Period: 07/05/2012 to 08/05/2012	n/a	25-508-210	7,260	-
TOTAL TEXAS FOREST SERVICE			\$ 23,400	\$ -
TOTAL EXPENDITURES OF STATE AWARDS			\$ 23,400	\$ -
TOTAL EXPENDITURES OF FEDERAL/STATE AWARDS			\$ 526,656	\$ -

CITY OF INGLESIDE, TEXAS
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2012

1. For all Federal programs, the City uses the fund types specified by the governmental generally accepted accounting principles. Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund (Grants in Aid Section).

2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in a Special Revenue Fund which is a Governmental Fund type. With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

The modified accrual basis of accounting is used for the Governmental Fund types, and Agency Funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for un-matured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as deferred revenues until earned.

3. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Statement - Provisional 6/97.

STATISTICAL SECTION

Financial presentation in the Statistical Section provides data on the financial, physical, and economic characteristics of the City. These tables cover multiple fiscal years and provide users with a broader and more complete understanding of the City and its financial affairs.

CITY OF INGLESIDE, TEXAS
GOVERNMENT-WIDE EXPENSES BY FUNCTION
LAST NINE YEARS
SEPTEMBER 30, 2012
(UNAUDITED)

Fiscal Year	<u>General Government and Administration</u>	<u>Cultural and Recreational</u>	<u>Public Safety</u>	<u>Public Works</u>
2004	\$122,394	\$1,080,436	\$1,803,509	\$453,417
2005	509,664	870,894	2,004,020	1,278,901
2006	659,344	1,085,344	1,690,322	1,669,944
2007	616,026	1,548,789	1,424,311	1,636,914
2008	1,043,868	753,099	1,998,965	1,869,976
2009	1,026,572	831,021	2,071,294	2,409,404
2010	1,012,857	821,366	2,291,727	1,896,300
2011	1,074,108	859,277	1,682,808	1,633,584
2012	1,087,412	918,017	1,770,607	1,765,328

Source: Current year government wide financials

Note - the City reclassified information in the 2008 and 2009 year regarding economic development costs.

In 2010, the above does not include transfers out.

Note - The City of Ingleside first applied GASB Statement No. 34 in fiscal year 2004; therefore government-wide financial information for years prior to fiscal year 2004 is not available.

Table 1

<u>Economic Development</u>	<u>Interest and Fiscal Charges</u>	<u>Water and Sewer</u>	<u>Total</u>
\$0	\$209,423	\$3,029,565	\$6,698,744
0	189,516	3,416,389	8,269,384
0	164,685	4,152,104	9,421,743
0	155,344	4,582,716	9,964,100
381,891	316,568	2,950,044	9,314,411
978,969	285,581	3,930,914	11,533,755
1,362,645	261,584	3,277,800	10,924,279
1,207,187	238,024	3,330,545	10,025,533
725,403	255,793	3,496,090	10,018,649

CITY OF INGLESIDE, TEXAS
GOVERNMENT-WIDE REVENUES
LAST TEN YEARS
SEPTEMBER 30, 2012
(UNAUDITED)

Fiscal Year	Program Revenues	
	<u>Fees, Fines, and Charges for Services</u>	<u>Capital Grants and Contributions</u>
2004	\$4,036,209	\$441,985
2005	4,493,632	2,701,162
2006	3,826,537	2,553,626
2007	4,307,832	3,863,965
2008	4,893,501	1,056,339
2009	5,569,896	2,264,339
2010	4,626,769	1,710,505
2011	5,139,223	966,041
2012	5,423,600	506,961

Source: Current year government wide financials

Note: The City of Ingleside first applied GASB Statement No. 34 in fiscal year 2004; therefore government-wide financial information for years prior to fiscal year 2004 is not available.

Table 2

General Revenue			
Taxes	Investment Earnings	Other	Total
\$3,061,678	\$53,031	\$40,637	\$7,633,540
3,278,062	53,993	69,273	10,596,122
3,536,528	46,536	406,539	10,369,766
3,671,663	86,036	44,286	11,973,782
4,143,273	99,311	369,677	10,562,101
4,716,686	36,014	451,815	13,038,750
4,163,658	7,974	462,029	10,970,935
4,384,887	969	410,983	10,902,103
4,807,060	972	178,795	10,917,389

CITY OF INGLESIDE, TEXAS
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION
LAST TEN YEARS
SEPTEMBER 30, 2012
(UNAUDITED)

Fiscal Year	<u>General Administration</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Culture and Recreation</u>
2002	587,591	1,573,065	1,925,992	460,539
2003	369,875	2,005,506	1,777,050	521,218
2004	508,389	1,762,902	1,112,232	1,943,059
2005	510,313	1,800,859	1,202,255	2,209,128
2006	617,789	1,758,060	1,229,083	965,687
2007	822,941	1,745,779	2,032,077	630,261
2008	599,002	1,845,525	1,697,804	782,469
2009	995,837	2,000,115	2,235,933	740,356
2010	991,669	2,008,839	1,952,295	714,335
2011	992,824	1,885,381	1,760,770	619,703
2012	1,001,250	1,965,848	1,889,462	678,987

(1) Includes General, Special Revenue and Debt Service Funds.

(2) Series 2007 and Series 2011 is included in the Utility Fund. The Interest and Sinking Fund transferred \$252,494 to the Utility Fund for these debt service payments in 2012.

Table 3

<u>Economic Development</u>	<u>Debt Service</u>	<u>Total</u>
12,716	590,460	5,150,363
60,871	571,052	5,305,572
69,867	754,856	6,151,305
111,139	735,256	6,568,950
72,544	548,680	5,191,843
84,955	530,344	5,846,357
337,094	583,590	5,845,484
978,720	527,270	7,478,231
1,409,232	517,527	7,593,896
1,038,240	355,106	6,652,024
536,232	347,707	6,419,486

CITY OF INGLESIDE, TEXAS
GENERAL GOVERNMENTAL REVENUES BY SOURCE
LAST TEN YEARS
SEPTEMBER 30, 2012
(UNAUDITED)

Fiscal Year	<u>Taxes</u>	<u>Licenses and Permits</u>	<u>Inter- Governmental</u>
2003	2,933,031	91,621	379,477
2004	3,076,944	50,813	302,384
2005	3,295,675	69,877	636,444
2006	3,468,213	56,281	103,801
2007	3,713,809	58,743	849,092
2008	4,199,269	72,303	762,300
2009	4,345,265	53,358	1,672,593
2010	4,211,746	41,350	1,646,970
2011	4,391,193	108,655	966,041
2012	4,884,349	112,644	506,961

(1) Includes General, Special Revenue and Debt Service Funds

Table 4

<u>Charges for Services</u>	<u>Fines and Penalties</u>	<u>Other</u>	<u>Total</u>
578,680	98,781	495,316	4,576,906
596,998	108,799	80,063	4,216,001
692,520	86,381	104,673	4,885,570
692,515	125,643	61,558	4,508,011
748,450	135,926	586,519	6,092,539
903,765	140,452	181,753	6,259,843
978,601	147,677	245,888	7,443,382
969,647	154,405	169,326	7,193,444
947,953	164,609	303,297	6,881,748
972,300	201,457	67,124	6,744,834

CITY OF INGLESIDE, TEXAS
ASSESSED VALUATIONS, TAX LEVIES AND
TAX RATE DISTRIBUTIONS
LAST TEN YEARS
SEPTEMBER 30, 2012
(UNAUDITED)

ASSESSED VALUATIONS AND TAX LEVIES

<u>Tax Roll</u> <u>Year</u>	<u>Assessed</u> <u>Values</u>	<u>Tax Rate</u> <u>Per \$100</u>	<u>Tax</u> <u>Levy</u>	<u>Collection Ratios</u>	
				<u>Current</u>	<u>Total</u>
2002	217,840,787	0.7700	1,677,374	94.71%	99.45%
2003	233,689,280	0.7418	1,733,507	96.22%	99.47%
2004	250,498,262	0.7207	1,805,341	96.46%	99.30%
2005	260,350,166	0.6999	1,822,191	98.57%	99.01%
2006	281,511,742	0.7300	2,055,036	97.46%	98.26%
2007	306,352,157	0.7200	2,205,736	96.54%	98.56%
2008	328,206,278	0.7150	2,342,119	96.70%	98.21%
2009	339,212,820	0.7000	2,375,285	96.53%	98.03%
2010	371,630,537	0.6975	2,592,123	95.74%	95.74%
2011	362,146,858	0.6975	2,526,978	97.14%	97.31%
2012	371,625,078	0.6800	2,531,165		

TAX RATE DISTRIBUTION

<u>Tax Roll</u> <u>Year</u>	<u>General</u> <u>Fund</u>	<u>Debt Service</u> <u>Fund</u>	<u>Total</u> <u>Tax Rate</u>
2002	0.59800	0.17200	0.77000
2003	0.57880	0.16300	0.74180
2004	0.60230	0.11840	0.72070
2005	0.60897	0.09093	0.69990
2006	0.56359	0.16641	0.73000
2007	0.56610	0.15390	0.72000
2008	0.57190	0.14310	0.71500
2009	0.56409	0.13591	0.70000
2010	0.57146	0.12604	0.69750
2011	0.56365	0.13385	0.69750
2012	0.53685	0.14316	0.68000

CITY OF INGLESIDE, TEXAS
ASSESSED AND ESTIMATED MARKET VALUES
OF TAXABLE PROPERTY
LAST TEN YEARS
SEPTEMBER 30, 2012
(UNAUDITED)

Table 6

<u>Tax Roll Year</u>	<u>Net Taxable Values</u>	<u>Estimated Market Values</u>	<u>Ratio of Net Taxable Value to Estimated Market Values</u>
Properties included within City Limits			
2001	210,817,261	220,051,595	95.8%
2002	217,840,787	227,790,833	95.6%
2003	233,689,280	244,768,704	95.5%
2004	250,498,262	260,918,821	96.0%
2005	260,350,166	282,320,118	92.2%
2006	281,511,742	299,865,410	93.9%
2007	306,352,157	325,451,618	94.1%
2008	328,206,278	345,047,637	95.1%
2009	339,212,820	395,750,552	85.7%
2010	373,954,749	586,254,388	63.8%
2011	362,146,858	520,267,641	69.6%
2012	371,625,078	536,668,704	69.2%
Properties included within Industrial Districts			
2001	12,218,430	16,284,340	75.0%
2002	10,913,947	25,404,397	43.0%
2003	9,553,505	51,253,315	18.6%
2004	24,266,970	45,973,800	52.8%
2005	25,156,626	73,426,700	34.3%
2006	28,745,692	68,231,916	42.1%
2007	24,462,131	80,620,204	30.3%
2008	27,901,666	92,736,841	30.1%
2009	46,496,844	126,454,144	36.8%
2010	24,591,809	95,759,532	25.7%
2011	64,595,007	179,326,909	36.0%
2012	81,547,672	241,544,239	33.8%

Note: Tax Roll Years agree with the City's fiscal year from October, 1 of the Tax Roll Year through September, 30 of the following year.

Estimated actual values prior to 2007 are net of abatements.

CITY OF INGLESIDE, TEXAS
SCHEDULE OF TAXES LEVIED, COLLECTED AND RECEIVABLE
SEPTEMBER 30, 2012
(UNAUDITED)

Table 7

<u>Levy Year</u>	<u>Taxes Receivable 10/1/2011</u>	<u>Tax Levy</u>	<u>Net Supplements & Adjustments</u>	<u>Collections</u>	<u>Taxes Receivable 9/30/2012</u>
2002 & Prior	66,871	0	(28,942)	3,347	34,582
2003	7,415	0	(847)	419	6,149
2004	9,365	0	(682)	537	8,146
2005	12,751	0	(659)	423	11,669
2006	17,538	0	(479)	1,744	15,315
2007	23,700	0	(389)	2,273	21,038
2008	30,031	0	(373)	7,512	22,146
2009	45,108	0	(202)	14,058	30,848
2010	111,375	0	33,043	72,033	72,385
2011	<u>0</u>	<u>2,526,979</u>	<u>(4,439)</u>	<u>2,454,659</u>	<u>67,881</u>
Totals	<u>324,154</u>	<u>2,526,979</u>	<u>(3,969)</u>	<u>2,557,005</u>	<u>290,159</u>



CITY OF INGLESIDE, TEXAS
RATIO OF NET GENERAL BONDED DEBT
TO ASSESSED VALUE AND NET DEBT PER CAPITA
LAST TEN YEARS
SEPTEMBER 30, 2012
(UNAUDITED)

<u>Fiscal Year</u>	<u>Population</u>	<u>Net Taxable Assessed Value</u>	<u>Gross Bonded Debt (2)</u>
2003	9,388	233,689,280	5,151,000
2004	9,388	250,498,262	4,596,000
2005	9,388	260,350,166	4,041,000
2006	9,388	281,511,742	3,661,000
2007	11,232	306,352,157	3,286,000
2008	10,432	328,206,278	2,901,000
2009	10,432	339,212,820	2,501,000
2010	8,992	373,954,749	2,096,000
2011	9,387	362,146,858	1,841,000
2012	9,376	371,625,078	1,581,000

(1) The population information was obtained from the U.S. Census Bureau.

(2) Series 2007 and Series 2011 is included in the Utility Fund.

Table 8

<u>Less Sinking Funds</u>	<u>Net Bonded Debt (2)</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
29,039	5,121,961	2.19%	546
56,103	4,539,897	1.81%	484
99,010	3,941,990	1.51%	420
7,674	3,653,326	1.30%	389
32,713	3,253,287	1.06%	290
42,241	2,858,759	0.80%	236
34,667	2,466,333	0.73%	236
30,782	2,065,218	0.55%	230
53,744	1,787,256	0.49%	190
23,873	1,557,127	0.42%	166

CITY OF INGLESIDE, TEXAS
PROPERTY TAX RATES- ALL DIRECT AND OVERLAPPING
GOVERNMENTS (PER \$100 OF ASSESSED VALUE)
LAST TEN YEARS
SEPTEMBER 30, 2012
(UNAUDITED)

Table 9

Tax Roll Year	City of Ingleside	San Patricio County		Independent School District	
		County	Drainage District	Ingleside	Aransas Pass
2003	0.7418	0.5350	0.097500	1.5501	1.57680
2004	0.7207	0.5399	0.098600	1.6296	1.57680
2005	0.6999	0.5399	0.099167	1.5000	1.57680
2006	0.7300	0.5399	0.091480	1.1700	1.44842
2007	0.7200	0.5275	0.081878	1.1700	1.06138
2008	0.7150	0.5275	0.079747	1.1300	1.06138
2009	0.7000	0.5245	0.079280	1.1300	1.07138
2010	0.6975	0.5245	0.076404	1.1560	1.07138
2011	0.6975	0.5818	0.071775	1.1400	1.07138
2012	0.6800	0.5500	0.066905	1.0900	1.07138

Note: The information above was obtained from San Patricio County's Website December 2012.

CITY OF INGLESIDE, TEXAS
COMPUTATION OF LEGAL DEBT MARGIN
SEPTEMBER 30, 2012
(UNAUDITED)

Table 10

As a Home Rule Charter City, the amount of debt, which can be issued by the City of Ingleside, Texas is not limited by law.

Under Article XI, Section 5 of the State of Texas Constitution and the City Charter, the maximum tax rate for all purposes is \$2.50 per \$100 of assessed valuation. Within this \$2.50 maximum, there is no legal limit upon the amount of taxes which can be levied for debt service.

Taxable assessed value, 2012 tax roll	\$ 371,625,078
Maximum tax rate per \$100 assessed valuation	x <u>2.50</u>
Maximum available assessed tax revenue for all purposes including debt service	\$ <u>9,290,627</u>
Actual amount expended for general obligation debt service during the year ended September 30, 2012	\$ <u><u>\$528,225</u></u>

CITY OF INGLESIDE, TEXAS
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
SEPTEMBER 30, 2012
(UNAUDITED)

Table 11

<u>Name of Governmental Unit</u>	<u>Net Bonded Debt</u> <u>Outstanding Amount</u>	<u>Applicable</u> <u>to City of Ingleside</u>		
		<u>Percent</u>	<u>Amount</u>	
City of Ingleside	\$1,557,127	100.00%	\$1,557,127	
Counties:				
San Patricio County @ 12/31/11	*	\$17,871,420	8.95%	1,599,492
School Districts @ 8/31/12:				
Ingleside I.S.D. 205-903	**	\$8,165,000	21.01%	1,715,467
Aransas Pass I.S.D. 205-901	**	\$2,065,000	1.56%	32,214
Special Districts:				
Water District @ 12/31/2011	****	44,120,000	5.12%	2,258,944
SPC Drainage District	***	-	0	<u>0</u>
Total Direct and Overlapping Debt				<u><u>\$7,163,243</u></u>

*NOTE: Information is per San Patricio County Auditor's Office

**NOTE: Information is per each district's audited financial statement for the year ended 8/31/12.

***NOTE: Information is per Mike Vanecek (361-364-4268), San Patricio County Drainage District

****NOTE: Information per Becky Krummow, San Patricio Municipal Water District

CITY OF INGLESIDE, TEXAS

Table 12

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL LONG-TERM DEBT TO
GENERAL GOVERNMENTAL EXPENDITURES OF ALL GENERAL, SPECIAL REVENUE AND
DEBT SERVICE FUNDS**

LAST 10 YEARS
SEPTEMBER 30, 2012
(UNAUDITED)

Year	<u>Principal</u>	<u>Interest & Other</u>	<u>Total Debt Service</u>	<u>Total General Expenditures</u>	<u>Ratio of Debt Service to General Expenditures</u>
2003	289,387	281,665	571,052	6,151,305	9.28%
2004	555,000	199,856	754,856	6,568,950	11.49%
2005	555,000	180,256	735,256	5,191,843	14.16%
2006	380,000	168,680	548,680	5,846,357	9.38%
2007	375,000	155,344	530,344	5,845,484	9.07%
2008	385,000	198,590	583,590	5,845,484	9.98%
2009	400,000	127,271	527,271	7,478,231	7.05%
2010	405,000	120,027	525,027	7,593,896	6.91%
2011	225,000	100,106	355,106	6,652,024	5.34%
2012	260,000	87,707	347,707	6,419,486	5.42%

(1) The above debt service expenditures include capital lease principal and interest costs.

(2) Series 2007 and Series 2011 is included in the Utility Fund. The Interest and Sinking Fund transferred \$252,494 to the Utility Fund for these debt service payments in 2012.

CITY OF INGLESIDE, TEXAS
REVENUE BOND COVERAGE: WATER AND SEWER BONDS
LAST TEN YEARS
SEPTEMBER 30, 2012
(UNAUDITED)

Table 13

<u>Year Ended</u>	<u>Operating Income</u>	<u>Operating Expenses*</u>	<u>Net Operating Income(Loss)*</u>	<u>Bond Debt Requirement</u>	<u>Coverage Ratio</u>
9/30/2003	2,876,399	1,878,748	997,651	617,779	1.61
9/30/2004	3,259,835	2,209,134	1,050,701	433,800	2.42
9/30/2005	3,620,065	2,586,738	1,033,327	460,002	2.25
9/30/2006	3,320,097	2,740,217	579,880	569,558	1.02
9/30/2007	3,685,244	2,282,482	1,402,762	283,494	4.95
9/30/2008	3,989,736	2,378,445	1,611,291	410,530	3.92
9/30/2009	4,462,150	3,173,752	1,288,398	408,308	3.16
9/30/2010	3,636,311	2,543,939	1,092,372	406,409	2.69
9/30/2011	4,026,661	2,593,579	1,433,082	407,919	0.96
9/30/2012	4,249,843	2,748,030	1,501,814	408,086	3.68

(1) Operating Expenses and Net Operating Income (loss) are exclusive of depreciation expense.

(2) Series 2007 and Series 2011 is included in the Utility Fund. The Interest and Sinking Fund transferred \$252,494 to the Utility Fund for these debt service payments in 2012.

CITY OF INGLESIDE, TEXAS
DEMOGRAPHIC STATISTICS
LAST TEN YEARS
SEPTEMBER 30, 2012
(UNAUDITED)

Table 14

<u>Fiscal Year</u>	<u>Estimated Population</u>	<u>Median Household Income</u> (1)	<u>Per Capita Income</u> (2)	<u>Median Age</u> (2)	<u>Average School Enrollment</u> (3)	<u>San Patricio County Unemployment Rate</u> (4)
2003	9,388				2,322	6.40%
2004	9,388				2,333	7.10%
2005	9,388				2,314	6.30%
2006	9,388				2,285	5.40%
2007	11,232	42,649	17,381	29.1	2,300	4.90%
2008	10,432	46,621	16,050	29.1	2,146	5.00%
2009	10,432	46,621	16,050	29.1	2,000	9.70%
2010	8,992	50,546	19,640	27.9	2,296	8.70%
2011	9,387	54,338	20,842	28	2,216	9.10%
2012	9,376	57,861	20,021	33.0	2,216	6.90%

Data Sources *

- (1) Ingleside City Hall
- (2) Information Unavailable from Any Source
- (3) Ingleside Independent School District
- (4) Texas Workforce Commission

CITY OF INGLESIDE, TEXAS
PRINCIPAL TAXPAYERS
SEPTEMBER 30, 2012
(UNAUDITED)

Table 15

<u>Principal Taxpayer</u>	<u>Type of Property</u>	<u>2011 Assessed Taxable Valuation</u>	<u>Percent of Total</u>
Helix Energy Solution Group	Real Estate	16,330,230	4.39%
Flint Hills Resources, CC LLC	Oil and Gas	9,020,740	2.43%
Enjet Inc	Oil and Gas	7,962,570	2.14%
Dagger Island Partners, Ltd.	Real Estate	6,034,135	9.14%
Corpus Development LP	Real Estate	5,318,639	1.43%
Plains Marketing LP	Oil and Gas	5,180,810	1.39%
Koch Pipeline Company, LP	Real Estate	4,848,810	1.30%
General Electric Credit	Personal Property	4,617,000	1.24%
Portside Villas, LP	Real Estate	3,411,759	0.92%
AEP Texas Central Company	Real Estate	3,294,900	0.89%
Total of Top 10 Taxpayers		66,019,593	17.77%
All Other Taxpayers		305,605,485	82.23%
Total Assessed Valuation		\$371,625,078	100.00%

Note:
The 2011 Tax Roll is for the fiscal year ending September 30, 2012.

CITY OF INGLESIDE, TEXAS
INSURANCE AND BOND COVERAGE
SEPTEMBER 30, 2012
(UNAUDITED)

Table 16

<u>POLICY</u>	<u>COVERAGE</u>	<u>EXPIRATION</u>
Texas Municipal League Intergovernmental Risk Risk Pool # 8939	\$2,000,000 limit, \$5,000 deductible, General Liability Actual Cash Value or Agreed Scheduled Value \$2,000,000 limit, \$5,000 deductible, Automobile Liability per schedule, Auto Physical Damage \$2,000,000 limit, \$5,000 deductible, Errors and Omissions \$472,675 limit, \$2,500 deductible, Mobile Equipment \$12,067,664 limit, \$2,500 deductible, Fire Extended Coverage, Vandalism and Malicious Mischief on all City Buildings and Contents Worker's Compensation, limit statutory Includes volunteer firefighters, elected and appointed officials	October 1, 2013
Western Surety Company #18265635	\$100,000 limit, no deductible, Employee Dishonesty Public Blanket Bond	Continues until canceled
TWIA	\$7,925,782 limit, 1% or \$1,000 deductible whichever is greater	May 26, 2013

CITY OF INGLESIDE, TEXAS
MISCELLANEOUS STATISTICAL DATA
SEPTEMBER 30, 2012
(UNAUDITED)

Table 17

DATE OF INCORPORATION: June 18, 1951

DATE OF CITY CHARTER ADOPTION: November 6, 1979

FORM OF GOVERNMENT: Council- Manager

Area- Square Miles	14.4	Cultural and Recreation:	
		Parks- Number of Acres	214
		Number of Playgrounds	4
Miles of Streets- Paved	50	Number of Swimming Pools	1
		Number of Community Centers	2
		Number of Senior Citizens Centers	1
Fire Protection:		Number of Public Libraries	1
Number of Stations	1	Number of Youth Centers	1
Number of Employees			
Regular- Full Time	1	Education:	
Regular- Part Time	1	Number of Schools	5
Volunteer	36	Number of School Teachers	134
		Number of Nurses,	
Police Protection:		Counselors, and Librarians	12
Number of Stations	1	Number of Students	2,216
Number of Employees:		Average Daily Attendance	2,105
Full Time	21		
		Municipal Water System:	
Total Employees- Part Time	8	Number of Customers	3,096
		Daily Average Consumption	1.1 MGD
		Storage Capacity	2.5 M Gallons
Total Employees- Full Time	64	Number of Fire Hydrants	289
		Number of Street Lights	282

CITY OF INGLESIDE, TEXAS
WATER PURCHASES AND SALES
LAST TEN YEARS
SEPTEMBER 30, 2012
(UNAUDITED)

Table 18

Fiscal Year Ended	Gallons Purchased	Gallons Sold	Gallons City Usage, Losses, etc	Purchased Not Sold
9/30/03	395,874,000	364,475,200	31,398,800	7.93%
9/30/04	403,448,000	349,117,200	54,330,800	13.47%
9/30/05	440,955,000	396,941,800	44,013,200	9.98%
9/30/06	439,013,000	409,581,400	29,431,600	6.70%
9/30/07	398,587,000	366,615,500	31,971,500	8.02%
9/30/08	430,202,000	393,748,000	36,454,000	8.47%
9/30/09	489,460,000	433,253,400	56,206,600	11.48%
9/30/10	366,417,000	313,927,600	52,489,400	14.33%
9/30/11	422,814,000	379,422,600	43,391,400	10.30%
9/30/12	410,820,000	385,834,100	24,985,900	6.10%

CITY OF INGLESIDE, TEXAS
NUMBER OF ACTIVE ACCOUNTS AT CLOSE OF YEAR
LAST TEN YEARS
SEPTEMBER 30, 2012
(UNAUDITED)

Table 19

<u>Fiscal Year</u> <u>Ended</u>	<u>Water</u> <u>Accounts</u>	<u>Sewer</u> <u>Accounts</u>
9/30/03	2,693	2,370
9/30/04	2,898	2,554
9/30/05	2,941	2,588
9/30/06	2,957	2,605
9/30/07	2,951	2,747
9/30/08	3,022	2,885
9/30/09	2,992	2,856
9/30/10	2,945	2,816
9/30/11	3,000	2,882
9/30/12	3,046	2,917
 <u>Top Ten Utility Customers</u>		<u>Total Billed</u>
Kiewitt Offshore Services		\$ 379,720
Port of Corpus Christi		306,697
Ingleside on the Bay		221,717
Downtown Ingleside Apts		124,618
Flint Hills Resources		94,422
Ingleside Independent School District		70,004
Ingleside Housing Authority		68,054
Sun Meadow Apartments		60,633
City of Aransas Pass		56,049
Helix Energy Solutions		25,354
Total		<u>\$ 1,407,268</u>
 Total Water Sales		 2,460,890
Total Sewer Sales		<u>\$ 1,522,993</u>
Total Sales		<u>\$ 3,983,883</u>

CITY OF INGLESIDE
DEBT SERVICE REQUIREMENTS BY YEARS
AS OF SEPTEMBER 30, 2012 (UNAUDITED)

SUMMARY- CITY OF INGLESIDE GENERAL LONG-TERM DEBT SERVICE REQUIREMENTS

<u>Fiscal Year</u>	<u>Bond Due</u>	<u>Interest Payments Due</u>			<u>Total Annual Requirements</u>	<u>Balance Outstanding</u>
		<u>First</u>	<u>Second</u>	<u>Total</u>		
2012						1,581,000
2013	135,000	39,377	37,208	76,585	211,585	1,446,000
2014	145,000	36,033	33,567	69,600	214,600	1,301,000
2015	150,000	32,354	29,767	62,121	212,121	1,151,000
2016	150,000	28,555	25,927	54,482	204,482	1,001,000
2017	150,000	24,714	22,087	46,801	196,801	851,000
2018	70,000	20,837	20,349	41,186	111,186	781,000
2019	70,000	19,099	18,612	37,711	107,711	711,000
2020	75,000	17,362	16,753	34,115	109,115	636,000
2021	25,000	15,503	14,893	30,396	55,396	611,000
2022	25,000	14,893	14,284	29,177	54,177	586,000
2023	25,000	14,284	13,674	27,958	52,958	561,000
2024	30,000	13,674	12,943	26,617	56,617	531,000
2025	30,000	12,943	12,212	25,155	55,155	501,000
2026	30,000	12,212	11,481	23,693	53,693	471,000
2027	35,000	11,481	10,628	22,109	57,109	436,000
2028	35,000	10,628	9,774	20,402	55,402	401,000
2029	35,000	9,774	8,921	18,695	53,695	366,000
2030	40,000	8,921	7,946	16,867	56,867	326,000
2031	40,000	7,946	6,971	14,917	54,917	286,000
2032	45,000	6,971	5,874	12,845	57,845	241,000
2033	45,000	5,874	4,778	10,652	55,652	196,000
2034	45,000	4,778	3,681	8,459	53,459	151,000
2035	50,000	3,681	2,462	6,143	56,143	101,000
2036	50,000	2,462	1,243	3,705	53,705	51,000
2037	51,000	1,243	0	1,243	52,243	0
TOTAL	<u>\$1,581,000</u>	<u>\$375,599</u>	<u>\$346,035</u>	<u>\$721,634</u>	<u>\$2,302,634</u>	

See - Note 13 regarding Series 2012 Refunding Bonds issued October 10, 2012

CITY OF INGLESIDE
DEBT SERVICE REQUIREMENTS BY YEARS
AS OF SEPTEMBER 30, 2012 (UNAUDITED)

SUMMARY- UTILITY FUND DEBT SERVICE REQUIREMENTS

<u>Fiscal Year</u>	<u>Bonds Due</u>	<u>Interest Payments Due</u>			<u>Total Annual Requirements</u>	<u>Balance Outstanding</u>
		<u>First</u>	<u>Second</u>	<u>Total</u>		
2012						4,135,000
2013	375,000	81,094	73,775	154,869	529,869	3,760,000
2014	400,000	73,775	65,790	139,565	539,565	3,360,000
2015	410,000	65,790	57,514	123,304	533,304	2,950,000
2016	395,000	57,514	49,743	107,257	502,257	2,555,000
2017	405,000	49,743	41,692	91,435	496,435	2,150,000
2018	405,000	41,692	33,567	75,259	480,259	1,745,000
2019	420,000	33,567	25,101	58,668	478,668	1,325,000
2020	435,000	25,101	16,294	41,395	476,395	890,000
2021	315,000	16,294	10,200	26,494	341,494	575,000
2022	320,000	10,200	3,978	14,178	334,178	255,000
2023	125,000	3,978	2,028	6,006	131,006	130,000
2024	130,000	2,028	0	2,028	132,028	0
TOTAL	<u><u>\$4,135,000</u></u>	<u><u>\$460,776</u></u>	<u><u>\$379,682</u></u>	<u><u>\$840,457</u></u>	<u><u>\$4,975,457</u></u>	

See - Note 13 regarding Series 2012 Refunding Bonds issued October 10, 2012

CITY OF INGLESIDE
DEBT SERVICE REQUIREMENTS BY YEARS
AS OF SEPTEMBER 30, 2012 (UNAUDITED)

COMBINATION TAX AND LIMITED PLEDGE REVENUE
CERTIFICATES OF OBLIGATION, SERIES 1997-A

<u>Fiscal</u> <u>Year</u>	<u>Bonds Due</u> <u>Interest</u>	<u>February 1</u> <u>Amount</u>	<u>Interest Payments Due</u>		<u>Total</u>	<u>Total Annual</u> <u>Requirements</u>	<u>Balance</u> <u>Outstanding</u>
			<u>Feb-01</u>	<u>Aug-01</u>			
2012							390,000
2013	5.15%	70,000	10,283	8,480	18,763	88,763	320,000
2014	5.25%	80,000	8,480	6,380	14,860	94,860	240,000
2015	5.25%	80,000	6,380	4,280	10,660	90,660	160,000
2016	5.35%	80,000	4,280	2,140	6,420	86,420	80,000
2017	5.35%	80,000	2,140	0	2,140	82,140	0
TOTAL		<u>\$390,000</u>	<u>\$31,563</u>	<u>\$21,280</u>	<u>\$52,843</u>	<u>\$442,843</u>	

CITY OF INGLESIDE
DEBT SERVICE REQUIREMENTS BY YEARS
AS OF SEPTEMBER 30, 2012 (UNAUDITED)

COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 1997:

Fiscal Year	Bonds Due February 1		Interest Payments Due			Total Annual Requirements	Balance Outstanding
	Interest %	Amount	Feb-01	Aug-01	Total		
2012							791,000
2013	4.88%	15,000	19,281	18,915	38,196	53,196	776,000
2014	4.88%	15,000	18,915	18,549	37,464	52,464	761,000
2015	4.88%	20,000	18,549	18,062	36,611	56,611	741,000
2016	4.88%	20,000	18,062	17,574	35,636	55,636	721,000
2017	4.88%	20,000	17,574	17,087	34,661	54,661	701,000
2018	4.88%	20,000	17,087	16,599	33,686	53,686	681,000
2019	4.88%	20,000	16,599	16,112	32,711	52,711	661,000
2020	4.88%	25,000	16,112	15,503	31,615	56,615	636,000
2021	4.88%	25,000	15,503	14,893	30,396	55,396	611,000
2022	4.88%	25,000	14,893	14,284	29,177	54,177	586,000
2023	4.88%	25,000	14,284	13,674	27,958	52,958	561,000
2024	4.88%	30,000	13,674	12,943	26,617	56,617	531,000
2025	4.88%	30,000	12,943	12,212	25,155	55,155	501,000
2026	4.88%	30,000	12,212	11,481	23,693	53,693	471,000
2027	4.88%	35,000	11,481	10,628	22,109	57,109	436,000
2028	4.88%	35,000	10,628	9,774	20,402	55,402	401,000
2029	4.88%	35,000	9,774	8,921	18,695	53,695	366,000
2030	4.88%	40,000	8,921	7,946	16,867	56,867	326,000
2031	4.88%	40,000	7,946	6,971	14,917	54,917	286,000
2032	4.88%	45,000	6,971	5,874	12,845	57,845	241,000
2033	4.88%	45,000	5,874	4,778	10,652	55,652	196,000
2034	4.88%	45,000	4,778	3,681	8,459	53,459	151,000
2035	4.88%	50,000	3,681	2,462	6,143	56,143	101,000
2036	4.88%	50,000	2,462	1,243	3,705	53,705	51,000
2037	4.88%	51,000	1,243	0	1,243	52,243	0
TOTAL		<u>\$791,000</u>	<u>\$299,447</u>	<u>\$280,166</u>	<u>\$579,613</u>	<u>\$1,370,613</u>	

CITY OF INGLESIDE
DEBT SERVICE REQUIREMENTS BY YEARS
AS OF SEPTEMBER 30, 2012 (UNAUDITED)

COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2002:

Fiscal Year	Bonds Due September 1		Interest Payments Due			Total Annual Requirements	Balance Outstanding
	Interest %	Amount	Mar-01	Sep-01	Total		
2012							400,000
2013	4.70%	50,000	9,813	9,813	19,626	69,626	350,000
2014	4.85%	50,000	8,638	8,638	17,276	67,276	300,000
2015	4.85%	50,000	7,425	7,425	14,850	64,850	250,000
2016	4.85%	50,000	6,213	6,213	12,426	62,426	200,000
2017	5.00%	50,000	5,000	5,000	10,000	60,000	150,000
2018	5.00%	50,000	3,750	3,750	7,500	57,500	100,000
2019	5.00%	50,000	2,500	2,500	5,000	55,000	50,000
2020	5.00%	50,000	1,250	1,250	2,500	52,500	0
TOTAL		<u>\$400,000</u>	<u>\$44,589</u>	<u>\$44,589</u>	<u>\$89,178</u>	<u>\$489,178</u>	

Issued by the Ingleside Development Corporation.

CITY OF INGLESIDE
DEBT SERVICE REQUIREMENTS BY YEARS
AS OF SEPTEMBER 30, 2012 (UNAUDITED)

WATERWORKS AND SEWER SYSTEM REVENUE BONDS, SERIES 2002-A:

Fiscal Year	Bonds Due February 1		Interest Payments Due			Total Annual Requirements	Balance Outstanding
	Interest %	Amount	Feb-01	Aug-01	Total		
2012							85,000
2013	5.75%	25,000	2,481	1,763	4,244	29,244	60,000
2014	5.58%	30,000	1,763	885	2,648	32,648	30,000
2015	5.90%	<u>30,000</u>	<u>885</u>	<u>0</u>	<u>885</u>	<u>30,885</u>	0
Total		<u>85,000</u>	<u>5,129</u>	<u>2,648</u>	<u>7,777</u>	<u>92,777</u>	

CITY OF INGLESIDE
DEBT SERVICE REQUIREMENTS BY YEARS
AS OF SEPTEMBER 30, 2012 (UNAUDITED)

WATERWORKS AND SEWER SYSTEM REVENUE BONDS, SERIES 2002:

Fiscal Year	Bonds Due February 1		Interest Payments Due			Total Annual Requirements	Balance Outstanding
	Interest %	Amount	Feb-01	Aug-01	Total		
2012							1,605,000
2013	3.60%	145,000	32,605	29,995	62,600	207,600	1,460,000
2014	3.75%	150,000	29,995	27,183	57,178	207,178	1,310,000
2015	3.85%	155,000	27,183	24,199	51,382	206,382	1,155,000
2016	3.95%	155,000	24,199	21,138	45,337	200,337	1,000,000
2017	4.05%	150,000	21,138	18,100	39,238	189,238	850,000
2018	4.15%	150,000	18,100	14,988	33,088	183,088	700,000
2019	4.20%	150,000	14,988	11,838	26,826	176,826	550,000
2020	4.25%	150,000	11,838	8,650	20,488	170,488	400,000
2021	4.30%	200,000	8,650	4,350	13,000	213,000	200,000
2022	4.35%	200,000	4,350	0	4,350	204,350	0
TOTAL		<u>\$1,605,000</u>	<u>\$193,046</u>	<u>\$160,441</u>	<u>\$353,487</u>	<u>\$1,958,487</u>	

CITY OF INGLESIDE
DEBT SERVICE REQUIREMENTS BY YEARS
AS OF SEPTEMBER 30, 2012 (UNAUDITED)

UTILITY SYSTEM COMBINATION TAX AND REVENUE BONDS, SERIES 2007:

Fiscal Year	Bonds Due February 1		Interest Payments Due			Total Annual Requirements	Balance Outstanding
	Interest %	Amount	Feb-01	Aug-01	Total		
2012							1,140,000
2013	4.50%	115,000	25,650	23,063	48,713	163,713	1,025,000
2014	4.50%	125,000	23,063	20,250	43,313	168,313	900,000
2015	4.50%	130,000	20,250	17,325	37,575	167,575	770,000
2016	4.50%	140,000	17,325	14,175	31,500	171,500	630,000
2017	4.50%	150,000	14,175	10,800	24,975	174,975	480,000
2018	4.50%	150,000	10,800	7,425	18,225	168,225	330,000
2019	4.50%	160,000	7,425	3,825	11,250	171,250	170,000
2020	4.50%	170,000	3,825	0	3,825	173,825	0
TOTAL		<u>\$1,140,000</u>	<u>\$122,513</u>	<u>\$96,863</u>	<u>\$219,375</u>	<u>\$1,359,375</u>	

UTILITY SYSTEM CERTIFICATE OF OBLIGATIONS, SERIES 2011

Fiscal Year	Bonds Due February 1		Interest Payments Due			Total Annual Requirements	Balance Outstanding
	Interest %	Amount	Feb-01	Aug-01	Total		
2012							1,305,000
2013	3.12%	90,000	20,358	18,954	39,312	129,312	1,215,000
2014	3.12%	95,000	18,954	17,472	36,426	131,426	1,120,000
2015	3.12%	95,000	17,472	15,990	33,462	128,462	1,025,000
2016	3.12%	100,000	15,990	14,430	30,420	130,420	925,000
2017	3.12%	105,000	14,430	12,792	27,222	132,222	820,000
2018	3.12%	105,000	12,792	11,154	23,946	128,946	715,000
2019	3.12%	110,000	11,154	9,438	20,592	130,592	605,000
2020	3.12%	115,000	9,438	7,644	17,082	132,082	490,000
2021	3.12%	115,000	7,644	5,850	13,494	128,494	375,000
2022	3.12%	120,000	5,850	3,978	9,828	129,828	255,000
2023	3.12%	125,000	3,978	2,028	6,006	131,006	130,000
2024	3.12%	130,000	2,028	0	2,028	132,028	0
TOTAL		<u>\$1,305,000</u>	<u>\$140,088</u>	<u>\$119,730</u>	<u>\$259,818</u>	<u>\$1,564,818</u>	