

CITY OF KIRBY, TEXAS

**ANNUAL
FINANCIAL REPORT**

**FISCAL YEAR ENDED
SEPTEMBER 30, 2010**



CITY OF KIRBY, TEXAS
 ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

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CITY OF KIRBY, TEXAS

PRINCIPAL OFFICERS

CITY OFFICIALS

MAYOR

JOHNNY DUFFEK

MAYOR PRO-TEM

TIMOTHY WILSON

CITY COUNCIL

JERRY LEHMAN

MIKE GRANT

LISA B. PIERCE

CHARLENE WYATT

ERNEST SPRADLING

CITY MANAGER

ZINA TEDFORD

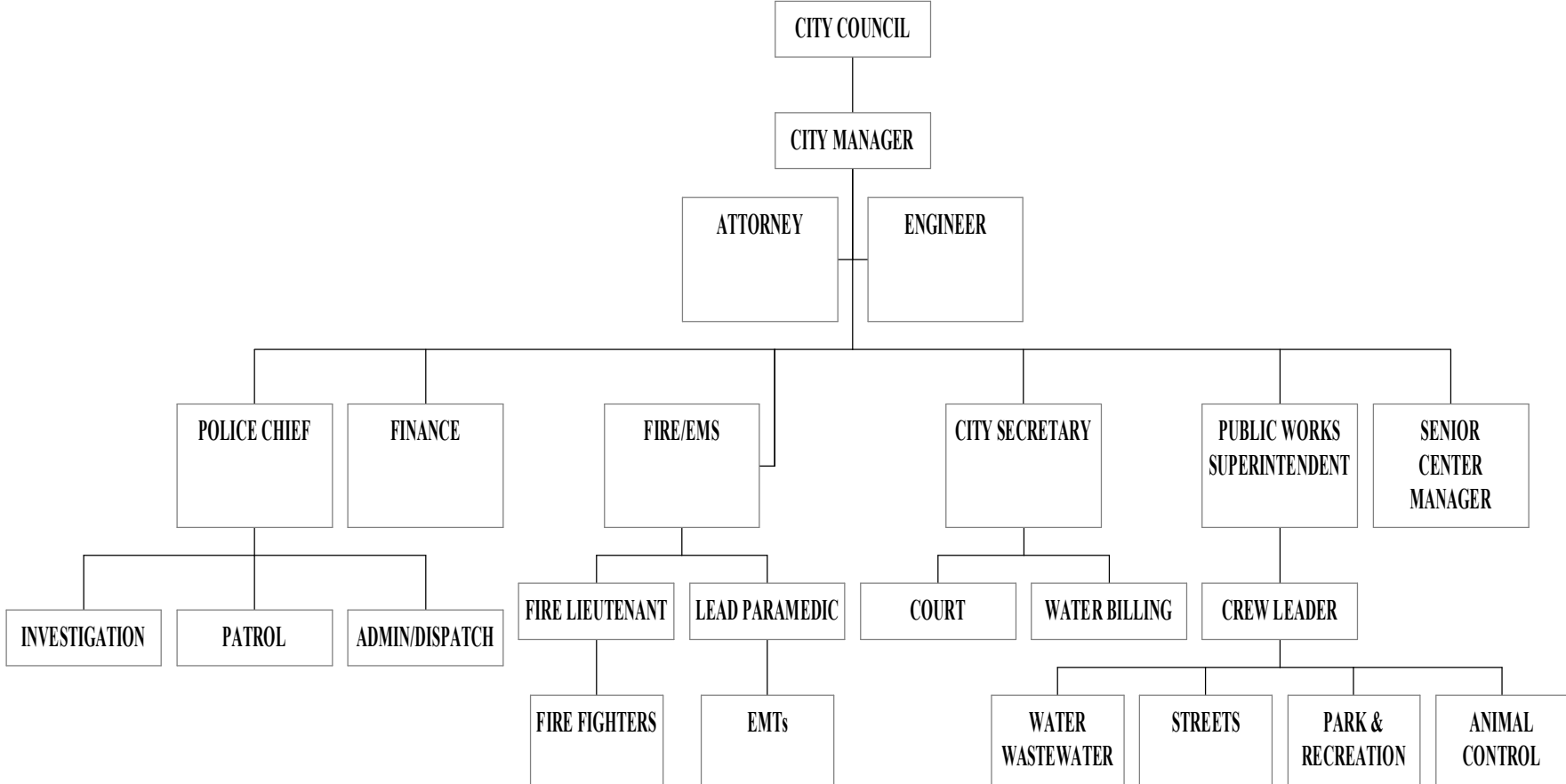
ATTORNEY

MARC SCHNALL, LANGLEY & BANACK

AUDITOR

ARMSTRONG, VAUGHAN & ASSOCIATES, P.C.

CITY OF KIRBY





INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and
Members of the City Council
City of Kirby, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City of Kirby, Texas, as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Kirby, Texas', management. Our responsibility is to express an opinion 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City of Kirby, Texas, as of September 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and budgetary comparison information and schedule of funding progress on pages 3 through 10 and 43 through 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's response 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 performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Kirby, Texas', financial statements as a whole. The other supplementary information and statistical tables are presented for purposes of additional analysis and are not a required part of the financial statements. The other supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole. The statistical tables have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

A handwritten signature in black ink that reads "Armstrong, Vaughan & Assoc, P.C." in a cursive, flowing script.

Armstrong, Vaughan & Assoc., P.C.

December 10, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Kirby's comprehensive annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended September 30, 2010. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

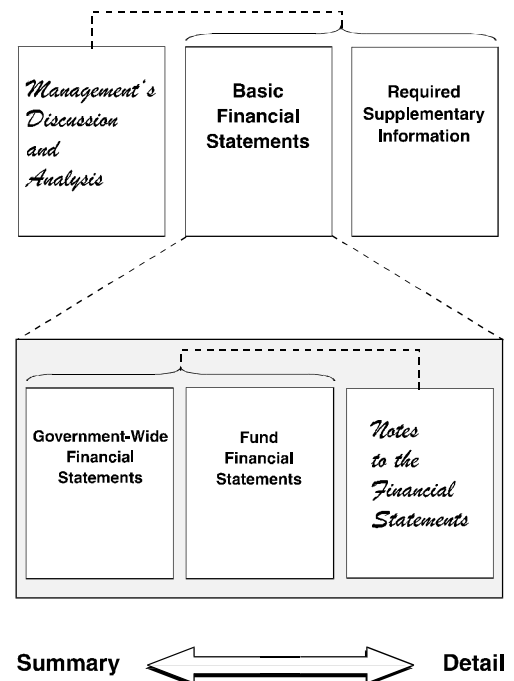
- The City's total combined net assets were \$8,121,525 at September 30, 2010.
- During the year, the City's expenses were \$1,757,765 more than the \$2,967,172 generated in taxes and other revenues for governmental funds, due to the construction expenses of the new Public Safety and Public Works facilities. The Capital Projects bond proceeds were used for the majority of the Public Safety building.
- The general fund reported a fund balance this year of \$1,520,820.
- The City did not issue any new bonds during fiscal year ending September 30, 2010.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City's operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government services* were financed in the *short term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short- and long-term* financial information about the activities the government operates *like businesses*.
- *Fiduciary fund* statements provide information about the financial relationships in which the City acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

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



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2. Major Features of the District's Government-wide and Fund Financial Statements			
<i>Type of Statements</i>	Fund Statements		
	Government-wide	Governmental Funds	Proprietary Funds
<i>Scope</i>	Entire City's government (except fiduciary funds) and the Agency's component units	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private businesses: water and sewer.
<i>Required financial statements</i>	• Statement of net assets	• Balance Sheet	• Statement of net assets
	• Statement of activities	• Statement of revenues, expenditures & changes in fund balances	• Statement of revenues, expenses & changes in net assets • Statement of cash flows
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during year, regardless of when cash is received or paid

Figure A-2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

Government-Wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City’s net assets and how they have changed. Net assets—the difference between the City’s assets and liabilities—is one way to measure the City’s financial health or *position*.

- Over time, increases or decreases in the City’s net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, one needs to consider additional non-financial factors such as changes in the City’s tax base.

The government-wide financial statements of the City include the *Governmental activities*. Most of the City's basic services are included here, such as general government, public safety, highways and streets, sanitation, economic development, culture and recreation, and interest on long-term debt. Property taxes and grants finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant *funds*—not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has the following kinds of funds:

- *Governmental funds*—Most of the City's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Proprietary funds*—Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The total cost of all programs and services was \$4,157,015; 66.4% these costs were for primary government activities, while the Water/Sewer utility accounted for the balance.

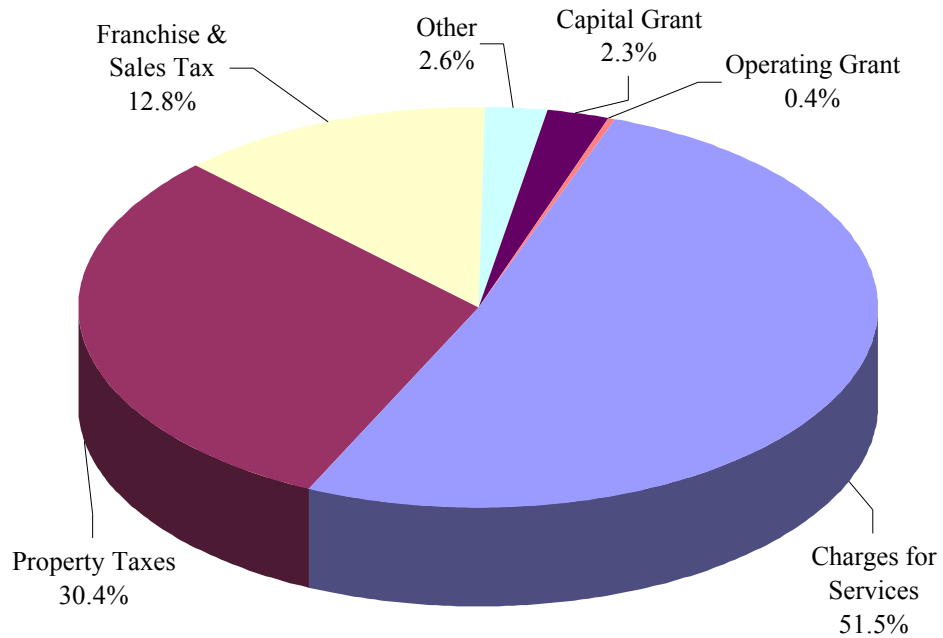
Net assets: The City's combined net assets were \$8,121,525 at September 30, 2010. (See Table A-1).

Table A-1
City's Net Assets
(In thousands dollars)

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change Based on Actual
	2010	2009	2010	2009	2010	2009	2010-2009
<i>Current Assets:</i>							
Cash and cash equivalents	\$ 1,335	\$ 4,407	\$ 1,642	\$ 1,447	\$ 2,977	\$ 5,854	-49.1%
<i>Receivables:</i>							
Taxes	94	91	-	-	94	91	3.3%
Accounts	7	10	196	200	203	210	-3.3%
Franchise Taxes	69	61	-	-	69	61	13.1%
Due from Other Governments	222	243	-	-	222	243	-8.6%
Internal Balances	32	(41)	(32)	41	-	-	0.0%
Accrued Interest	-	5	-	-	-	5	0.0%
Inventories	27	29	16	18	43	47	-8.5%
Prepaid Items	16	-	14	-	30	-	0.0%
Deferred Charges	102	114	-	-	102	114	-10.5%
<i>Restricted Assets:</i>							
Cash and Investments	1,355	-	187	183	1,542	183	742.6%
<i>Total Current Assets:</i>	<u>3,259</u>	<u>4,919</u>	<u>2,023</u>	<u>1,889</u>	<u>5,282</u>	<u>6,808</u>	<u>-22.4%</u>
<i>Non-Current Assets:</i>							
Land	929	929	20	20	949	949	0.0%
Constuction in Progress	1,982	304	25	-	2,007	304	560.2%
Building and Improvements	1,849	1,840	135	135	1,984	1,975	0.5%
Utility Plant and Easements	-	-	3,931	3,931	3,931	3,931	0.0%
Transportation & Equip	1,495	1,310	278	278	1,773	1,588	11.6%
Infrastructure	11,558	11,485	-	-	11,558	11,485	0.6%
<i>Less Accumulated</i>							
Depreciation	(12,370)	(12,046)	(3,003)	(2,856)	(15,373)	(14,902)	3.2%
<i>Total Non-Current Assets:</i>	<u>5,443</u>	<u>3,822</u>	<u>1,386</u>	<u>1,508</u>	<u>6,829</u>	<u>5,330</u>	<u>576.1%</u>
<i>Total Assets</i>	<u>8,702</u>	<u>8,741</u>	<u>3,409</u>	<u>3,397</u>	<u>12,111</u>	<u>12,138</u>	<u>-0.2%</u>
<i>Current Liabilities:</i>							
Accounts Payable	239	183	134	87	373	270	38.1%
Accrued Vacation	95	81	11	10	106	91	16.5%
Accrued Interest	6	10	-	-	6	10	-40.0%
<i>Payable from Restricted Assets:</i>							
Customer Deposits	-	-	151	148	151	148	2.0%
<i>Total Current Liabilities</i>	<u>340</u>	<u>274</u>	<u>296</u>	<u>245</u>	<u>636</u>	<u>519</u>	<u>22.5%</u>
<i>Long-Term Liabilities:</i>							
Bonds, Obligations	3,354	3,717	-	-	3,354	3,717	-9.8%
<i>Total Liabilities</i>	<u>3,694</u>	<u>3,991</u>	<u>296</u>	<u>245</u>	<u>3,990</u>	<u>4,236</u>	<u>-5.8%</u>
<i>Net Assets:</i>							
Invested in Capital Assets	3,374	2,701	1,386	1,508	4,760	4,209	13.1%
<i>Restricted for:</i>							
Special Projects	64	58	-	126	64	184	-65.2%
Debt Service	8	55	-	-	8	55	-85.5%
Unrestricted	1,562	1,935	1,727	1,518	3,289	3,453	-4.7%
<i>Total Net Assets</i>	<u>\$ 5,008</u>	<u>\$ 4,749</u>	<u>\$ 3,113</u>	<u>\$ 3,152</u>	<u>\$ 8,121</u>	<u>\$ 7,901</u>	<u>2.8%</u>

Changes in net assets. The City's total revenues were \$4,376,780. A significant portion \$1,331,558 or 30.4%, of the City's revenue comes from property taxes. (See Figure A-3.) 51.5% comes from charges for services (Water, Court, EMS, etc...), while only 12.8% relates to Franchise and Sales taxes.

Figure A-3



Governmental Activities

- Property tax rates were increased by 5.4 percent. This increase coupled with a decrease in taxable values produced a decrease of tax revenues last year \$1,331,558 vs. \$1,360,442.
- The city began a project to build a new Public Works facility located near the Public Safety building. Completion and sale of existing property expected by calendar year end 2010.
- The cost of all *governmental* activities this year was \$4,157,015. The amount that our taxpayers paid for these activities through property taxes was \$1,331,558. Some of the cost was paid by those who directly benefited from the programs \$2,253,711 and an additional \$118,605 by grants and contributions.

Table A-2
Changes in City's Net Assets
(In thousands dollars)

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change 2010-2009
	2010	2009	2010	2009	2010	2009	
Program Revenues:							
General Government	\$ 51	\$ 52	\$ 1,336	\$ 1,573	\$ 1,387	\$ 1,625	-14.6%
Police Protection/Municipal Ct.	161	158	-	-	161	158	1.9%
Fire/EMS Protection	632	575	-	-	632	575	9.9%
Parks and Recreation	36	32	-	-	36	32	12.5%
Street and Shops	37	60	-	-	37	60	-38.3%
Grants and Contributions	119	184	-	-	119	184	-35.3%
Total Program Revenues:	\$ 1,036	\$ 1,061	\$ 1,336	\$ 1,573	\$ 2,372	\$ 2,634	-9.9%

Table A-3 presents the cost of each of the City's largest functions, as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

Table A-3
Net Cost of Selected City Functions
(In thousands dollars)

	Total Cost of Services			% Change	Net Cost of Services			% Change
	2010	2009			2010	2009		
General Government	\$ 858	\$ 834	2.9%	\$ 807	\$ 782	3.2%		
Police Protection	793	780	1.7%	623	608	2.5%		
Fire/EMS Protection/Municipal Ct.	757	626	20.9%	119	43	176.7%		
Parks and Recreation	226	206	9.7%	190	174	9.2%		
Streets and Shops	456	437	4.3%	317	214	48.1%		
Water and Sewer	1,396	1,428	-2.2%	60	(145)	-141.4%		
Debt Service - Interest & Fiscal Charges	151	30	403.3%	151	30	403.3%		

Business-Type Activities

Revenues of the City's Water & Sewer business-type activities decreased 11.5 percent to \$1,336,960 and operating expenses decreased 2.3 percent to \$1,395,616. The revenue decrease is due to the decrease in customer demand for water during an exceptionally wet landscape watering season. Reduced investment income, based on economic conditions, has also affected revenues.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Revenues from governmental fund types totaled \$2,967,172, a decrease of 0.9% over the preceding year. Expenses totaled \$4,724,937, an increase of 34.1% over the preceding year. The first year of the 10 year bond repayment for the Public Safety building and construction costs for both the Public Works and Public Safety facilities are responsible for this increase. The unreserved general fund balance decreased by \$181,334 to \$1,413,941. This represents 167 days of the budgeted general fund expenses and follows the city's internal guidelines.

General Fund Budgetary Highlights

The city revised its original budget, to include the construction of new Public Works facility and the sale of the old site. Also added was the conversion of the police vehicles to digital recording systems. A proposed land purchase was removed.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of FY2010, the City had invested \$22,202,788 in a broad range of capital assets, including land, equipment, buildings, and vehicles (See Table A-4). This amount represents a net increase (including additions and deductions) of \$1,970,146 or 9.7 percent over last year.

Table A-4
City's Capital Assets
(In thousands dollars)

	Governmental		Business-Type		Total		Total
	Activities		Activities				Percentage
	2010	2009	2010	2009	2010	2009	Change
							2010-2009
Land	\$ 929	\$ 929	\$ 20	\$ 20	\$ 949	\$ 949	0.0%
Construction in Progress	1,982	304	25	-	2,007	304	560.2%
Buildings and Improvements	1,849	1,840	135	135	1,984	1,975	0.5%
Vehicles	1,495	1,310	278	278	1,773	1,588	11.6%
Infrastructure	11,558	11,485	-	-	11,558	11,485	0.6%
Utility Plant		-	3,931	3,931	3,931	3,931	0.0%
Totals at Historical Cost	17,813	15,868	4,389	4,364	22,202	20,232	9.7%
Total Accumulated Depreciation	(12,370)	(12,046)	(3,003)	(2,856)	(15,373)	(14,902)	3.2%
Net Capital Assets	\$ 5,443	\$ 3,822	\$ 1,386	\$ 1,508	\$ 6,829	\$ 5,330	28.1%

The City's fiscal year 2011 capital budget projects include the construction of Public Safety facility at a cost of almost \$3 million and a new Public Works facility at a projected cost of \$400,000. Additionally, the city plans to purchase of various pieces of equipment in regard to the public works department, police and fire departments. More detailed information about the City's capital assets is presented in the notes to the financial statements.

Long Term Debt

At year-end the City had \$3,353,770 in bonds and notes outstanding and \$106,124 in compensated absences as shown in Table A-5. Detailed information about the City's debt is presented in the notes to the financial statements.

Table A-5
City's Long-Term Debt
(In thousands dollars)

	Governmental		Business-Type		Total		Total
	Activities		Activities				Percentage
	2010	2009	2010	2009	2010	2009	Change
							2010-2009
Bonds Payable	\$ 3,354	\$ 3,717	\$ -	\$ -	\$ 3,354	\$ 3,717	-9.8%
Claims Payable	95	81	11	10	106	91	16.5%
Total Bonds & Notes Payable	<u>\$ 3,449</u>	<u>\$ 3,798</u>	<u>\$ 11</u>	<u>\$ 10</u>	<u>\$ 3,460</u>	<u>\$ 3,808</u>	<u>-9.1%</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Construction is in progress for the new Public Safety facility, with completion anticipated for January, 2011.
- Construction is in progress for the new Public Works facility, with completion anticipated for December, 2010.
- Equipment replacement for the police, fire and public works.
- Street repair projects based on need and CDBG grant approval.

These indicators were taken into account when adopting the general fund budget for 2011. The property taxes rate will increase to .6975/\$100 as a result of the approved budget. Because of reduced valuations in the city, this will produce a projected \$70,000 increase in tax revenues for general operations. The City will maintain all other current programs.

As of December, 2010, the city has renegotiated the contract with ESD #11 at an annual rate of \$500,000. The city is currently working on a budget amendment to reflect this change along with related cost reductions related to the reduced budgeted revenue.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact City Hall at (210) 661-3198.

CITY OF KIRBY, TEXAS
ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2010

BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

- Government – Wide Financial Statements
- Fund Financial Statements:
 - Governmental Funds
 - Proprietary Funds

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

CITY OF KIRBY, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010

ASSETS	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Kirby Senior Center Corporation
Cash and Investments	\$ 1,335,600	\$ 1,641,802	\$ 2,977,402	\$ 42,757
Receivables (net of allowances for uncollectibles)				
Taxes	93,610	-	93,610	-
Franchise Taxes	68,445	-	68,445	-
Accounts	5,387	195,819	201,206	17,250
EMS Charges	1,447	-	1,447	-
Due from Other Governments	221,581	-	221,581	4,613
Internal Balances	32,334	(32,334)	-	-
Inventories	26,518	16,147	42,665	502
Prepays	15,865	14,542	30,407	7,108
Deferred Charges	101,705	-	101,705	-
Restricted Assets:				
Cash and Investments	1,355,435	187,542	1,542,977	-
Capital Assets:				
Land	928,659	20,072	948,731	-
Construction In Progress	1,982,456	24,689	2,007,145	-
Buildings & Improvements	1,849,630	135,048	1,984,678	253,026
Utility Plant and Easements	-	3,930,993	3,930,993	-
Transportation & Equipment	1,495,483	278,104	1,773,587	144,430
Infrastructure	11,557,654	-	11,557,654	-
Accumulated Depreciation	(12,369,808)	(3,003,227)	(15,373,035)	(255,585)
TOTAL ASSETS	\$ 8,702,001	\$ 3,409,197	\$ 12,111,198	\$ 214,101

See accompanying notes to basic financial statements.

CITY OF KIRBY, TEXAS
STATEMENT OF NET ASSETS (CONTINUED)
SEPTEMBER 30, 2010

LIABILITIES AND NET ASSETS	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Kirby Senior Center Corporation
<i>Liabilities:</i>				
Accounts Payable and Other Current Liabilities	\$ 239,385	\$ 134,067	\$ 373,452	\$ 17,313
Accrued Vacation Leave Payable	94,650	11,474	106,124	-
Accrued Interest Payable	5,632	-	5,632	-
Payable from Restricted Assets:				
Customer Deposits	-	150,695	150,695	-
Noncurrent Liabilities:				
Due within One Year	400,000	-	400,000	-
Due in more than One Year	2,953,770	-	2,953,770	-
TOTAL LIABILITIES	3,693,437	296,236	3,989,673	17,313
<i>Net Assets:</i>				
Invested in Capital Assets, Net of Related Debt	3,373,876	1,385,679	4,759,555	141,871
Restricted for:				
Public Safety	64,496	-	64,496	-
Debt Service	8,562	-	8,562	-
Unrestricted	1,561,630	1,727,282	3,288,912	54,917
TOTAL NET ASSETS	5,008,564	3,112,961	8,121,525	196,788
 TOTAL LIABILITIES & NET ASSETS	 \$ 8,702,001	 \$ 3,409,197	 \$ 12,111,198	 \$ 214,101

See accompanying notes to basic financial statements.

CITY OF KIRBY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2010

<u>Functions and Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental Activities:				
City Council	\$ 13,035	\$ -	\$ -	\$ -
City Administration	252,006	51,005	-	-
Police Protection	746,036	149,728	10,626	-
Municipal Court	47,410	10,611	-	-
Fire/EMS Protection	756,804	632,174	6,036	-
Parks and Pool	226,169	36,124	-	-
Streets and Shops	455,625	37,109	-	101,943
General City Administration	592,870	-	-	-
Indirect Cost Allocation	(480,000)	-	-	-
Interest on Long-term Debt	151,444	-	-	-
Total Governmental Activities	<u>2,761,399</u>	<u>916,751</u>	<u>16,662</u>	<u>101,943</u>
Business-Type Activities				
Water/Sewer Utility	<u>1,395,616</u>	<u>1,336,960</u>	<u>-</u>	<u>-</u>
Total Business-type Activities	<u>1,395,616</u>	<u>1,336,960</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u><u>4,157,015</u></u>	<u><u>2,253,711</u></u>	<u><u>16,662</u></u>	<u><u>101,943</u></u>
Component Unit:				
Kirby Senior Center Corp.	<u>201,138</u>	<u>192,042</u>	<u>-</u>	<u>-</u>
Total Component Unit	<u><u>\$ 201,138</u></u>	<u><u>\$ 192,042</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
General Revenues:				
Taxes				
General Property Taxes				
Franchise Taxes				
Sales Taxes				
Interest and Investment Earnings				
Miscellaneous				
Capital Improvement Income				
Total General Revenues				
Transfers				
Change in Net Assets				
Net Assets at Beginning of Year				
Net Assets at End of Year				

See accompanying notes to basic financial statements.

Net (Expense) Revenue and Changes in Net Assets Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Kirby Senior Center Corporation
\$ (13,035)	\$ -	\$ (13,035)	\$ -
(201,001)	-	(201,001)	-
(585,682)	-	(585,682)	-
(36,799)	-	(36,799)	-
(118,594)	-	(118,594)	-
(190,045)	-	(190,045)	-
(316,573)	-	(316,573)	-
(592,870)	-	(592,870)	-
480,000	-	480,000	-
(151,444)	-	(151,444)	-
<u>(1,726,043)</u>	<u>-</u>	<u>(1,726,043)</u>	<u>-</u>
-	(58,656)	(58,656)	-
<u>-</u>	<u>(58,656)</u>	<u>(58,656)</u>	<u>-</u>
(1,726,043)	(58,656)	(1,784,699)	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,096)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,096)</u>
1,331,558	-	1,331,558	-
317,950	-	317,950	-
240,646	-	240,646	-
28,103	6,152	34,255	653
15,868	-	15,868	-
-	64,187	64,187	-
<u>1,934,125</u>	<u>70,339</u>	<u>2,004,464</u>	<u>653</u>
<u>50,973</u>	<u>(50,973)</u>	<u>-</u>	<u>-</u>
259,055	(39,290)	219,765	(8,443)
4,749,509	3,152,251	7,901,760	205,231
<u>\$ 5,008,564</u>	<u>\$ 3,112,961</u>	<u>\$ 8,121,525</u>	<u>\$ 196,788</u>

CITY OF KIRBY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010

	<u>Major Fund</u> <u>General</u> <u>Fund</u>	<u>Major Fund</u> <u>Capital Projects</u> <u>Fund</u>	<u>Major Fund</u> <u>Debt</u> <u>Service</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
ASSETS				
Cash and Temporary Investments	\$ 1,334,737	\$ 1,355,435	\$ 863	\$ 2,691,035
Receivables (net of allowances for uncollectibles):				
Property Taxes	85,950	-	7,660	93,610
Franchise Taxes	68,445	-	-	68,445
Accounts	5,387	-	-	5,387
EMS Charges	1,447	-	-	1,447
Due from Other Governments	221,581	-	-	221,581
Due from Other Funds	32,363	-	39	32,402
Inventory of Supplies, At Cost	26,518	-	-	26,518
Prepaid Items	15,865	-	-	15,865
TOTAL ASSETS	<u>\$ 1,792,293</u>	<u>\$ 1,355,435</u>	<u>\$ 8,562</u>	<u>\$ 3,156,290</u>
LIABILITIES AND FUND BALANCES				
<i>Liabilities:</i>				
Accounts Payable	\$ 126,303	\$ 55,348	\$ -	\$ 181,651
Accrued Expenditures	57,734	-	-	57,734
Due to Other Funds	39	29	-	68
Deferred/Unearned Revenues	87,397	-	7,660	95,057
TOTAL LIABILITIES	<u>271,473</u>	<u>55,377</u>	<u>7,660</u>	<u>334,510</u>
<i>Fund Balances:</i>				
Reserved for:				
Inventory and Prepaid Items	42,383	-	-	42,383
Public Safety	64,496	-	-	64,496
Debt Service	-	-	902	902
Unreserved, Reported In:				
General Fund	1,413,941	-	-	1,413,941
Capital Projects Fund	-	1,300,058	-	1,300,058
<i>Total Fund Balances</i>	<u>1,520,820</u>	<u>1,300,058</u>	<u>902</u>	<u>2,821,780</u>
TOTAL LIABILITIES & FUND BALANCES	<u>\$ 1,792,293</u>	<u>\$ 1,355,435</u>	<u>\$ 8,562</u>	<u>\$ 3,156,290</u>

See accompanying notes to basic financial statements.

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

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS		\$ 2,821,780
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		5,444,074
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		95,057
Unamortized bond issue costs are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		101,705
Compensated absences are not due and payable in the current period and, therefore, not reported in the funds.		(94,650)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, not reported in the funds.		(3,353,770)
Accrued interest payable on long-term-bonds is not due and payable in the current period and, therefore, not reported in the funds.		<u>(5,632)</u>
TOTAL NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u><u>\$ 5,008,564</u></u>

See accompanying notes to basic financial statements.

CITY OF KIRBY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Major Fund General Fund	Major Fund Capital Projects Fund	Major Fund Debt Service	Total Governmental Funds
REVENUES				
Taxes	\$ 1,463,859	\$ -	\$ 105,605	\$ 1,569,464
Franchise Fees	317,950	-	-	317,950
Licenses and Permits	88,176	-	-	88,176
Intergovernmental	118,605	-	-	118,605
Charges for Services	672,411	-	-	672,411
Fines and Penalties	156,595	-	-	156,595
Interest	11,522	16,486	95	28,103
Miscellaneous	15,868	-	-	15,868
TOTAL REVENUES	2,844,986	16,486	105,700	2,967,172
EXPENDITURES				
<i>Current:</i>				
City Council	13,035	-	-	13,035
City Administration	229,765	-	-	229,765
Police Protection	688,293	-	-	688,293
Municipal Court	47,136	-	-	47,136
Fire\EMS Protection	687,183	2,268	-	689,451
Parks and Pool	227,791	-	-	227,791
Streets and Shops	276,137	-	-	276,137
General City Administration	592,594	-	-	592,594
Indirect Cost Allocation (Recovery)	(480,000)	-	-	(480,000)
Capital Projects/Outlay	521,003	1,412,455	-	1,933,458
Debt Service:				
Principal	-	-	360,000	360,000
Interest and Fiscal Charges	-	-	147,277	147,277
TOTAL EXPENDITURES	2,802,937	1,414,723	507,277	4,724,937
Excess (Deficiency) of Revenues Over (Under) Expenditures	42,049	(1,398,237)	(401,577)	(1,757,765)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	354,973	354,973
Transfers Out	(304,000)	-	-	(304,000)
TOTAL OTHER FINANCING SOURCES (USES)	(304,000)	-	354,973	50,973
Net Change in Fund Balance	(261,951)	(1,398,237)	(46,604)	(1,706,792)
Fund Balances at Beginning of Year	1,782,771	2,698,295	47,506	4,528,572
Fund Balances at End of Year	\$ 1,520,820	\$ 1,300,058	\$ 902	\$ 2,821,780

See accompanying notes to basic financial statements.

CITY OF KIRBY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2010

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (1,706,792)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation. 1,621,519

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. 2,309

The issuance of long-term-debt (e.g. bonds and capital leases) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the net effect of issuance costs, premiums, discounts, and similar items when debt is first issued, where as these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term-debt and related items.

Repayment of Principal	360,000	
Amortization of Bond Issue Costs	(12,400)	
Amortization of Bond Premium	<u>3,445</u>	351,045

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Compensated Absences	(13,815)	
Accrued Interest	<u>4,789</u>	<u>(9,026)</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 259,055

CITY OF KIRBY, TEXAS
STATEMENT OF NET ASSETS – PROPRIETARY FUND
SEPTEMBER 30, 2010

	Business-Type Activities
	Waterworks\Sewer Fund
ASSETS	
<i>Current Assets:</i>	
Cash and Investments	\$ 1,641,802
Receivables (net of allowances for uncollectibles):	
Accounts	195,819
Inventories	16,147
Prepaid Items	14,542
<i>Total Current Assets</i>	1,868,310
 <i>Restricted Assets:</i>	
Cash and Investments	187,542
<i>Total Restricted Assets</i>	187,542
 <i>Capital Assets:</i>	
Land	20,072
Construction in Progress	24,689
Building and Improvements	135,048
Utility Plant and Easements	3,930,993
Transportation & Equipment	278,104
Accumulated Depreciation	(3,003,227)
 Capital Assets, net of accumulated depreciation	1,385,679
 TOTAL ASSETS	\$ 3,441,531

See accompanying notes to basic financial statements.

CITY OF KIRBY, TEXAS
STATEMENT OF NET ASSETS – PROPRIETARY FUND (CONTINUED)
SEPTEMBER 30, 2010

	Business-Type Activities
LIABILITIES AND NET ASSETS	Waterworks\Sewer Fund
<i>Current Liabilities:</i>	
Accounts Payable	\$ 134,067
Due to Other Funds	32,334
Accrued Compensated Absences	11,474
<i>Total Current Liabilities</i>	177,875
 <i>Current Liabilities Payable from Restricted Assets:</i>	
Customer Deposits	150,695
<i>Total Current Liabilities Payable from Restricted Assets</i>	150,695
 TOTAL LIABILITIES	328,570
 <i>Net Assets:</i>	
Invested in Capital Assets	1,385,679
Unrestricted	1,727,282
TOTAL NET ASSETS	3,112,961
 TOTAL LIABILITIES & NET ASSETS	\$ 3,441,531

See accompanying notes to basic financial statements.

CITY OF KIRBY, TEXAS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Business-Type Activities
	Waterworks\Sewer Fund
OPERATING REVENUES	
Charges for Utility Service	\$ 1,336,960
TOTAL OPERATING REVENUES	1,336,960
OPERATING EXPENSES	
Personnel Services	182,393
Sewage Treatment	313,453
Supplies	65,503
Maintenance and Repairs	60,994
Contractual Services	138,351
Bad Debt Expense	8,226
Indirect Cost Allocation	480,000
Depreciation	146,696
TOTAL OPERATING EXPENSES	1,395,616
OPERATING INCOME (LOSS)	(58,656)
NONOPERATING REVENUES (EXPENSES)	
Interest Income	6,152
Capital Improvement Income	64,187
TOTAL NONOPERATING REVENUES (EXPENSES)	70,339
Net Income (Loss) Before Contributions and Transfers	11,683
Transfers In (Out)	(50,973)
CHANGE IN NET ASSETS	(39,290)
NET ASSETS AT BEGINNING OF YEAR	3,152,251
NET ASSETS AT END OF YEAR	\$ 3,112,961

See accompanying notes to basic financial statements.

CITY OF KIRBY, TEXAS
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Business-Type Activities
	Waterworks\Sewer Fund
Cash Flows From Operating Activities:	
Cash Received From Customers	\$ 1,341,485
Cash Paid for Employee Wages & Benefits	(181,034)
Cash Paid to Suppliers for Goods & Services	(552,419)
Cash Paid General Fund for Indirect Costs	(480,000)
Net Cash Provided (Used) by Operating Activities	128,032
Cash Flows From Noncapital Financing Activities:	
Net Customer Deposits Received (Returned)	3,180
Interfund Payables (Receivables)	73,415
Operating Transfers From (To) Other Funds	(50,973)
Net Cash Provided (Used) by Noncapital Financing Activities	25,622
Cash Flows From Capital and Related Financing Activities:	
Purchase/Construction of Capital Assets	(24,689)
Capital Improvement Income	64,187
Net Cash Provided (Used) by Capital and Related Financing Activities	39,498
Cash Flows From Investing Activities:	
Investment Interest Received	6,152
Net Cash Provided (Used) by Investing Activities	6,152
Net Increase (Decrease) in Cash and Investments	\$ 199,304

See accompanying notes to basic financial statements.

CITY OF KIRBY, TEXAS
STATEMENT OF CASH FLOWS - PROPRIETARY FUND (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Business-Type Activities
	Waterworks/Sewer Fund
Cash and Investments at Beginning of Year:	
Cash and Investments	\$ 1,447,109
Restricted Cash and Investments	182,931
	1,630,040
 Cash and Investments at End of Year:	
Cash and Investments	1,641,802
Restricted Cash and Investments	187,542
	\$ 1,829,344
 Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:	
Operating Income	\$ (58,656)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation	146,696
(Increase) Decrease in Operating Assets:	
Accounts Receivable	4,525
Inventory	1,681
Prepays	(14,542)
Increase (Decrease) in Operating Liabilities:	
Accounts Payable	46,969
Accrued Wages & Benefits	1,359
Total Adjustments to Reconcile Operating Activities	186,688
 Net Cash Provided (Used) by Operating Activities	 \$ 128,032

See accompanying notes to basic financial statements.

CITY OF KIRBY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Kirby, Texas ("City"), was incorporated in May 1955. The City Charter was adopted in May 1988, under the provisions of the Home Rule Charter Act of the State of Texas. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: police and fire protection, health services, maintenance of streets, planning and zoning, parks and recreation, general administrative services, water, and sewer services.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Proprietary type funds apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, APB Opinions, and ARB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

1. REPORTING ENTITY

Component Units

As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations; thus, data from these units, if any existed, would be combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the government.

The City of Kirby, Texas, has only one component unit (Kirby Senior Center) which is discretely presented in the component unit column of the combined financial statements. The component unit is reported in a separate column to emphasize that it is legally separate from the City.

The Board of the Kirby Senior Center is appointed by the City of Kirby, Texas', City Council. The center was established to provide senior citizens with educational, recreational, health and nourishment programs. The City of Kirby, Texas, provides a material subsidy to the senior center, primarily to maintain the facility and provide a partially paid program manager. The City has approval over the budget of the senior center and general oversight of the entire operation. The fiscal year of the Kirby Senior Center is October 1 through September 30. A copy of the financial statements for the Kirby Senior Center can be obtained from the City of Kirby, Texas.

2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The **government-wide financial statements** include the statement of net assets and the statement of activities. Government-wide statements report information on all of the activities of the City and its component unit. The effect of interfund transfers has been removed from the government-wide statements but continues to be reflected on the fund statements. Governmental activities are

CITY OF KIRBY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

supported mainly by taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services. The primary government is reported separately from the component unit within the government wide statements.

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

Separate **fund financial statements** are provided for governmental funds and proprietary funds. The General Fund, Capital Projects Fund and Debt Service Fund meet the criteria of a **major governmental fund**. Each of these funds are reflected in single columns in the fund Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.

3. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The **government-wide financial statements** are reported using the economic resources measurement focus and the accrual basis of accounting. This measurement focus is also used for the proprietary and fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenue types which have been accrued consist of revenue from the investments, intergovernmental revenue and charges for services. Grants are recognized as revenue when all applicable eligibility requirements imposed by the provider are met.

Revenues are classified as *program revenues* and *general revenues*. Program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues include all taxes, grants not restricted to specific programs and investment earnings.

Governmental fund level financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Receivables which are measurable but not collectible within 60 days after the end of the fiscal period are reported as deferred revenue.

CITY OF KIRBY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (Continued)

Expenditures generally are recorded when a fund liability is incurred; however, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the liability has matured and payment is due.

The government reports the following major governmental fund:

The General Fund is the general operating fund of the City and is always classified as a major fund. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property taxes, charges for services, intergovernmental revenues and investment of idle funds. Primary expenditures are for general administration, public safety, public service and capital acquisition.

The Capital Project Fund is used to account for the proceeds from bond issues and other resources specifically designated for capital expenditures.

The Debt Service Fund is used to account for the revenues specifically restricted by law for debt retirement (i.e.: ad valorem).

There are no non-major funds.

Proprietary fund level financial statements are used to account for activities, which are similar to those often found in the private sector. The measurement focus is upon determination of net income, financial position and cash flows. The City's Proprietary Fund is the Water/Sewer Fund (used to account for the provision of water and sewer services to residents).

The **Proprietary Fund** is accounted for using the accrual basis of accounting as follows:

1. Revenues are recognized when earned, and expenses are recognized when the liabilities are incurred.
2. Current-year contributions, administrative expenses and benefit payments, which are not received or paid until the subsequent year, are accrued.

Proprietary funds distinguish operating revenues and expenses from non-operating. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

4. CASH AND INVESTMENTS

Cash and investments include cash deposits and investments with a maturity date within three (3) months of the date acquired by the City.

CITY OF KIRBY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. INVESTMENTS

State statutes authorize the City to invest in (a) obligations of the United States or its agencies and instrumentalities; (b) direct obligations of the State of Texas or its agencies; (c) other obligations, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States; (d) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; (e) certificates of deposit by state and national banks domiciled in this state that are (i) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or, (ii) secured by obligations that are described by (a) - (d); or, (e). Statutes also allow investing in local government investment pools organized and rated in accordance with the Interlocal Cooperation Act, whose assets consist exclusively of the obligations of the United States or its agencies and instrumentalities and repurchase assessments involving those same obligations. The City has all its monies in interest bearing checking accounts, savings accounts, money market accounts or certificates of deposit. Earnings from these investments are added to each account monthly or quarterly. Investments are carried at fair value in accordance with GASB 31.

6. ACCOUNTS RECEIVABLE

Property taxes are levied based on taxable value at January 1 prior to September 30 and become due October 1, 2009 and past due after January 31, 2010. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting. Property tax receivables for prior year's levy are shown net of an allowance for uncollectible.

Accounts receivable from other governments include amounts due from grantors for approved grants for specific programs and reimbursements for services performed by the City. Program grants are recorded as receivables and revenues at the time all eligibility requirements established by the provider have been met.

Reimbursements for services performed are recorded as receivables and revenues when they are earned in the government-wide statements. Included are fines and costs assessed by the court action and billable services for certain contracts. Revenues received in advance of the costs being incurred are recorded as deferred revenue in the fund statements. Receivables are shown net of an allowance for uncollectible accounts.

7. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the fund statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

CITY OF KIRBY, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2010

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8. INVENTORIES

Inventories of consumable supplies 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.

Inventories of repair and replacement parts for the utility system are valued at cost, which approximates market, using the first in, first out method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and in the fund financial statements are offset by a reservation of fund balance which indicates they do not represent "available spendable resources".

9. PREPAID ITEMS

Payments made for goods and services in advance are recorded as prepaid items on the balance sheet.

10. RESTRICTED ASSETS

Certain resources are set aside for customer meter deposits, deposits are classified as restricted assets on the balance sheet because they may be refunded at a point in time if the customer is in good standing with the waterworks/sewer department.

11. CAPITAL ASSETS

Capital assets, which include land, buildings and improvements, equipment, and infrastructure assets, are reported in the applicable governmental or business type activities column in the government-wide financial statements. Capital assets such as equipment are defined as assets with a cost of \$5,000 or more. Infrastructure assets include City-owned streets, sidewalks, curbs and bridges. Capital assets are recorded at historical costs if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The Costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest has not been capitalized during the construction period on property plant and equipment.

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

<u>ASSETS</u>	<u>YEARS</u>
Buildings and improvements	20 to 40 years
Improvements other than buildings	20 to 40 years
Utility system in service	10 to 50 years
Machinery and equipment	5 to 25 years

CITY OF KIRBY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

12. COMPENSATED ABSENCES

Employees earn vacation leave at varying rates depending on length of service: 10 days leave for year 1 (not available for use until first year of service is completed), plus 1 additional day per year for each year of service (i.e. 11 days for year two, 12 days for year three, etc.) up to a maximum of 30 days per year. Annual leave will not be carried over, except with City Manager approval.

Employees earn sick leave at the rate of 1 day per month starting on date of employment. A maximum of 60 days of sick leave can be accrued. No sick leave days are paid when an employee leaves city employment and no liability is reported for unpaid sick leave.

Liabilities for compensated absences are recognized in the fund statements to the extent the liabilities have matured (i.e. are due for payment). Compensated absences are accrued in the government-wide statements.

13. DEFERRED/UNEARNED REVENUE

Property tax revenues and EMS revenues are recognized when they become both measurable and available in the fund statements. Available means when due, or past due, and receivable within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Property tax revenue and EMS revenues not expected to be available for the current period are reflected as deferred revenue.

Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Grant and reimbursement revenues received in advance of expenses/expenditures are reflected as unearned revenue.

14. LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities under governmental activities or proprietary fund type statement of net assets. On new bond issues, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

CITY OF KIRBY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

15. FUND EQUITY

In the fund financial statements governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties of use for a specific purpose. Fund reservations include special revenues, capital projects, debt service and inventories.

16. NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

17. INTERFUND TRANSACTIONS

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

The City allocates to the Waterworks/Sewer (Proprietary) Fund an indirect cost percentage of general government administration expenses that are paid through the general fund. During the year ended September 30, 2010, the City allocated \$480,000 as a transfer for such services. The indirect cost allocation is reflected as an operating expense in the Waterworks/Sewer Fund, and a reduction of current expenditures in the General Fund.

18. OPERATING REVENUES AND EXPENSES

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise. For the City, those revenues are charges for water, and sewer services. Operating expenses are the necessary costs incurred to provide the service that is the primary activity. Revenues and expenses not meeting these definitions are reported as nonoperating.

19. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CITY OF KIRBY, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2010

NOTE B -- DEPOSITS AND INVESTMENTS

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

1. Deposits

At September 30, 2010, the carrying amount of the primary government's (the City) cash on hand was \$500 and deposits in bank were \$2,550,597 and the book balance was \$2,474,381. Of the bank balance, \$250,863 was covered by federal deposit insurance and the City's depository had pledged securities having a face value of \$3,492,030 and market value of \$3,587,775 as collateral for the City's deposits. All of the City's cash was fully collateralized.

As of September 30, 2010, the carrying amount of Kirby Senior Center Corporation's (Component Unit) cash on hand was \$100 and deposits in the bank were \$45,097 and the book balance was \$42,657. The deposits of the Kirby Senior Center were entirely insured by FDIC coverage.

2. Investments

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, 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, and (9) bid solicitation preferences for certificates of deposit.

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

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

The City's investments at September 30, 2010 are as shown below:

	Reported Value	Fair Value
TexPool	\$ 2,045,498	\$ 2,045,498
Total Investments	\$ 2,045,498	\$ 2,045,498

CITY OF KIRBY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010

NOTE B -- DEPOSITS AND INVESTMENTS (Continued)

3. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

At September 30, 2010, the City's investments were all in TexPool a public funds investment pool where all securities held maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service.

b. Custodial Credit Risk

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

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

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

c. Concentration of Credit Risk

The risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the City had no exposure to concentration of credit risk.

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

CITY OF KIRBY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010

NOTE B -- DEPOSITS AND INVESTMENTS (Continued)

4. Investment Accounting Policy

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

5. Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

NOTE C -- RECEIVABLES

Receivables as of year-end for the government's individual major funds and enterprise funds, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Funds		Utility Fund	Total
	General Fund	Debt Service		
<i>Receivables:</i>				
Property Taxes	\$ 94,671	\$ 8,437	\$ -	\$ 103,108
Less Allowance for Uncollectibles	(8,721)	(777)	-	(9,498)
EMS Services	57,647	-	-	57,647
Less Allowance for Uncollectibles	(56,200)	-	-	(56,200)
Franchise Taxes	68,445	-	-	68,445
Customer Accounts	-	-	205,819	205,819
Less Allowance for Uncollectibles	-	-	(10,000)	(10,000)
Other	5,387	-	-	5,387
Net Total Receivables	<u>\$ 161,229</u>	<u>\$ 7,660</u>	<u>\$ 195,819</u>	<u>\$ 364,708</u>

CITY OF KIRBY, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2010

NOTE D -- PROPERTY TAX CALENDAR

The City's property tax is levied and becomes collectible each October 1 based on the assessed values listed as of the prior January 1, which is the date a lien attaches to all taxable property in the City. Assessed values are established by the Bexar County Appraisal District at 100% of estimated market value. Assessed values are reduced by lawful exemptions to arrive at taxable values. A revaluation of all property is required to be completed every four (4) years. The total taxable value as of January 1, 2009, upon which the fiscal 2009 levy was based, was \$199,391,873 (i.e., market value less exemptions). The estimated market value was \$219,691,307, making the taxable value 90.76% of the estimated market value.

The City is permitted by the Constitution of the State of Texas to levy taxes up to \$2.50 per \$100 of taxable assessed valuation for all governmental purposes. Pursuant to a decision of the Attorney General of the State of Texas, up to \$1.50 per \$100 of assessed valuation may be used for the payment of long-term debt. The combined tax rate to finance general governmental services, including the payment of principal and interest on long-term debt, for the year ended September 30, 2010, was \$.661649 per \$100 of assessed value, which means that the City has a tax margin of \$1.838351 for each \$100 value and could increase its annual tax levy by approximately \$3,665,522 based upon the present assessed valuation of \$199,391,873 before the limit is reached. However, the City may not adopt a tax rate that exceeds the tax rate calculated in accordance with the Texas Property Tax Code without holding two public hearings. The Property Tax Code subjects an increase in the proposed tax rate to a referendum election, if petitioned by registered voters, when the effective tax rate increase is more than eight percent (8%) of the previous year's maintenance and operations tax rate.

Property taxes are recorded as receivables and deferred revenues at the time the taxes are assessed. In governmental funds, revenues are recognized as the related ad valorem taxes are collected. Additional amounts estimated to be collectible in the time to be a resource for payment of obligations incurred during the fiscal year and therefore susceptible to accrual in accordance with generally accepted accounting principles have been recognized as revenue. In the government-wide financial statements, the entire levy is recognized as revenue, net of estimated uncollectible amounts (if any), at the levy date.

NOTE E -- INTERFUND RECEIVABLE/PAYABLE

During the course of its operations, the City has numerous transactions between funds to finance operations, provide services, construct assets, and service debt. To the extent that certain transactions between funds had not been paid or received as of September 30, 2010, balances of interfund amounts receivable or payable have been recorded as follows:

	Due From	Due To
Primary Government		
General Fund:		
Debt Service	\$ -	\$ 39
Capital Projects	29	-
Waterworks/Sewer	32,334	-
	32,363	39
Debt Service:		
General Fund	39	-
	39	-
Capital Projects Fund:		
General Fund	-	29
	-	29
Waterworks/Sewer Fund:		
General Fund	-	32,334
	-	32,334
Totals	\$ 32,402	\$ 32,402

CITY OF KIRBY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010

NOTE F -- CAPITAL ASSETS

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

<u>Governmental Activities</u>	Balance 10/1/2009	Additions/ Transfer In	Disposals/ Transfer Out	Balance 9/30/2010
Land	\$ 928,659	\$ -	\$ -	\$ 928,659
Construction In Progress	303,821	1,678,635	-	1,982,456
Buildings and Improvements	1,840,439	9,191	-	1,849,630
Transportation & Equipment	1,310,418	231,065	(46,000)	1,495,483
Infrastructure	11,485,088	72,566	-	11,557,654
	<u>15,868,425</u>	<u>1,991,457</u>	<u>(46,000)</u>	<u>17,813,882</u>
Less Accumulated Depreciation				
Buildings and Improvements	(1,000,605)	(52,051)	-	(1,052,656)
Transportation & Equipment	(961,202)	(135,046)	46,000	(1,050,248)
Infrastructure	(10,084,063)	(182,841)	-	(10,266,904)
	<u>(12,045,870)</u>	<u>(369,938)</u>	<u>46,000</u>	<u>(12,369,808)</u>
Governmental Capital Assets, Net	<u>\$ 3,822,555</u>	<u>\$ 1,621,519</u>	<u>\$ -</u>	<u>\$ 5,444,074</u>
 <u>Business-Type Activities</u>				
Land	\$ 20,072	\$ -	\$ -	\$ 20,072
Construction In Progress	-	24,689	-	24,689
Buildings and Improvements	135,048	-	-	135,048
Utility Plant	3,930,993	-	-	3,930,993
Transportation & Equipment	278,104	-	-	278,104
Totals at Historical Cost	<u>4,364,217</u>	<u>24,689</u>	<u>-</u>	<u>4,388,906</u>
Less Accumulated Depreciation				
Buildings and Improvements	(112,237)	(6,752)	-	(118,989)
Utility Plant	(2,511,247)	(128,729)	-	(2,639,976)
Transportation & Equipment	(233,047)	(11,215)	-	(244,262)
	<u>(2,856,531)</u>	<u>(146,696)</u>	<u>-</u>	<u>(3,003,227)</u>
Business-Type Capital Assets, Net	<u>\$ 1,507,686</u>	<u>\$ (122,007)</u>	<u>\$ -</u>	<u>\$ 1,385,679</u>

Land and Construction in Progress are not depreciated.

CITY OF KIRBY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010

NOTE F -- CAPITAL ASSETS (Continued)

Depreciation expense was charged to the governmental functions as follows:

City Administration	\$	7,081
Fire Protection\EMS		50,774
Police Protection		58,414
Streets and Shops		253,669
Total Depreciation Expense - Governmental Activities	\$	369,938

NOTE G -- LONG-TERM DEBT

Primary Government

Long-term debt and obligations payable at September 30, 2010, comprise the following individual issues:

\$2,970,000 Combination Tax and Revenue Certificates of Obligation, Series 2009 payable in annual installments of \$235,000 to \$345,000 through 2019; interest at 2.25% to 3.75%	\$ 2,735,000
\$715,000 General Obligation Refunding Bonds, Series 2009 payable in annual installments of \$125,000 to \$65,000 through 2017; interest at 2.25% to 3.0%	590,000
Total Governmental Long-Term Obligations	\$ 3,325,000

The annual requirements to amortize all long-term debt and obligations outstanding as of September 30, 2010, including interest payments, are as follows:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2011	\$ 400,000	\$ 96,875	\$ 496,875
2012	365,000	88,269	453,269
2013	350,000	79,075	429,075
2014	365,000	68,513	433,513
2015	375,000	57,413	432,413
2016 - 2019	1,470,000	103,793	1,573,793
	\$ 3,325,000	\$ 493,938	\$ 3,818,938

CITY OF KIRBY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010

NOTE G -- LONG-TERM DEBT (Continued)

Changes in Long-Term Liabilities

<u>Governmental Activities</u>	Balance 10/1/2009	Additions	Reductions	Balance 9/30/2010	Due Within One Year
General Obligation Refunding	\$ 715,000	\$ -	\$ (125,000)	\$ 590,000	\$ 130,000
Premium	3,039	-	(400)	2,639	-
Certificates of Obligation, 2009	2,970,000	-	(235,000)	2,735,000	270,000
Premium	29,176	-	(3,045)	26,131	-
Compensated Absences	80,835	94,650	(80,835)	94,650	94,650
Total Governmental Activities	<u>\$ 3,798,050</u>	<u>\$ 94,650</u>	<u>\$ (444,280)</u>	<u>\$ 3,448,420</u>	<u>\$ 494,650</u>
<u>Business-Type Activities</u>					
Compensated Absences	10,115	11,474	(10,115)	11,474	11,474
Total Business-Type Activities	<u>10,115</u>	<u>11,474</u>	<u>(10,115)</u>	<u>11,474</u>	<u>11,474</u>
Total Primary Government	<u>\$ 3,808,165</u>	<u>\$ 106,124</u>	<u>\$ (454,395)</u>	<u>\$ 3,459,894</u>	<u>\$ 506,124</u>

NOTE H -- EMPLOYEES' RETIREMENT SYSTEMS

A. Plan Description

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

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

CITY OF KIRBY, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2010

NOTE H -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

A. Plan Description (Continued)

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:

	<u>Plan Year 2009</u>	<u>Plan Year 2010</u>
Employee deposit rate	7.0%	7.0%
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

B. 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 contribution rate, both of which are 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 the 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 to budget for it, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect. (i.e. December 31, 2009, valuation is effective for rates beginning January 2009.) The annual pension cost and net pension obligation (asset) are as follows:

<u>Fiscal Year</u>	<u>Annual Pension Cost</u>	<u>Actual Contribution Made</u>	<u>Percentage of APC Contribution</u>	<u>Net Pension Obligation</u>
2010	\$ 219,036	\$ 219,036	100%	\$ -
2009	193,267	193,267	100%	-
2008	134,078	134,078	100%	-

CITY OF KIRBY, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2010

NOTE H -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

B. Contributions (Continued)

The required contribution rates for fiscal year 2010 were determined as part of the December 31, 2007 and 2008 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2009, also follows:

Actuarial Valuation Date	December 31, 2007	December 31, 2008	December 31, 2009
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Amortization Period	30 years - Closed Period	29 years - Closed Period	28 years - Closed Period
Asset Valuation Method	Amortized Cost	Amortized Cost	10-year Smoothed Market
Investment Rate of Return	7.0%	7.5%	7.5%
Projected Salary Increases	Varies by age and service	Varies by age and service	Varies by age and service
Inflation Rate	3.0%	3.0%	3.0%
Cost of Living Adjustments	2.1%	2.1%	2.1%

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2009	\$ 2,738,002	\$ 3,972,641	68.9%	\$ 1,234,639	\$ 1,659,261	74.4%

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

C. Other Post-Employment Benefits

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by 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 post-employment benefit," or OPEB.

The City contributes to the SDBF 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 SDBF program is to assure the 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 contributions to the TMRS SDBF for the years ended September 30, 2010, 2009, and 2008 were \$2,134, \$1,981, and \$1,375, respectively, which equaled the required contributions each year.

CITY OF KIRBY, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2010

NOTE I -- TRANSFERS

Transfers:

Transfers during the year ended September 30, 2010, were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Purpose</u>
Primary Government:			
General Fund	\$ -	\$ 304,000	Funding for Debt Payments
Debt Service	354,973	-	Funding for Debt Payments
Waterworks/Sewer Fund	-	50,973	Funding for Debt Payments
	<u>\$ 354,973</u>	<u>\$ 354,973</u>	

NOTE J -- COMMITMENTS AND CONTINGENCIES

Litigation

The City entered into a contract for street repair with Clark Contracting. The City contends that Clark Contracting failed to properly perform the work and has made a demand on Clark Contracting and the surety which issued the Performance Bond. The City filed suit against Clark's surety on the Performance Bond. During the year ended September 30, 2010, the City settled with Clark Contracting and received \$100,000 as part of the settlement.

Additionally, the City is the subject of various claims and litigation that have arisen in the course of its operations. Management is of the opinion that the City's liability in these cases, if decided adversely to the City, will not have a material effect on the City's financial position.

Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by such agencies. Any disallowed claims, including amounts already collected may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Construction

The City has entered into a contract for the construction of the Public Safety Facility with C.A. Landry Partners:

	<u>Estimated Project Cost to City</u>	<u>Expended to Date</u>	<u>Estimated Future Commitment</u>
Public Safety Facility	\$ 2,134,260	\$ 1,496,657	\$ 637,603
	<u>\$ 2,134,260</u>	<u>\$ 1,496,657</u>	<u>\$ 637,603</u>

CITY OF KIRBY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2010

NOTE J -- COMMITMENTS AND CONTINGENCIES (Continued)

Construction (Continued)

The City had spent \$263,941 on the construction of a Public Works Facility as of September 30, 2010. There was not a remaining commitment at year end as the final costs to complete were not part of an existing contract. As of November 30, 2010, an additional \$43,507 had been spent on the construction of the Public Works building.

NOTE K -- RELATED PARTY

Johnny Duffek, Mayor is the President of Industrial Brake and Clutch. The city paid Industrial Brake and Clutch \$19,879 for services during the year.

Charlene Wyatt, Councilwoman is the spouse of James Wyatt, owner of Wyatt Air Conditioning. The city paid James Wyatt \$19,026 for services for the public works building during the year.

NOTE L -- RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; injuries to employees; employee health benefits; and other claims of various natures. The City contracts with the Texas Municipal League (TML) to provide insurance coverage for property and casualty, and workers compensation. TML is a multi-employer group that provides for a combination of risk sharing among pool participants and stop loss coverage. Contributions are set annually by the provider. Liability by the City is generally limited to the contributed amounts. Annual contributions for the year ended September 30, 2010 were \$83,649 for property and casualty and workers compensation coverage.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule – General Fund
- Schedule of Funding Progress – Defined Benefit

CITY OF KIRBY, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

REVENUES	Budget Amounts		Actual Amounts	Variance
	Original	Final		Favorable (Unfavorable)
<i>Taxes:</i>				
Ad Valorem	\$ 1,266,320	\$ 1,266,320	\$ 1,223,212	\$ (43,108)
City Sales Tax	210,000	210,000	233,742	23,742
Beverage Tax	9,000	9,000	6,472	(2,528)
Bingo Tax	400	400	433	33
<i>Total Taxes</i>	<u>1,485,720</u>	<u>1,485,720</u>	<u>1,463,859</u>	<u>(21,861)</u>
<i>Franchise Fees:</i>				
City Public Service	160,000	160,000	160,955	955
PUC Right of Way Fees	38,000	38,000	31,241	(6,759)
Time Warner/Grande	75,000	75,000	95,212	20,212
BFI	22,300	22,300	30,542	8,242
<i>Total Franchise Fees</i>	<u>295,300</u>	<u>295,300</u>	<u>317,950</u>	<u>22,650</u>
<i>Licenses and Fees:</i>				
Park Use Fees	14,500	14,500	18,193	3,693
Health Permits	13,000	13,000	9,790	(3,210)
Building Permits	60,000	60,000	32,679	(27,321)
Dog Pound Fees	3,000	3,000	3,230	230
Pool Usage Fees	15,000	15,000	17,931	2,931
Police Alarm Permits	3,000	3,000	2,355	(645)
Certificate of Occupancy	1,000	1,000	1,200	200
Other Permits	1,300	1,300	2,798	1,498
<i>Total Licenses and Fees</i>	<u>110,800</u>	<u>110,800</u>	<u>88,176</u>	<u>(22,624)</u>
<i>Intergovernmental Revenues</i>	<u>117,500</u>	<u>117,500</u>	<u>118,605</u>	<u>1,105</u>
<i>Fines and Penalties:</i>				
Court Fines	165,000	165,000	126,828	(38,172)
Warrants	30,000	30,000	19,156	(10,844)
Court Security Fees	6,720	6,720	4,592	(2,128)
Court Technology Fees	8,960	8,960	6,019	(2,941)
<i>Total Fines and Penalties</i>	<u>\$ 210,680</u>	<u>\$ 210,680</u>	<u>\$ 156,595</u>	<u>\$ (54,085)</u>

CITY OF KIRBY, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
 BUDGET AND ACTUAL (CONTINUED)
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

REVENUES (CONTINUED)	Budget Amounts		Actual Amounts	Variance
	Original	Final		Favorable (Unfavorable)
<i>Charges for Services:</i>				
Emergency Medical Service	\$ 623,700	\$ 623,700	\$ 632,605	\$ 8,905
Copies and Maps	1,500	1,500	1,389	(111)
Garbage Collection	46,000	46,000	38,417	(7,583)
<i>Total Charges for Services</i>	671,200	671,200	672,411	1,211
<i>Miscellaneous:</i>				
Police Special	500	500	800	300
Miscellaneous	29,000	124,000	15,068	(108,932)
Interest Income	31,304	31,304	11,522	(19,782)
<i>Total Miscellaneous</i>	60,804	155,804	27,390	(128,414)
TOTAL REVENUES	2,952,004	3,047,004	2,844,986	(202,018)
EXPENDITURES				
<i>City Council:</i>				
Salaries/Expenses	8,397	8,397	8,397	-
Meeting and Travel	7,500	7,500	4,638	2,862
<i>Total City Council</i>	15,897	15,897	13,035	2,862
<i>City Administration:</i>				
Salaries	210,392	210,392	213,784	(3,392)
Contractual	18,900	18,900	14,537	4,363
Maintenance	5,000	5,000	1,444	3,556
Capital Outlay	-	-	5,445	(5,445)
<i>Total City Administration</i>	234,292	234,292	235,210	(918)
<i>Police Protection:</i>				
Salaries	622,154	622,154	595,450	26,704
Supplies	44,500	44,500	34,970	9,530
Contractual	24,100	24,100	27,522	(3,422)
Maintenance	28,000	28,000	30,351	(2,351)
Capital Outlay	40,000	116,000	109,214	6,786
<i>Total Police Protection</i>	\$ 758,754	\$ 834,754	\$ 797,507	\$ 37,247

CITY OF KIRBY, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
 BUDGET AND ACTUAL (CONTINUED)
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

EXPENDITURES (CONTINUED)	Budget Amounts		Actual Amounts	Variance
	Original	Final		Favorable (Unfavorable)
<i>Municipal Court:</i>				
Salaries	\$ 30,275	\$ 30,275	\$ 30,438	\$ (163)
Supplies	2,500	2,500	2,055	445
Contractual	16,700	16,700	14,643	2,057
<i>Total Municipal Court</i>	<u>49,475</u>	<u>49,475</u>	<u>47,136</u>	<u>2,339</u>
<i>Fire/EMS Protection:</i>				
Salaries	622,959	622,959	626,176	(3,217)
Supplies	35,475	35,475	33,827	1,648
Contractual	10,100	10,100	7,304	2,796
Maintenance	21,500	21,500	19,876	1,624
Capital Outlay	95,000	95,000	94,382	618
<i>Total Fire/EMS Protection</i>	<u>785,034</u>	<u>785,034</u>	<u>781,565</u>	<u>3,469</u>
<i>Parks and Pools:</i>				
Salaries	147,216	147,216	116,902	30,314
Supplies	18,000	18,000	19,950	(1,950)
Contractual	24,500	24,500	32,433	(7,933)
Maintenance	22,550	22,550	58,506	(35,956)
Capital Outlay	40,000	40,000	46,521	(6,521)
<i>Total Parks and Pools</i>	<u>252,266</u>	<u>252,266</u>	<u>274,312</u>	<u>(22,046)</u>
<i>Streets and Shop:</i>				
Salaries	119,942	119,942	118,360	1,582
Supplies	30,700	30,700	32,813	(2,113)
Contractual	215,750	215,750	114,776	100,974
Maintenance	14,400	14,400	10,188	4,212
Capital Outlay	3,000	303,000	265,441	37,559
<i>Total Streets and Shop</i>	<u>\$ 383,792</u>	<u>\$ 683,792</u>	<u>\$ 541,578</u>	<u>\$ 142,214</u>

CITY OF KIRBY, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
 BUDGET AND ACTUAL (CONTINUED)
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

EXPENDITURES (CONTINUED)	Budget Amounts		Actual Amounts	Variance
	Original	Final		Favorable (Unfavorable)
<i>General City Administration:</i>				
Employee Benefits	\$ 315,034	\$ 315,034	\$ 289,928	\$ 25,106
Insurance	50,000	50,000	43,157	6,843
Professional Services	36,500	36,500	53,876	(17,376)
Administrative Supplies	20,700	20,700	27,887	(7,187)
Utilities	134,000	134,000	124,321	9,679
General Building and Equipment	11,650	11,650	8,700	2,950
Other Government Services	38,500	38,500	12,165	26,335
Senior Center Expenses	32,185	32,185	32,560	(375)
Capital Outlay	40,000	-	-	-
<i>Total General City Administration</i>	678,569	638,569	592,594	45,975
Indirect Cost Allocation (Recovery)	(480,000)	(480,000)	(480,000)	-
TOTAL EXPENDITURES	2,678,079	3,014,079	2,802,937	211,142
Excess (Deficiency) of Revenues Over (Under) Expenditures	273,925	32,925	42,049	9,124
OTHER FINANCING SOURCES (USES)				
Transfers Out	(413,925)	(413,925)	(304,000)	109,925
TOTAL OTHER FINANCING SOURCES (USES)	(413,925)	(413,925)	(304,000)	109,925
Net Change in Fund Balance	(140,000)	(381,000)	(261,951)	119,049
Fund Balance - Beginning of Year	1,782,771	1,782,771	1,782,771	-
Fund Balance - End of Year	\$ 1,642,771	\$ 1,401,771	\$ 1,520,820	\$ 119,049

CITY OF KIRBY, TEXAS
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
SEPTEMBER 30, 2010

Budgetary Information – The budget is prepared in accordance with accounting principles generally accepted in the United States of America. The City maintains strict budgetary controls. The objective of these controls is to ensure compliance with legal provision embodied in the annual appropriated budget approved by the City Council and as such is a good management control device. The following are the funds which have legally adopted annual budgets: General Fund and Debt Service Funds.

Budgetary preparation and control is exercised at the department level. Actual expenditures may not legally exceed appropriations at the fund level.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances lapse at year-end and do not constitute expenditures or liabilities because the commitments must be reappropriated and honored during the subsequent year.

CITY OF KIRBY, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 TEXAS MUNICIPAL RETIREMENT SYSTEM
 SCHEDULE OF FUNDING PROGRESS – DEFINED BENEFIT
 LAST EIGHT CALENDAR YEARS

YEAR	ACTUARIAL VALUE OF ASSETS **	ACTUARIAL ACCRUED LIABILITY*	FUNDING RATIO (1)/(2)	UNFUNDED ACTUARIAL ACCRUED LIABILITY	ANNUAL COVERED PAYROLL	UNFUNDED ACTUARIAL ACCRUED LIABILITY AS A PERCENTAGE OF COVERED PAYROLL
2002	\$ 1,314,539	\$ 1,411,476	93.1%	\$ 96,937	\$ 1,035,838	9.4%
2003	1,497,656	1,643,955	91.1%	146,299	1,107,658	13.2%
2004	1,678,843	1,965,499	85.4%	286,656	1,130,170	25.4%
2005	1,820,627	2,175,755	83.7%	355,128	1,171,840	30.3%
2006	1,836,241	2,178,660	84.3%	342,419	1,225,030	28.0%
2007	2,077,505	3,142,691	66.1%	1,065,186	1,323,808	80.5%
2008	2,397,588	3,631,257	66.0%	1,233,669	1,567,735	78.7%
2009	2,738,002	3,972,641	68.9%	1,234,639	1,659,261	74.4%

* As of December 31 of the preceding year, the date of the actuarial valuation.

** Assets are stated at cost as of December 31 of the preceding year.



OTHER SUPPLEMENTARY INFORMATION

Other supplementary information includes financial statements and schedules not required by the GASB, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

Such statements and schedule include:

- Comparative Statements – General Fund
- Comparative Statements – Debt Service
- Comparative Statements – Capital Projects Fund
- Comparative Statements – Proprietary Waterworks/Sewer Fund

CITY OF KIRBY, TEXAS
 COMPARATIVE BALANCE SHEETS
 GENERAL FUND
 SEPTEMBER 30, 2010 AND 2009

ASSETS	<u>2010</u>	<u>2009</u>
Cash and Temporary Investments	\$ 1,334,737	\$ 1,688,132
Receivables:		
Property Taxes	94,671	90,302
Allowance for Uncollectibles	(8,721)	(6,877)
EMS Charges	57,647	74,800
Allowance for Uncollectibles	(56,200)	(72,923)
Franchise Taxes	68,445	60,896
Accounts	5,387	7,749
Due from Other Governments	221,581	242,876
Due from Other Funds	32,324	-
Inventory of Supplies, At Cost	26,518	29,344
Prepaid Items	15,865	-
TOTAL ASSETS	<u><u>\$ 1,792,254</u></u>	<u><u>\$ 2,114,299</u></u>
LIABILITIES AND FUND BALANCE		
<i>Liabilities:</i>		
Accounts Payable	\$ 126,303	\$ 125,092
Accrued Expenditures	57,734	45,819
Due to Other Funds	-	75,315
Deferred Revenue	87,397	85,302
<i>Total Liabilities</i>	<u><u>271,434</u></u>	<u><u>331,528</u></u>
<i>Fund Balance:</i>		
Reserved for Inventory of Supplies and Prepaid Items	42,383	29,344
Reserved for Police Special	1,227	1,051
Reserved for Court Security	33,181	31,966
Reserved for Court Technology	30,088	25,135
Designated for Buildings and Emergencies	-	25,000
Unreserved	1,413,941	1,670,275
<i>Total Fund Balance</i>	<u><u>1,520,820</u></u>	<u><u>1,782,771</u></u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 1,792,254</u></u>	<u><u>\$ 2,114,299</u></u>

CITY OF KIRBY, TEXAS
 COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 GENERAL FUND
 FOR THE YEARS ENDED SEPTEMBER 30, 2010 AND 2009

REVENUES	<u>2010</u>	<u>2009</u>
Taxes	\$ 1,463,859	\$ 1,472,125
Franchise Fees	317,950	295,794
Licenses and Permits	88,176	108,695
Intergovernmental	118,605	184,444
Charges for Services	672,411	615,203
Fines and Forfeits	156,595	153,170
Interest	11,522	20,859
Miscellaneous	15,868	21,700
TOTAL REVENUES	<u>2,844,986</u>	<u>2,871,990</u>
EXPENDITURES		
Current:		
City Council	13,035	10,913
City Administration	229,765	229,807
Police Protection	688,293	696,317
Municipal Court	47,136	46,920
Fire/EMS Protection	687,183	577,435
Parks and Pool	227,791	205,132
Streets and Shops	276,137	368,169
General City Administration	592,594	579,336
Indirect cost Allocation (Recovery)	(480,000)	(480,000)
Capital Projects/Outlay	521,003	727,279
TOTAL EXPENDITURES	<u>2,802,937</u>	<u>2,961,308</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>42,049</u>	<u>(89,318)</u>
OTHER FINANCING SOURCES (USES)		
Transfers Out	(304,000)	(89,086)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(304,000)</u>	<u>(89,086)</u>
Net Change in Fund Balance	(261,951)	(178,404)
Fund Balance at Beginning of Year	1,782,771	1,961,175
Fund Balance at End of Year	<u>\$ 1,520,820</u>	<u>\$ 1,782,771</u>

CITY OF KIRBY, TEXAS
 COMPARATIVE BALANCE SHEETS
 DEBT SERVICE FUND
 SEPTEMBER 30, 2010 AND 2009

ASSETS	<u>2010</u>	<u>2009</u>
Cash	\$ 863	\$ 2,439
Taxes Receivable	8,437	8,059
Allowance for Uncollectibles	(777)	(613)
Due From Other Funds	<u>39</u>	<u>45,067</u>
 TOTAL ASSETS	 <u>\$ 8,562</u>	 <u>\$ 54,952</u>
 LIABILITIES AND FUND BALANCE		
 <i>Liabilities:</i>		
Deferred Revenue	<u>\$ 7,660</u>	<u>\$ 7,446</u>
<i>Total Liabilities</i>	<u>7,660</u>	<u>7,446</u>
 Fund Balance	 <u>902</u>	 <u>47,506</u>
TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 8,562</u>	 <u>\$ 54,952</u>

CITY OF KIRBY, TEXAS
 COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 DEBT SERVICE FUND
 FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2010 AND 2009

REVENUES	<u>2010</u>	<u>2009</u>
Taxes	\$ 105,605	\$ 108,207
Interest	<u>95</u>	<u>132</u>
TOTAL REVENUES	<u>105,700</u>	<u>108,339</u>
 EXPENDITURES		
Principal Payments on General Obligation Bonds	360,000	120,000
Interest Payments on General Obligation Bonds	144,477	19,311
Fiscal Agent Fees	2,800	625
Bond Issue Costs	<u>-</u>	<u>18,908</u>
TOTAL EXPENDITURES	<u>507,277</u>	<u>158,844</u>
 Excess (Deficiency) of Revenues Over (Under) Expenditures	 <u>(401,577)</u>	 <u>(50,505)</u>
 OTHER FINANCING SOURCES (USES)		
Transfers In	354,973	55,558
Proceeds of Refunding Debt	-	718,206
Payment to Refunded Debt Escrow Agent	<u>-</u>	<u>(710,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>354,973</u>	<u>63,764</u>
 Net Change in Fund Balance	 (46,604)	 13,259
 Fund Balances at Beginning of Year	 <u>47,506</u>	 <u>34,247</u>
 Fund Balances at End of Year	 <u>\$ 902</u>	 <u>\$ 47,506</u>

CITY OF KIRBY, TEXAS
 COMPARATIVE BALANCE SHEETS
 CAPITAL PROJECTS FUND
 SEPTEMBER 30, 2010 AND 2009

ASSETS	2010	2009
	<u> </u>	<u> </u>
Cash	\$ 1,355,435	\$ 2,716,323
Accrued Interest	-	5,158
	<u> </u>	<u> </u>
TOTAL ASSETS	\$ 1,355,435	\$ 2,721,481
	<u> </u>	<u> </u>
LIABILITIES AND FUND BALANCE		
<i>Liabilities:</i>		
Accounts Payable	\$ 55,348	\$ 12,353
Due to Other Funds	29	10,833
	<u> </u>	<u> </u>
<i>Total Liabilities</i>	55,377	23,186
	<u> </u>	<u> </u>
Fund Balance	1,300,058	2,698,295
	<u> </u>	<u> </u>
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,355,435	\$ 2,721,481
	<u> </u>	<u> </u>

CITY OF KIRBY, TEXAS
 COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 CAPITAL PROJECTS FUND
 FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2010 AND 2009

REVENUES	<u>2010</u>	<u>2009</u>
Interest	\$ 16,486	\$ 13,240
TOTAL REVENUES	<u>16,486</u>	<u>13,240</u>
 EXPENDITURES		
Current:		
Fire\EMS Protection	2,268	29,673
Capital Projects/Outlay	1,412,455	274,439
Bond Issue Costs	-	100,364
TOTAL EXPENDITURES	<u>1,414,723</u>	<u>404,476</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,398,237)</u>	<u>(391,236)</u>
 OTHER FINANCING SOURCES (USES)		
Transfers In	-	89,086
Proceeds from Debt Financing	-	3,000,445
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>3,089,531</u>
Net Change in Fund Balance	<u>(1,398,237)</u>	2,698,295
Fund Balances at Beginning of Year	<u>2,698,295</u>	<u>-</u>
Fund Balances at End of Year	<u>\$ 1,300,058</u>	<u>\$ 2,698,295</u>

CITY OF KIRBY, TEXAS
 COMPARATIVE STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 WATERWORKS AND SEWER SYSTEM
 SEPTEMBER 30, 2010 AND 2009

ASSETS	<u>2010</u>	<u>2009</u>
<i>Current Assets:</i>		
Cash and Temporary Investments	\$ 1,641,802	\$ 1,447,109
Receivables - Customers	205,819	210,344
Allowance for Uncollectibles	(10,000)	(10,000)
Due From Other Fund	-	41,081
Inventory of Supplies, at cost	16,147	17,828
Prepaid Items	14,542	-
<i>Total Current Assets</i>	<u>1,868,310</u>	<u>1,706,362</u>
<i>Restricted Assets:</i>		
Cash and Temporary Investments	<u>187,542</u>	<u>182,931</u>
<i>Total Restricted Assets</i>	<u>187,542</u>	<u>182,931</u>
<i>Capital Assets:</i>		
Utility Plant	4,066,041	4,066,041
Transportation, Furniture and Equipment	<u>278,104</u>	<u>278,104</u>
	<u>4,344,145</u>	<u>4,344,145</u>
Less Accumulated Depreciation	<u>(3,003,227)</u>	<u>(2,856,531)</u>
	<u>1,340,918</u>	<u>1,487,614</u>
Land	20,072	20,072
Construction in Progress	<u>24,689</u>	<u>-</u>
<i>Total Capital Assets</i>	<u>1,385,679</u>	<u>1,507,686</u>
 TOTAL ASSETS	 <u><u>\$ 3,441,531</u></u>	 <u><u>\$ 3,396,979</u></u>

CITY OF KIRBY, TEXAS
 COMPARATIVE STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 WATERWORKS AND SEWER SYSTEM (CONTINUED)
 SEPTEMBER 30, 2010 AND 2009

LIABILITIES AND FUND EQUITY	<u>2010</u>	<u>2009</u>
<i>Current Liabilities (Payable from Current Assets):</i>		
Accounts Payable	\$ 134,067	\$ 87,098
Due to Other Funds	32,334	-
Accrued Vacation Leave Payable	11,474	10,115
Total Current Liabilities (Payable from Current Assets)	<u>177,875</u>	<u>97,213</u>
<i>Current Liabilities (Payable from Restricted Assets):</i>		
Consumer Deposits	<u>150,695</u>	<u>147,515</u>
Total Current Liabilities (Payable from Restricted Assets)	<u>150,695</u>	<u>147,515</u>
<i>Total Liabilities</i>	<u>328,570</u>	<u>244,728</u>
<i>Net Assets:</i>		
Investment in Capital Assets	1,385,679	1,507,686
Unrestricted	<u>1,727,282</u>	<u>1,644,565</u>
<i>Total Net Assets</i>	<u>3,112,961</u>	<u>3,152,251</u>
TOTAL LIABILITES AND FUND EQUITY	<u>\$ 3,441,531</u>	<u>\$ 3,396,979</u>

CITY OF KIRBY, TEXAS
 COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 PROPRIETARY FUND – WATERWORKS AND SEWER SYSTEM
 FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2010 AND 2009

	2010	2009
Operating Revenues		
Charges for Utility Service	\$ 1,336,960	\$ 1,511,016
Total Operating Revenues	1,336,960	1,511,016
Operating Expenses Before Depreciation		
Personnel Services	182,393	203,016
Sewage Treatment	313,453	337,188
Supplies	65,503	60,357
Maintenance and Repair	60,994	57,265
Contractual Services	138,351	127,653
Bad Debt Expense	8,226	10,118
Reimbursement General & Administrative Expense	480,000	480,000
Total Operating Expenses Before Depreciation	1,248,920	1,275,597
Operating Income Before Depreciation	88,040	235,419
Depreciation	146,696	152,255
Operating Income (Loss)	(58,656)	83,164
Other Income (Expense):		
Interest Income	6,152	14,156
Capital Improvement Income	64,187	62,042
Total Other Income (Expense)	70,339	76,198
Net Income (Loss) Before Contributions and Transfers	11,683	159,362
Transfer Out	(50,973)	(55,558)
NET CHANGE IN NET ASSETS	(39,290)	103,804
Net Assets at Beginning of Year	3,152,251	3,048,447
Net Assets at End of Year	\$ 3,112,961	\$ 3,152,251

STATISTICAL SECTION

The following unaudited Statistical Tables reflect social and economic data, financial trends and fiscal capacity of the City.

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

Contents

Financial Trends – Tables 1 through 5

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

Revenue Capacity – Tables 6 through 9

These schedules contain information to help the reader assess Kirby's most significant local revenue source, the property tax.

Debt Capacity – Tables 10 through 12

These schedules present information to help the reader assess the affordability of Kirby's current levels of outstanding debt, and our ability to issue additional debt.

Demographic and Economic Information – Tables 13 and 14

These schedules offer demographic and economic indicators to help the reader understand the environment within which Kirby's financial activities take place.

CITY OF KIRBY, TEXAS
 NEL ASSETS BY COMPONENT
 LAST SEVEN FISCAL YEARS

	Fiscal Year			
	2004	2005	2006	2007
<i>Governmental Activities:</i>				
Invested in capital assets, net of related debt	\$ 1,931,336	\$ 1,972,480	\$ 1,950,562	\$ 2,139,002
Restricted	150,070	101,633	94,181	115,142
Unrestricted	1,056,082	1,329,799	1,785,367	1,841,483
<i>Total governmental activities net assets</i>	<u>\$ 3,137,488</u>	<u>\$ 3,403,912</u>	<u>\$ 3,830,110</u>	<u>\$ 4,095,627</u>
<i>Business-Type Activities</i>				
Invested in capital assets, net of related debt	\$ 1,584,405	\$ 1,534,618	\$ 1,468,887	\$ 1,546,608
Restricted	250,880	296,577	436,269	386,414
Unrestricted	351,159	587,800	787,895	959,517
<i>Total Business-Type Activities Net Assets</i>	<u>\$ 2,186,444</u>	<u>\$ 2,418,995</u>	<u>\$ 2,693,051</u>	<u>\$ 2,892,539</u>
<i>Primary government:</i>				
Invested in capital assets, net of related debt	\$ 3,515,741	\$ 3,507,098	\$ 3,419,449	\$ 3,685,610
Restricted	400,950	398,210	530,450	501,556
Unrestricted	1,407,241	1,917,599	2,573,262	2,801,000
<i>Total primary government net assets</i>	<u>\$ 5,323,932</u>	<u>\$ 5,822,907</u>	<u>\$ 6,523,161</u>	<u>\$ 6,988,166</u>

TABLE 1

Fiscal Year		
2008	2009	2010
\$ 2,130,610	\$ 3,520,405	\$ 3,373,876
93,741	113,104	73,058
1,904,787	1,116,000	1,561,630
<u>\$ 4,129,138</u>	<u>\$ 4,749,509</u>	<u>\$ 5,008,564</u>
\$ 1,644,524	\$ 1,507,686	\$ 1,385,679
-	-	-
1,403,923	1,644,565	1,727,282
<u>\$ 3,048,447</u>	<u>\$ 3,152,251</u>	<u>\$ 3,112,961</u>
\$ 3,775,134	\$ 5,028,091	\$ 4,759,555
93,741	113,104	73,058
3,308,710	2,760,565	3,288,912
<u>\$ 7,177,585</u>	<u>\$ 7,901,760</u>	<u>\$ 8,121,525</u>

CITY OF KIRBY, TEXAS
CHANGE IN NET ASSETS
LAST SEVEN FISCAL YEARS

	Fiscal Year			
	2004	2005	2006	2007
Expenses				
<i>Governmental Activities:</i>				
City Council	\$ 10,350	\$ 13,377	\$ 18,310	\$ 17,402
City Administration	164,600	167,643	196,988	210,413
Police Protection	611,927	628,268	617,722	674,312
Municipal Court	38,684	40,714	39,689	40,670
Fire/EMS Protection	403,341	434,968	453,127	499,142
Parks and Pools	136,176	132,940	115,338	166,340
Streets and Shops	415,038	394,380	397,371	470,469
General City Administration	353,842	412,087	392,200	406,706
Indirect Cost Allocation	(438,000)	(432,000)	(432,000)	(432,000)
Capital Outlay	44,170	12,470	13,926	17,853
Interest on Long-Term Debt	90,995	72,868	62,722	56,080
<i>Total Governmental Activities Expenses</i>	<u>1,831,123</u>	<u>1,877,715</u>	<u>1,875,393</u>	<u>2,127,387</u>
<i>Business-Type Activities:</i>				
Waterworks and Sewer	1,212,449	1,279,662	1,343,672	1,292,940
<i>Total Business-Type Activities</i>	<u>1,212,449</u>	<u>1,279,662</u>	<u>1,343,672</u>	<u>1,292,940</u>
Total Primary Government Expenses	<u><u>\$ 3,043,572</u></u>	<u><u>\$ 3,157,377</u></u>	<u><u>\$ 3,219,065</u></u>	<u><u>\$ 3,420,327</u></u>
Program Revenues				
<i>Governmental activities:</i>				
<i>Charges for service:</i>				
City Administration	\$ 47,252	\$ 53,819	\$ 57,795	\$ 62,982
Police Protection	187,917	201,118	234,406	166,102
Municipal Court	15,599	14,973	17,634	11,484
Fire/EMS Protection	63,150	35,731	49,897	45,300
Parks and Pools	18,636	18,259	14,702	11,927
Streets and Shops	24,479	35,024	35,688	37,161
Operating Grants and Contributions	40,530	25,583	21,425	30,440
Capital Grants and Contributions	328,055	51,769	-	100,000
<i>Total Governmental Activities</i>	<u>725,618</u>	<u>436,276</u>	<u>431,547</u>	<u>465,396</u>
<i>Program Revenues</i>	<u>725,618</u>	<u>436,276</u>	<u>431,547</u>	<u>465,396</u>
<i>Business-Type Activities:</i>				
<i>Charges for Service:</i>				
Waterworks and Sewer	1,279,922	1,551,880	1,626,352	1,473,684
<i>Total Business-Type Activities</i>	<u>1,279,922</u>	<u>1,551,880</u>	<u>1,626,352</u>	<u>1,473,684</u>
<i>Program Revenues</i>	<u>1,279,922</u>	<u>1,551,880</u>	<u>1,626,352</u>	<u>1,473,684</u>
Total Primary Government	<u><u>\$ 2,005,540</u></u>	<u><u>\$ 1,988,156</u></u>	<u><u>\$ 2,057,899</u></u>	<u><u>\$ 1,939,080</u></u>

TABLE 2

Fiscal Year		
2008	2009	2010
\$ 18,600	\$ 10,913	\$ 13,035
226,639	234,191	252,006
767,997	733,091	746,036
47,789	46,978	47,410
537,553	625,798	756,804
213,586	205,810	226,169
456,972	436,945	455,625
484,539	579,986	592,870
(432,000)	(480,000)	(480,000)
41,475	8,514	-
50,236	30,261	151,444
<u>2,413,386</u>	<u>2,432,487</u>	<u>2,761,399</u>
<u>1,336,172</u>	<u>1,427,852</u>	<u>1,395,616</u>
<u>1,336,172</u>	<u>1,427,852</u>	<u>1,395,616</u>
<u>\$ 3,749,558</u>	<u>\$ 3,860,339</u>	<u>\$ 4,157,015</u>
\$ 55,828	\$ 51,532	\$ 51,005
174,623	147,747	149,728
12,508	10,767	10,611
58,876	575,255	632,174
21,988	31,985	36,124
84,671	59,840	37,109
41,569	20,931	16,662
63,000	163,513	101,943
<u>513,063</u>	<u>1,061,570</u>	<u>1,035,356</u>
<u>1,501,748</u>	<u>1,573,058</u>	<u>1,336,960</u>
<u>1,501,748</u>	<u>1,573,058</u>	<u>1,336,960</u>
<u>\$ 2,014,811</u>	<u>\$ 2,634,628</u>	<u>\$ 2,372,316</u>

CITY OF KIRBY, TEXAS
CHANGE IN NET ASSETS
LAST SEVEN FISCAL YEARS (Continued)

	Fiscal Year			
	2004	2005	2006	2007
Net (Expenses) Revenue				
Governmental Activities	\$(1,105,505)	\$(1,441,439)	\$(1,443,846)	\$(1,661,991)
Business-Type Activities	67,473	272,218	282,680	180,744
Total Primary Government Net Expenses	<u>\$(1,038,032)</u>	<u>\$(1,169,221)</u>	<u>\$(1,161,166)</u>	<u>\$(1,481,247)</u>
Governmental Revenues and Other Changes in Net Assets				
Governmental Activities:				
Taxes:				
Property Taxes	\$ 1,144,459	\$ 1,148,919	\$ 1,187,435	\$ 1,260,472
Franchise Taxes	245,377	255,450	281,434	270,078
Sales Taxes	199,059	189,396	240,572	227,716
Interest and Investment Earnings	11,977	37,325	86,602	111,048
Miscellaneous	16,303	19,909	19,211	5,448
Transfers	52,307	56,864	54,790	52,746
Total Governmental Activities	<u>1,669,482</u>	<u>1,707,863</u>	<u>1,870,044</u>	<u>1,927,508</u>
Business-Type Activities:				
Interest and Investment Earnings	5,751	17,197	46,166	71,490
Capital Improvement Income	-	-	-	-
Transfers	(52,307)	(56,864)	(54,790)	(52,746)
Total Business-Type Activities	<u>(46,556)</u>	<u>(39,667)</u>	<u>(8,624)</u>	<u>18,744</u>
Total Primary Government	<u>\$ 1,622,926</u>	<u>\$ 1,668,196</u>	<u>\$ 1,861,420</u>	<u>\$ 1,946,252</u>
Changes In Net Assets				
Government Activities	\$ 563,977	\$ 266,424	\$ 426,198	\$ 265,517
Business-Type Activities	20,917	232,551	274,056	199,488
Total Primary Government	<u>\$ 584,894</u>	<u>\$ 498,975</u>	<u>\$ 700,254</u>	<u>\$ 465,005</u>

TABLE 2 (Continued)

Fiscal Year		
2008	2009	2010
\$(1,900,323)	\$(1,370,917)	\$ (1,726,043)
165,576	145,206	(58,656)
<u>\$(1,734,747)</u>	<u>\$(1,225,711)</u>	<u>\$ (1,784,699)</u>
\$ 1,260,515	\$ 1,360,442	\$ 1,331,558
302,026	295,794	317,950
225,300	223,563	240,646
66,444	34,231	28,103
25,443	21,700	15,868
54,106	55,558	50,973
<u>1,933,834</u>	<u>1,991,288</u>	<u>1,985,098</u>
44,438	14,156	6,152
-	-	64,187
(54,106)	(55,558)	(50,973)
<u>(9,668)</u>	<u>(41,402)</u>	<u>19,366</u>
<u>\$ 1,924,166</u>	<u>\$ 1,949,886</u>	<u>\$ 2,004,464</u>
\$ 33,511	\$ 620,371	\$ 259,055
155,908	103,804	(39,290)
<u>\$ 189,419</u>	<u>\$ 724,175</u>	<u>\$ 219,765</u>

CITY OF KIRBY, TEXAS
 FUND BALANCES, GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS

	Fiscal Year			
	2001	2002	2003	2004
General Fund				
Reserved	\$ 37,312	\$ 249,722	\$ 263,794	\$ 83,220
Designated	-	-	-	-
Unreserved	<u>585,443</u>	<u>553,631</u>	<u>686,751</u>	<u>1,016,300</u>
Total General Fund	<u>\$ 622,755</u>	<u>\$ 803,353</u>	<u>\$ 950,545</u>	<u>\$ 1,099,520</u>
All Other Governmental Funds				
Unreserved, Reported In:				
Capital Project Funds	\$ -	\$ -	\$ -	\$ -
Debt Service Funds	<u>53,873</u>	<u>20,652</u>	<u>11,923</u>	<u>63,513</u>
Total All Other Governmental Funds	<u>\$ 53,873</u>	<u>\$ 20,652</u>	<u>\$ 11,923</u>	<u>\$ 63,513</u>

TABLE 3

Fiscal Year					
2005	2006	2007	2008	2009	2010
\$ 82,286	\$ 97,598	\$ 109,880	\$ 86,241	\$ 87,496	\$ 106,879
276,493	351,037	300,000	300,000	100,000	-
<u>1,013,400</u>	<u>1,372,332</u>	<u>1,501,588</u>	<u>1,574,934</u>	<u>1,595,275</u>	<u>1,413,941</u>
<u><u>\$ 1,372,179</u></u>	<u><u>\$ 1,820,967</u></u>	<u><u>\$ 1,911,468</u></u>	<u><u>\$ 1,961,175</u></u>	<u><u>\$ 1,782,771</u></u>	<u><u>\$ 1,520,820</u></u>
\$ -	\$ -	\$ -	\$ -	\$ 2,698,295	\$ 1,300,058
<u>19,348</u>	<u>26,536</u>	<u>31,669</u>	<u>34,247</u>	<u>47,506</u>	<u>902</u>
<u><u>\$ 19,348</u></u>	<u><u>\$ 26,536</u></u>	<u><u>\$ 31,669</u></u>	<u><u>\$ 34,247</u></u>	<u><u>\$ 2,745,801</u></u>	<u><u>\$ 1,300,960</u></u>

CITY OF KIRBY, TEXAS
CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

	Fiscal Year			
	2001	2002	2003	2004
REVENUES				
Taxes	\$ 1,101,674	\$ 1,132,998	\$ 1,234,409	\$ 1,338,480
Franchise Fees	245,936	211,626	274,715	245,377
Licenses and Permits	56,183	58,782	74,691	53,563
Intergovernmental	42,073	173,310	38,102	368,585
Fines and Penalties	135,758	155,588	138,155	201,547
Charges for Services	63,875	98,234	86,261	91,521
Interest	33,337	17,949	12,294	11,954
Miscellaneous	11,043	38,771	9,239	16,989
TOTAL REVENUES	1,689,879	1,887,258	1,867,866	2,328,016
EXPENDITURES				
Current:				
City Council	8,930	11,369	8,573	10,350
City Administration	127,689	134,663	142,000	154,882
Police Protection	533,195	550,664	575,386	567,554
Municipal Court	23,084	29,912	33,865	38,541
Fire\EMS Protection	301,855	312,900	334,007	358,433
Parks and Pool	129,282	123,012	137,234	134,498
Streets and Shops	180,570	290,764	165,300	544,986
General City Administration	291,851	321,728	348,221	353,841
Indirect Cost Allocation (Recovery)	(444,000)	(444,000)	(438,000)	(438,000)
Capital Projects/Outlay	185,696	63,147	149,208	124,844
Debt Service:				
Principal	210,000	270,000	285,000	260,000
Interest and Fiscal Charges	147,729	131,255	108,979	91,906
Interest and Fiscal Charges	-	-	-	-
TOTAL EXPENDITURES	1,695,881	1,795,414	1,849,773	2,201,835
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,002)	91,844	18,093	126,181
OTHER FINANCING SOURCES (USES)				
Transfers In	134,830	55,533	120,370	52,307
Transfers Out	-	-	-	-
Proceeds from Debt Financing	-	-	-	-
Payments to Refund Agent	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	134,830	55,533	120,370	52,307
Net Change in Fund Balance	\$ 128,828	\$ 147,377	\$ 138,463	\$ 178,488
Debt Service as a percentage of noncapital expenditures	23.69%	23.16%	23.17%	16.94%

TABLE 4

Fiscal Year					
2005	2006	2007	2008	2009	2010
\$ 1,344,368	\$ 1,425,925	\$ 1,494,414	\$ 1,482,481	\$ 1,580,332	\$ 1,569,464
255,451	281,434	270,078	302,026	295,794	317,950
65,505	63,206	64,062	122,880	108,695	88,176
77,351	21,425	130,440	104,569	184,444	118,605
212,401	247,695	173,462	181,922	153,170	156,595
85,013	98,273	99,026	103,435	615,203	672,411
37,325	86,602	111,048	66,444	34,231	28,103
21,705	24,636	25,718	25,443	21,700	15,868
<u>2,099,119</u>	<u>2,249,196</u>	<u>2,368,248</u>	<u>2,389,200</u>	<u>2,993,569</u>	<u>2,967,172</u>
13,377	18,310	17,402	18,600	10,913	13,035
167,460	189,634	202,601	216,606	229,807	229,765
582,197	571,244	621,765	722,348	696,317	688,293
40,671	39,566	40,604	47,652	46,920	47,136
384,615	397,437	446,875	482,287	607,108	689,451
135,208	115,077	139,269	212,062	205,132	227,791
156,486	292,684	594,717	271,324	368,169	276,137
412,087	392,200	406,703	503,261	579,336	592,594
(432,000)	(432,000)	(432,000)	(432,000)	(480,000)	(480,000)
168,530	95,581	125,791	188,133	1,001,718	1,933,458
225,000	105,000	105,000	110,000	120,000	360,000
73,858	63,277	56,633	50,748	19,936	147,277
-	-	-	-	119,272	-
<u>1,927,489</u>	<u>1,848,010</u>	<u>2,325,360</u>	<u>2,391,021</u>	<u>3,524,628</u>	<u>4,724,937</u>
<u>171,630</u>	<u>401,186</u>	<u>42,888</u>	<u>(1,821)</u>	<u>(531,059)</u>	<u>(1,757,765)</u>
56,864	54,790	52,746	54,106	144,644	354,973
-	-	-	-	(89,086)	(304,000)
-	-	-	-	3,718,651	-
-	-	-	-	(710,000)	-
<u>56,864</u>	<u>54,790</u>	<u>52,746</u>	<u>54,106</u>	<u>3,064,209</u>	<u>50,973</u>
<u>\$ 228,494</u>	<u>\$ 455,976</u>	<u>\$ 95,634</u>	<u>\$ 52,285</u>	<u>\$ 2,533,150</u>	<u>\$ (1,706,792)</u>
16.99%	9.60%	7.35%	7.30%	10.27%	18.17%

CITY OF KIRBY, TEXAS
TAX REVENUE BY SOURCE, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

TABLE 5

Fiscal Year	Property	Sales & Use	Franchise	Total
2001	\$ 958,354	\$ 143,320	\$ 245,936	\$ 1,347,610
2002	993,645	139,353	211,626	1,344,624
2003	1,088,127	146,282	274,715	1,509,124
2004	1,139,421	199,059	245,377	1,583,857
2005	1,154,972	189,396	255,451	1,599,819
2006	1,185,352	240,573	281,434	1,707,359
2007	1,266,698	227,716	270,078	1,764,492
2008	1,257,181	225,300	302,026	1,784,507
2009	1,248,561	223,564	295,794	1,767,919
2010	1,223,213	240,646	317,950	1,781,809

CITY OF KIRBY, TEXAS
 ASSESSED VALUE AND ACTUAL TAXABLE PROPERTY
 LAST SIX FISCAL YEARS

TABLE 6

Fiscal Year Ended September 30,	Residential Property	Commercial Property	Less: Tax-Exempt Property	Total Taxable Assessed Value*	Total Direct Tax Rate
2005	\$ 161,225,948	\$ 23,237,881	\$ 11,376,965	\$ 173,086,864	0.657820
2006	164,084,399	23,493,038	12,590,038	174,987,399	0.664950
2007	179,336,207	28,770,525	14,836,126	193,270,606	0.644471
2008	204,127,621	25,094,304	16,044,070	213,177,855	0.588414
2009	206,036,672	27,312,315	16,743,093	216,605,894	0.623000
2010	192,522,317	27,168,990	20,299,434	199,391,873	0.661649

Source: Bexar Appraisal District.

* Total Taxable Assessed Value and Total Estimated Actual Value of taxable property is the same.

CITY OF KIRBY, TEXAS
 DIRECT AND OVERLAPPING PROPERTY TAX RATES
 LAST TEN FISCAL YEARS

TABLE 7

Fiscal Period	City	Judson School District	Bexar County	Alamo College District	San Antonio RA	Total
2001	0.68072	1.650	0.339458	0.1069		2.77707
2002	0.68655	1.676	0.320756	0.1046		2.78791
2003	0.68655	1.776	0.317571	0.1071	0.016425	2.90365
2004	0.67657	1.776	0.320952	0.1075	0.016425	2.89745
2005	0.65782	1.776	0.318471	0.1075	0.016425	2.87622
2006	0.66495	1.776	0.318471	0.1071	0.016425	2.88289
2007	0.64447	1.636	0.314147	0.1371	0.016045	2.74771
2008	0.58841	1.410	0.295104	0.1346	0.015951	2.44402
2009	0.62300	1.465	0.289399	0.1359	0.015951	2.52921
2010	0.661649	1.463	0.296187	0.1359	0.015951	2.57264

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

CITY OF KIRBY, TEXAS
 PRINCIPAL PROPERTY TAX PAYERS
 CURRENT AND NINE YEARS AGO

TABLE 8

<u>Taxpayer</u>	<u>2010</u>			<u>2001</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>
AJC Rental Corporation	\$ 4,131,438	1	2.07%	N/A	N/A	N/A
Mr. William Harrigan	3,400,520	2	1.71%	N/A	N/A	N/A
YES Companies, LLC	2,217,553	3	1.11%	N/A	N/A	N/A
Time Warner Cable	1,103,420	4	0.55%	N/A	N/A	N/A
Schertz Bank and Trust	1,073,070	5	0.54%	N/A	N/A	N/A
Mr. Richard Owen	770,782	6	0.39%	N/A	N/A	N/A
AT&T Telephone Utility	716,610	7	0.36%	N/A	N/A	N/A
Main Street Properties	713,760	8	0.36%	N/A	N/A	N/A
Grace & Grant Properties, LLC	602,590	9	0.30%	N/A	N/A	N/A
Mr. & Mrs. Kalinowski	564,200	10	0.28%	N/A	N/A	N/A
Total	\$ 15,293,943		7.67%	\$ -		0.00%

Total taxable value of \$199,391,873

Note: Data for 2010 was based on 2009 Certified Totals.

Note: Data for 2001 was not available.

CITY OF KIRBY, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
LAST SEVEN FISCAL YEARS

TABLE 9

Fiscal Year Ended September 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections In Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2004	\$ 1,101,844	\$ 1,087,041	98.66%	\$ 11,460	\$ 1,098,501	99.70%
2005	1,138,602	1,106,283	97.16%	27,372	1,133,655	99.57%
2006	1,163,575	1,131,529	97.25%	25,771	1,157,300	99.46%
2007	1,245,573	1,214,573	97.51%	21,403	1,235,976	99.23%
2008	1,254,704	1,221,409	97.35%	21,353	1,242,762	99.05%
2009	1,347,433	1,314,199	97.53%	14,475	1,328,674	98.61%
2010	1,319,698	1,290,840	97.81%	-	1,290,840	97.81%

CITY OF KIRBY, TEXAS
RATIOS OF OUTSIDE DEBT BY TYPE
LAST SEVEN FISCAL YEARS

TABLE 10

Fiscal Year	Governmental Activities			Business-Type Activity	Total Primary Government	Per Capita*
	General Obligation Bonds	Certificates of Obligation	Capital Leases	Certificates of Obligation		
2004	\$ 75,000	\$ 1,300,000	\$ 22,136	\$ 295,000	\$1,692,136	195
2005	-	1,150,000	-	225,000	1,375,000	159
2006	-	1,045,000	-	150,000	1,195,000	122
2007	-	940,000	-	70,000	1,010,000	116
2008	-	830,000	-	-	830,000	97
2009	715,000	2,970,000	-	-	3,685,000	428
2010	590,000	2,735,000	-	-	3,325,000	382

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

*Note: Per Capita is the total primary government debt divided by the population of the City. Population totals may be found in Table 13, page 79.

CITY OF KIRBY, TEXAS
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST SEVEN FISCAL YEARS

TABLE 11

General Bonded Debt Outstanding						
Fiscal Year	General Obligation Bonds	Certificates of Obligation	Total	Actual Taxable Value of Property	Percentage of Actual Taxable Value of Property	Per Capita*
2004	\$ 75,000	\$ 1,300,000	\$ 1,375,000	\$ 162,856,686	0.84%	158
2005	-	1,150,000	1,150,000	173,086,864	0.66%	132
2006	-	1,045,000	1,045,000	174,987,399	0.60%	120
2007	-	940,000	940,000	193,270,606	0.49%	108
2008	-	830,000	830,000	213,177,855	0.39%	97
2009	715,000	2,970,000	3,685,000	216,605,894	1.70%	428
2010	590,000	2,735,000	3,325,000	199,391,873	1.67%	382

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

*Note: Per Capita is equal to the actual taxable value divided by the population of the City. Population totals may be found in Table 13, page 79.

CITY OF KIRBY, TEXAS
 LEGAL DEBT MARGIN
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

TABLE 12

Taxable Value	<u>\$ 199,391,873</u>
Debt Limit - 10% of taxable value [1]	\$ 19,939,187
Amount of Debt Applicable to Debt Limit:	
Total Bonded Debt	\$ 3,325,000
Less Fund Balance in Debt Service Fund	<u>902</u>
Total Amount of Debt Applicable to Debt Limit	<u>3,324,098</u>
Legal Debt Margin	<u>\$ 16,615,089</u>

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Debt Limit	\$ 17,498,740	\$ 19,327,061	\$ 21,317,786	\$ 21,660,589	\$ 19,939,187
Total Net Debt Applicable to Limit	<u>(1,018,464)</u>	<u>(908,331)</u>	<u>(795,753)</u>	<u>(3,637,494)</u>	<u>(3,324,098)</u>
Legal Debt Margin	<u>\$ 16,480,276</u>	<u>\$ 18,418,730</u>	<u>\$ 20,522,033</u>	<u>\$ 18,023,095</u>	<u>\$ 16,615,089</u>

CITY OF KIRBY, TEXAS
 DEMOGRAPHIC AND ECONOMIC STATISTICS
 LAST SEVEN FISCAL YEARS

TABLE 13

Year	Population	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
2004	8612	\$ 38,919	33.30	2,059	6.4%
2005	8612	38,919	33.30	1,763	5.7%
2006	8673	38,919	33.30	1,817	4.5%
2007	8673	38,919	33.30	1,760	4.1%
2008	8580	45,265	33.30	1,760	5.0%
2009	8606	45,265	33.30	1,844	5.9%
2010	8695	46,481	33.30	1,755	5.9%

Sources: Population, Per Capita Income and median Age information provided by the United States Census Bureau. School enrollment information was provided by the Judson Independent School District. Unemployment rate was provided by the U.S Department of Labor for the City of San Antonio, Texas.

CITY OF KIRBY, TEXAS
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

TABLE 14

<u>Employer</u>	<u>2010</u>			<u>2001</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Fort Sam Houston	30,793	1	3.25%	N/A	N/A	N/A
Lackland AFB	28,100	2	2.97%	N/A	N/A	N/A
USAA	14,852	3	1.57%	N/A	N/A	N/A
HEB Food Stores	14,588	4	1.54%	N/A	N/A	N/A
Northside ISD	12,597	5	1.33%	N/A	N/A	N/A
Randolph AFB	10,700	6	1.13%	N/A	N/A	N/A
North East ISD	10,223	7	1.08%	N/A	N/A	N/A
City of San Antonio	9,000	8	0.95%	N/A	N/A	N/A
San Antonio ISD	7,581	9	0.80%	N/A	N/A	N/A
Methodist Healthcare System	7,013	10	0.74%	N/A	N/A	N/A
Total	<u>145,447</u>		<u>15.36%</u>	N/A	N/A	N/A

The City of Kirby is surrounded by the City of San Antonio and no data is available for the employers in Kirby. The above data is for San Antonio.

Source: San Antonio Economic Development Foundation

Note: Data for 2001 was not available.

