



Comprehensive Annual Financial Report

Year Ended September 30, 2008
City of Victoria, Texas

CITY OF VICTORIA, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the year ended September 30, 2008

Prepared by the Finance Department
City of Victoria, Texas

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
City Administrators' Letter of Transmittal.....	i
Certificate of Achievement for Excellence in Financial Reporting.....	xx
Organizational Chart	xxi
Principal City Officials.....	xxii
FINANCIAL SECTION	
Independent Auditor's Report.....	1
Management's Discussion and Analysis.....	3
<u>Basic Financial Statements</u>	
Government-Wide Financial Statements	
Statement of Net Assets.....	17
Statement of Activities.....	19
Fund Financial Statements	
Balance Sheet - Governmental Funds.....	21
Reconciliation of Total Governmental Fund Balance to Net Assets of Governmental Activities.....	23
Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds.....	24
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	26
Statement of Net Assets - Proprietary Funds	27
Statement of Revenues, Expenses, and Changes in Fund Net Assets Proprietary Funds.....	28
Statement of Cash Flows - Proprietary Funds.....	29
Statement of Fiduciary Net Assets - Fiduciary Funds.....	33
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds	34
Statement of Net Assets - Component Units.....	35
Statement of Activities - Component Units	36
Notes to Financial Statements	38
<u>Required Supplementary Information</u>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget (GAAP Basis) and Actual - General Fund.....	
	63
Notes to Required Supplementary Information	64

FINANCIAL SECTION - (Continued)
Combining and Individual Fund Statements and Schedules
Governmental Funds

Combining Statements

Combining Balance Sheet - All Nonmajor Governmental Funds 65

Combining Statement of Revenues, Expenditures, and Changes in Fund

Balances - All Nonmajor Governmental Funds 66

Nonmajor Special Revenue Funds 67

Combining Balance Sheet - Nonmajor Special Revenue Funds 70

Combining Statement of Revenues, Expenditures, and Changes

in Fund Balance - Nonmajor Special Revenue Funds 74

Individual Statements and Schedules

General Fund 78

Balance Sheet 79

Schedule of Revenues - Budget (GAAP Basis) and Actual 80

Schedule of Expenditures - Budget (GAAP Basis) and Actual 81

Debt Service Fund 85

Balance Sheet 87

Schedule of Revenues, Expenditures, and Changes in Fund

Balance - Budget (GAAP Basis) and Actual 88

Capital Project Funds 89

LaSalle Crossing / Capital Improvement Programs

Schedule of Revenues, Expenditures, and Changes in Fund

Balance - Budget (GAAP Basis) and Actual 90

Streets and Drainage Use Bonds

Schedule of Revenues, Expenditures, and Changes in Fund

Balance - Budget (GAAP Basis) and Actual 91

Residential / Arterial Capital Improvement Program

Schedule of Revenues, Expenditures, and Changes in Fund

Balance - Budget (GAAP Basis) and Actual 92

Proprietary Funds

Nonmajor Enterprise Funds 93

Combining Statements

Combining Statement of Net Assets - All Nonmajor Enterprise Funds 94

Combining Statement of Revenues, Expenses, and Changes

in Fund Net Assets - All Nonmajor Enterprise Funds 95

Combining Statement of Cash Flows - All Nonmajor Enterprise Funds 96

Individual Statements

Enterprise Funds

Water and Wastewater Fund 98

Balance Sheet 99

Statement of Revenues, Expenses, and Changes in Fund Net Assets 101

Statement of Cash Flows 102

FINANCIAL SECTION - (Continued)
Combining and Individual Fund Statements and Schedules - (Continued)
Proprietary Funds - (Continued)

Individual Statements - (Continued)

Enterprise Funds - (Continued)

Community Center Fund.....	104
Balance Sheet.....	105
Statement of Revenues, Expenses, and Changes in Fund Net Assets.....	106
Statement of Cash Flows.....	107
700 Main Center.....	108
Balance Sheet.....	109
Statement of Revenues, Expenses, and Changes in Fund Net Assets.....	110
Statement of Cash Flows.....	111
Environmental Services Fund.....	113
Balance Sheet.....	114
Statement of Revenues, Expenses, and Changes in Fund Net Assets.....	115
Statement of Cash Flows.....	116
Education & Government Channel Fund.....	118
Balance Sheet.....	119
Statement of Revenues, Expenses, and Changes in Fund Net Assets.....	120
Statement of Cash Flows.....	121
Internal Service Funds.....	122
Combining Statements	
Combining Statement of Net Assets - Internal Service Funds.....	123
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets - Internal Service Funds.....	125
Combining Statement of Cash Flows - Internal Service Funds.....	127
Individual Statements	
Vehicle and Equipment Services Fund.....	131
Balance Sheet.....	132
Statement of Revenues, Expenses, and Changes in Fund Net Assets.....	133
Statement of Cash Flows.....	134
Information Technology Fund.....	135
Balance Sheet.....	136
Statement of Revenues, Expenses, and Changes in Fund Net Assets.....	137
Statement of Cash Flows.....	138
Communications Fund.....	139
Balance Sheet.....	140
Statement of Revenues, Expenses, and Changes in Fund Net Assets.....	141
Statement of Cash Flows.....	142
Purchasing Fund.....	143
Balance Sheet.....	144
Statement of Revenues, Expenses, and Changes in Fund Net Assets.....	145
Statement of Cash Flows.....	146

FINANCIAL SECTION - (Continued)

Combining and Individual Fund Statements and Schedules - (Continued)

Proprietary Funds - (Continued)

Internal Service Funds - (Continued)

Individual Statements - (Continued)

Safety Management Fund	147
Balance Sheet.....	148
Statement of Revenues, Expenses, and Changes in Fund Net Assets.....	149
Statement of Cash Flows.....	150
Workers' Compensation Fund.....	151
Balance Sheet.....	152
Statement of Revenues, Expenses, and Changes in Fund Net Assets.....	153
Statement of Cash Flows.....	154
Print Shop Fund	155
Balance Sheet.....	156
Statement of Revenues, Expenses, and Changes in Fund Net Assets.....	157
Statement of Cash Flows.....	158
Employee Health Plan Fund.....	159
Balance Sheet.....	160
Statement of Revenues, Expenses, and Changes in Fund Net Assets.....	161
Statement of Cash Flows.....	162

Fiduciary Funds

Agency Funds	163
Statement of Changes in Assets and Liabilities - Agency Funds.....	164

STATISTICAL SECTION..... 165

Financial Trends

Net Assets by Component	166
Changes in Net Assets	168
Program Revenues by Function/Program.....	172
Fund Balances, Governmental Funds	174
Changes in Fund Balances, Governmental Funds	176
Tax Revenues by Source, Governmental Funds	178

Revenue Capacity

Assessed and Estimated Actual Value of Taxable Property.....	180
Direct and Overlapping Property Tax Rates	182
Principal Property Taxpayers (Unaudited)	184

	<u>Page</u>
STATISTICAL SECTION - (Continued)	
<u>Revenue Capacity - (Continued)</u>	
Property Tax Levies and Collections	185
Water Produced and Consumed and Wastewater Treated	187
Water and Sewer Rates.....	189
Ten Largest Water Customers (Unaudited)	191
<u>Debt Capacity</u>	
Ratios of Outstanding Debt by Type	192
Ratios of Net General Bonded Debt Outstanding.....	193
Direct and Overlapping Governmental Activities Debt (Unaudited).....	195
Legal Debt Margin Information.....	196
Pledged-Revenue Coverage.....	198
<u>Demographic and Economic Information</u>	
Demographic and Economic Statistics (Unaudited).....	200
Principal Employers (Unaudited)	201
<u>Operating Information</u>	
Full-Time-Equivalent City Governmental Employees by Function/Program	202
Operating Indicators by Function/Program	204
Capital Asset Statistics by Function/Program	206
SINGLE AUDIT SECTION	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	208
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.....	210
Schedule of Expenditures of Federal and State Awards.....	212
Notes to Schedule of Expenditures of Federal and State Awards	214
Schedule of Findings and Questioned Cost.....	215
Summary Schedule of Prior Audit Findings.....	216





CITY OF VICTORIA

Established 1824, Founded By Congress, Republic of Texas, 1839

FINANCE DEPARTMENT

City Hall Square, Main at Juan Linn

March 11, 2009

Honorable Mayor and City Council
City of Victoria
Victoria, Texas

The Comprehensive Annual Financial Report of the City of Victoria, Texas (the "City"), as of September 30, 2008, and for the year then ended is submitted herewith. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position, results of operations, and cash flows of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

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

The City provides the traditional local government services under the direction of the Mayor and City Council, and all such activities are accounted for and reported within the basic funds. This report includes all funds of the City government. The financial statements of the Victoria Sales Tax Development Corporation and Victoria Recreation Corporation are also reported herein as discretely presented component units of the City. The reporting entity funds and various related entities are thoroughly discussed in the notes.

The City utilizes a Council-Manager form of government. The elected body is made up of a Mayor, who is elected at large, and six Council Members elected by district. The City Manager, appointed by the City Council, is responsible for the management of all City employees and administration of all City affairs. The City Council appoints several boards and commissions, most of which are used in an advisory capacity. Most of these boards and commissions have no operating budgets and no financial statements. The exception is the Victoria Sales Tax Development Corporation.

The following boards and commissions are appointed, partially or entirely, by Council:

- | | |
|--|--|
| 1. Building Board | 14. Electrical Board |
| 2. Housing Authority Board | 15. Library Board |
| 3. Minimum Housing Board | 16. Parks and Recreation Commission |
| 4. Planning Commission | 17. Mechanical Board |
| 5. Cultural Council Board | 18. Plumbing Board |
| 6. Tax Increment Financing Board | 19. Sign Board |
| 7. Health Authority for City/County Health Dept. | 20. Victoria Sales Tax Corporation Board |
| 8. Victoria Housing Finance Corporation Board | 21. Victoria Recreation Association Board |
| 9. Building and Standards Commission | 22. Food Establishment Board |
| 10. City-County Board of Health | 23. Golden Crescent Regional Planning Comm. |
| 11. Victoria Affordable Housing Council | 24. Victoria County Appraisal District |
| 12. Victoria Economic Development Corp. | 25. Victoria Metropolitan Planning Commission |
| 13. Victoria Development Corporation | 26. Victoria Health Facilities Development Corp. |

The City provides a full range of municipal services to its citizens. In the public safety sector, the City maintains and operates a Fire Department and Police Department. In the public works sector, the City has the departments of Engineering and Traffic Control, Solid Waste Collection, Water/Wastewater, and Streets and Drainage. The City owns and operates a water pumping and distribution system, a surface water treatment facility, and a wastewater collection system. Wastewater treatment service is provided under a long-term contract with the Guadalupe-Blanco River Authority. Streets and Drainage provides street cleaning, street maintenance, and drainage structure maintenance, as well as some capability for new construction of streets, drainage structures, and sidewalks.

Also included in the City's program of services are a parks system, recreation program, building code inspections and enforcement department, and a convention hall/auditorium. The City of Victoria maintains its own in-house print shop, custodial service, and building maintenance service. In addition, the City has its own full-service garage for fleet maintenance and its own communication shop.

The departments of City Manager, City Attorney, City Secretary, and Municipal Court, according to the Charter, which was amended in May 1994, are created by City Council and answer to the City Manager. General staff support includes an in-house Planning Department, Human Resources Department, and Information Technology Department. The Finance Department includes all accounting, budgeting, and financial administration. At present, the City Manager utilizes one Deputy City Manager.

According to an interlocal agreement entered into between the City of Victoria and the County of Victoria, the City would provide fire and rescue services in return for a set reimbursement amount from the County. In addition, the City of Victoria would operate and manage library services at no cost to the County. By provisions of the interlocal agreement, the County of Victoria would provide health and animal control services at no cost to the City.

Economic Condition and Outlook

Victoria is the "Crossroads" of South Texas which links Houston, Austin, San Antonio, Corpus Christi, and other Texas cities with major cities located at the border of Mexico and Texas. In addition to the major highways intersecting in Victoria, a barge canal links Victoria's major industry chemical plants - Invista, Dow Chemical, and British Petroleum Chemical - with other major cities located along the Gulf of Mexico.

More than 182,000 people live in the seven-county region known as the "Golden Crescent," which surrounds the Victoria Metropolitan Statistical Area (MSA). Calhoun, Dewitt, Lavaca, Gonzales, Jackson, Victoria, and Goliad Counties are in this region.

Though the petrochemical and oil and gas industries remain an important part of the region's economic base, other industry sectors have continued to develop and grow. Within the City of Victoria, diversification has been a driving force. Victoria, the county seat, is well represented by professional and financial services. Legal, accounting, engineer/design firms, as well as long-standing banking institutions, provide full service and support to the region's growing and diversifying economic base. This economic base has allowed the growth of hospitals and other medical facilities. Two major hospitals, Citizens Medical Center and DeTar Hospital, as well as many specialty physician groups represent the medical industry. These hospitals are two of the major employers of the area.

Economic Condition and Outlook - (Continued)

Recent growth explosion in the retail sector has firmly established Victoria as a regional hub. A hub for medical, educational, financial, and retail services, Victoria is also home for a diverse manufacturing base. Plastics manufacturers include Covalence Specialty Materials Corporation and Sonoco Products. Heavy steel fabrication, pre-stressed concrete, and custom-design equipment manufacturers also call Victoria home.

These economic resources mentioned above are the forefront of our economic development efforts. The Victoria Economic Development Corporation is the public-private partnership arm of the City.

Victoria's 2008 fiscal year, from October 1, 2007, through September 30, 2008, has been extremely positive for our community and for our city organization. It is difficult to recall a year when there were so many projects and initiatives ongoing and changes are visible day to day. The last twelve months have been extremely busy for the City and additional development is ahead. This is a positive time for Victoria.

Victoria's conservative financial management and excellent bond rating continue to save money for our taxpayers. The City's bond rating was upgraded from A+ to AA- from both the Fitch Rating Agency and Standard and Poor's Rating Service. AA- rating is high for a city the size of Victoria and is very rare. (Note: professional credit risk analysts look at a broad number of factors and the long-term viability of Victoria. The bond rating companies reviewed the City's financial management policies, long term financial planning, debt per capita and management of prior debt proceeds. The analysts also reviewed Victoria's economic development efforts and prospects, demographics, steady growth rate, and leadership from City Council.)

The City began the 2008 fiscal year with a tax rate of \$0.675 per \$100 in property value, a decrease of \$0.015 from the prior year level of \$0.69 per \$100. Our fund balances held healthy reserves that continue to allow us the financial flexibility to deliver City services more efficiently and in ways that benefit all sectors of our community.

Victoria's financial condition continues to remain strong. Continued economic growth and fiscal conservatism are contributing factors in the City's financial well being. The City is substantially dependent on sales, ad valorem and franchise taxes, and utility billings. However, the City enjoys a broad retail sales and use tax base and is not dependent on any one or a few taxpayers for its sales and use tax revenue. The City should continue to experience economic growth, although at a slower pace due to the current housing and national financial economic conditions.

Major Initiatives

For Fiscal Year 2008 and Into the Future:

From several strategic planning sessions, several City Council priorities were established:

- Continued improvement to our infrastructure;
- Road improvements;
- Public safety;
- Transportation;
- Housing initiatives;
- Environmental issues;
- Water and landfill issues;
- Pay program;
- Routine capital expenditures;
- Maintaining an adequate General Fund fund balance; and
- Capital Improvement Program.

Major Initiatives - (Continued)

For Fiscal Year 2008 and Into the Future: - (Continued)

Infrastructure - Being a city that was founded 180 years ago, Victoria has an aging infrastructure in various stages of maintenance or repair. One of the major goals for the Council was to build value for its citizens by making significant improvements to the City's infrastructure.

Future city managers and city councils may look back on Victoria's first decade of this millennium as the "decade of infrastructure improvements." Since 2000, the City has spent \$300 million in major infrastructure projects to improve our streets, drainage, water and sewer service, and create a viable industrial park.

Investing \$300 million in infrastructure improvements results in vast economic benefits. Our economic growth continues its trend of increasing steadily but surely. Our Permits and Inspections Department reports that year-to-date, new commercial and residential valuation is at the same level as last year. Another \$94 million in major improvement projects are planned for the next five fiscal years (2008-2012).

Improvements to Victoria streets, drainage, and utilities have been a major priority for the City Council. The City is being proactive in addressing some of its drainage problems. Currently, the City has completed the first and second phase of the Lone Tree Creek Detention Basin Project. The first phase involved excavation of the detention basins located south of Airline Road between Tangerine Subdivision and Tanglewood Subdivision at a cost of \$1.9 million. The second phase of the project involved the continuation of the detention basin work with fine grading, seeding, and erosion control of the detention basins at a cost of \$678,000. The third phase of the project would consist of improving the channel by widening and reshaping the channel, adding an additional box culvert structure under Airline Road and under Ben Jordan Street, and providing hydro-mulch seeding on all disturbed areas. The reshaping of the channel reduces the impact of the Lone Tree Creek Floodplain on several adjacent neighborhoods including, Inwood Terrace, Tanglewood, and Greenway Park. The contract for the third phase was awarded in October 2007 at a cost of \$7.3 million and will be completed in FY 2009. The final phase of the Lone Tree Creek Detention Basin Project would consist of developing a trail along the detention basin at an estimated cost of \$1.38 million. The project, which was awarded in October 2007 and expected to be completed in FY 2009, consists of a ten (10) foot wide pathway, lighting, bench areas, and drinking fountains along Lone Tree Creek from Airline Road to John Stockbauer Drive.

When looking at traffic or transportation in general, Victoria has a lot to be thankful for and a lot to look forward to. Victoria has seen millions of federal and state transportation dollars come its way. With projects on every major State Highway within Victoria County, TXDOT has spent more than \$142 million in local highway improvements since 1996.

One of the most significant projects was the completion of US 77 north. This means Victoria now has four lane facilities all the way to the county line on all state and US Highways. Another major project was the construction of a two-lane section of Loop 463 from Salem Road to US Business 59. This project upgrades the current two-lane roadway to a four lane divided facility and, if funding is available, work on an overpass at Loop 463 and FM 1315 (Salem Road) should begin in Fiscal Year 2009. It should also be noted that TXDOT has another \$74 million in highway improvements planned for the near future, which will continue to enhance our transportation network. Some of these future TXDOT projects are as follows:

Hwy.	Project Limits	Description	Work Begin	Estimated Cost
US 59	At US 87 & US 59B	Widen Bridge and approaches	June 2008	\$13,492,000
US 87	From US 59B to North St.	Overlay - Asphaltic Concrete Pavement	March 2008	\$81,000
US 77B	From Airline to US 59B	Overlay - Asphaltic Concrete Pavement	March 2008	\$347,000
Loop 463	At Salem Road	Construct Grade Separation	December '09	\$7,500,000

Major Initiatives - (Continued)

For Fiscal Year 2008 and Into the Future: - (Continued)

Infrastructure (continued) - TXDOT is not the only agency that works on Victoria's transportation needs. The City of Victoria reconstructs and maintains all of the other roadways that get you to and from the state highways. Major arterials such as John Stockbauer, Mockingbird, Airline, Ben Jordan, and Miori Lane have all recently been resurfaced or completely reconstructed. Other major capital improvement projects currently going on around Victoria are as follows:

Project Name	Description	Estimated Cost
West Outfall - Phase 2 Drainage	Drainage Improvements - Woodlawn Subdivision	\$8.7 million
Lone Tree Road Reconstruction	Complete street maintenance project	\$14.2 million
Laurent Street Phase I Reconstruction	Street rebuild, new utilities from Rio Grande to Airline	\$12.1 million
King Subdivision Utility Improvement	Replace water & sanitary sewer lines & repave street	\$4.6 million

Road Improvements - Smaller scales of city infrastructure improvements happen everyday but are as important as large-scale projects. The City once again put a priority in making sure the City's streets are maintained adequately. The FY 2009 budget includes approximately \$1,944,690 for streets, \$50,000 for sidewalk improvements, and \$200,000 for utility lines, totaling a street maintenance program of \$2,194,690.

Currently, the City is rebuilding Lone Tree Road and Laurent Street - Phase I at an estimated cost of \$26.3 million; in addition, the City has plans to rebuild Laurent Street - Phase II and Sam Houston Street in Fiscal Year 2009 and 2010 at an estimated cost of \$33.7 million; and, Red River Street - Park Entrance in Fiscal Year 2009 at an estimated cost of \$1.9 million.

New motion-triggered traffic control equipment continues to be installed at many major intersections to relieve traffic congestion. Emergency vehicle preemptor devices that allow emergency vehicles the right of way have been strategically placed around the city. Our GIS mapping program continues to be updated with new color photographs and data, as is the web site that allows public access to those images.

Public Safety - Due to our prior years' commitment of increasing the police officer beginning salary and staff restructuring, our police force continues to be operating at full strength. We have been able to recruit and train more officers than ever before. Every year the City does a study on its police officer salary in order to make sure we continue this excellent trend. In addition, the City has implemented a program in prior years whereby the City will select certain individuals (selected from various police officer employment applications) to attend the police academy school. While attending the police academy school, the City will pay for police academy schooling and pay the individual to attend the police academy school.

As part of our effort to plan for the future, the City is in the process of completing a \$2.5 million construction project of a new Fire Station No. 4. With an adjustment in zones for the existing stations, this new fire station will help shorten our emergency response times in north Victoria. The new fire station will be located on Salem Road and will be operational by December 2008. The new Fire Station No. 4 will be staffed with 10 new fire fighters, at an estimated cost of \$538,000, and one additional new \$460,000 fire-pumper truck. In addition, once Fire Station No. 4 is completed, the City will proceed in relocating Fire Station No. 2 in order to comply with the modification of the fire station zoning plan. The relocation of Fire Station No. 2 will shorten the emergency response time within the central part of Victoria. The estimated cost for relocating Fire Station No. 2 is \$2.7 million. The old Fire Station No. 2 building will be used as a fire department administration office.

Our Fire Department continues to do an outstanding job responding to traffic accidents, medical emergencies, and hazardous material calls. Equally important, they continue to make inroads to teach our youth how to respond to fires, shelter in place emergencies, and how to improve fire safety in their homes. Victoria benefits from this type of safety education.

Over the past five fiscal years the City has been able to purchase 4 fire-pumper trucks in the amount of approximately \$1.7 million and 1 ladder truck at an estimated cost of \$950,000 without issuing any debt. In Fiscal Year 2009, the City is purchasing a new fire-pumper truck at an estimated cost of \$475,000, again without issuing debt.

Major Initiatives - (Continued)

For Fiscal Year 2008 and Into the Future: - (Continued)

Public Transportation - Victoria has another rising star and that is Victoria Transit. Victoria public transportation continues to grow since the idea of public transportation was first discussed by the City Council back in 1997 when the Planning Department was authorized to seek a public transportation grant. Since buses first rolled in 1999, what began in 1999 as an "On-Call" or demand response system has quickly grown into a four route fixed route system. In addition, Victoria Transit expanded its services on May 5, 2008. The expansion was due in part to additional funding from the Federal Job Access Reverse Commute (JARC) program, the Texas Workforce Solutions, and an increase in local funding from the City of Victoria. The main purpose of the JARC program is to enhance and provide better service to and from work, especially places of business that have extended hours or 24 hour shifts. It also enhances or provides better access for those individuals that do work extended hours or shift work, to medical services, shopping, and higher education. Victoria Transit provides rides to more than 20,000 individuals on a monthly basis which also includes an "On-Call" service for those who qualify as handicapped and disabled and a special needs service for medical transports.

Housing Initiatives - Housing initiatives have always been, and will continue to be, a priority for the City Council. The City of Victoria has developed a 55 lot subdivision for single-family housing called Swan Crossing, but it assumed a new role in this project, that of the developer. The subdivision is located at the northwest corner of Delmar Drive and Hanselman Road. This initiative will be a public-private partnership between the City, private builders and lenders.

Homes in the subdivision will range in size from 1,100 to 1,300 square feet and have 3 bedrooms, 2 baths and an oversized one car garage with prices starting at \$76,000. A majority of the homes in the subdivision must be sold to income qualified homebuyers and be able to qualify for a home mortgage (there are several participating lenders that are providing special terms just for Swan Crossing Subdivision). Income qualified homebuyers will receive the lot value (estimated at \$15,000) through a 5 year deferred, forgivable loan. This means at the end of five years the loan is completely forgiven and you own the lot free and clear. Some assistance is also available to help with principal buy-down and closing cost.

Our Planning Department continues to perform admirably in our Target Neighborhood Program, where older neighborhoods are modernized. In-home repair programs, and in some cases new homes themselves, are funded by HUD grants for qualified residents. The City partnered with developers and apartment construction companies to revitalize parts of Victoria that are underserved. Our Planning Department also earned kudos for acquiring a large grant to help assist the Victoria homeless population with unprecedented shelter and resources.

For Fiscal Year 2009, \$419,627 of Community Development Block Grant was allocated to the Affordable Housing/Acquisition Program. The primary objective of this program is to provide decent and affordable housing through the rehabilitation of housing that is owned and occupied by low and moderate income residents in the Target Neighborhood with 10% of the funding reserved for residents outside the target neighborhood. This program is administered in-house through the Planning Department.

Environmental Issues - Many quality of life issues come before us each year. One of them is city beautification. FY 2008 included (1) continued funding for the "weedy lot & demolition" program (funded out of the General Fund), (2) partnering up with Keep Victoria Beautiful organization in promoting the beautification of Victoria, (3) new playground equipment for our parks and various park projects, (4) partnering-up with private industry in order to create a composting program, and (5) our "Air Victoria - Keep it Clean" program (funded out of the General Fund and Grants). In addition, the Fiscal Year 2009 Budget continues funding for an environmental education specialist to further promote City environmental programs at various schools and surrounding areas, as well as the above mentioned programs.

Approximately twenty unsafe structures in various sections of the City were demolished in the last fiscal year. Rick Madrid, Building Inspections and Permit Manager, hopes to demolish a similar number next year. Madrid says the buildings selected for demolition are those abandoned by owners who do not respond to letters from the City. After a review by the Buildings and Standards Commission, structures must be repaired, secured, or demolished.

Major Initiatives - (Continued)

For Fiscal Year 2008 and Into the Future: - (Continued)

Environmental Issues (continued) - During April, a long line of cars waited early in the day to drop off waste and recyclables at the 14th annual Household Hazardous Waste and Recyclables Collection Day. Sponsored by the City, Victoria Chamber of Commerce, and Golden Crescent Planning Commission, the event set a record for collections. More than 1,000 vehicles dropped off more than 24,000 pounds of hazardous waste and 57,000 pounds of hazardous paints and solvents. Other items dropped off for disposal and recycling included 1,134 gallons of oil; 2,000 oil filters; 1,100 automobile batteries; 373 gallons of antifreeze; and 2,700 tires.

The City also co-sponsored an E-Waste Day in Victoria, which attracted many local companies looking to recycle electronic waste including computers, monitors, keyboards, and printers. E-Waste collected included 4,066 lbs of broken electronic equipment; 10,228 pounds of computers; 9,000 pounds of printers; 1,087 pounds of keyboards; 4,490 pounds of main frames; 36 14-inch monitors; 257 15-inch monitors; 221 17-inch monitors; and 15 televisions.

City's Water and Wastewater - Victoria's diverse water supply is the result of hard work and wise planning by City leaders over many years. The City of Victoria has been primarily on a surface water system since 2001, with groundwater as a backup supply. Victoria has 20,000 acre feet of surface water permitted for withdrawal from the Guadalupe River, which provides the City's surface water with small lakes west of Victoria as a reserve. This reserve consists of 1,000 acre feet of permitted water stored in various reservoirs with additional 9,000 acre feet of reservoir water in the process of being permitted. (Note: these reservoirs are inundated gravel pits that were donated to the City by Fordyce, LTD several years ago.) While this supply should be adequate for most seasonal conditions over the next fifty years, the City allocated funds in prior years to acquire additional water rights to ensure adequate water supply through severe drought conditions and for economic development opportunities.

Our water supply was strengthened even more when the City recently purchased 4,676 acre feet of senior surface water rights and it is in the process of acquiring other 262.7 acre feet/year surface water rights. Victoria also sits atop the Gulf Coast Aquifer, an underground system of water that stretches along the Gulf Coast counties. Victoria maintains 18,000 acre feet of groundwater pumping capacity from this aquifer. In order to properly maintain the groundwater system, it is operated to supply about 10% of the system supply under normal operation.

As to the City's wastewater, the Texas Commission on Environmental Quality approved an upgrade to its Surface Water Treatment Plant (SWTP). With just a few minor modifications, the SWTP will be allowed to pump 25.2 million gallons per day (mgpd), a 36% increase from the 18.5 mgpd previously allowed. We will save millions of dollars from the recent work our Utilities Department did to get our Surface Water Treatment Plant capacity increased by 6.7 million gallons per day. In addition, the City is in the process of developing plans for the construction of a \$19.7 million 4.4 mgpd new wastewater treatment plant which will replace the Willow Street 2.2 mgpd wastewater treatment plant.

Water resources are ours to enjoy and protect so we may pass them on to the next generation. From the time that Victoria was settled in the early 1800's to the present day, Victoria has enjoyed abundant water resources for public consumption, recreation, and industrial development. Through responsible leadership and individual conservation, our water resources can remain stable and even grow.

City's Landfill - In addressing the solid waste operations, Victoria continues to maintain an adequate landfill capacity. It is estimated that the City's permitted landfill has approximately 25 years remaining life. During Fiscal Year 2007, the City purchased 200 acres of land, adjacent to our current permitted landfill; and, as a result of the purchase, the City will be able to increase its landfill's life to approximately 75 years - once the 200 acres are permitted.

Pay Program - The ability to recruit and retain qualified employees is always an important issue for our organization. Although we do not tie our pay programs directly to CPI indexes, it is an important factor we consider. CPI indexes for the last 12 months show consumer cost inflation averaging around 4.5% (as of June 08). The Fiscal Year 2009 Budget assumes a merit pay program of 0% - 5% with an average of 3.5% merit pay for all employees.

Major Initiatives - (Continued)

For Fiscal Year 2008 and Into the Future: - (Continued)

Pay Program (continued) - This is a reasonable program and is affordable in this budget. The Fiscal Year 2009 proposed pay program cost is approximately \$1,091,278, of which approximately \$853,091 is associated to the General Fund, \$127,515 to the Water/Wastewater Fund, \$57,711 to the Environmental Services Fund, and approximately \$52,961 is associated to other funds.

In addition to a pay program, City of Victoria annually reviews and adjusts some of its “pay grades” in order to be competitive with local industries and surrounding cities and counties.

Routine Capital Expenditures - Routine capital expenditures are those that are included in almost every budget, such as equipment, heavy equipment, vehicles, and office equipment, and will have no significant additional impact on the operating budget. In general, capital expenditures of \$100,000 or less are included in the annual operating budget. (Note: there are exceptions when capital expenditures may exceed \$100,000.) Fiscal Year 2008-2009 budgeted routine capital expenditures total \$8,651,345 of which \$4,649,575 are budgeted in General Fund, \$1,919,860 in Enterprise Funds, and \$2,081,910 in Internal Service Funds.

Budgeted Fiscal Year 2009 routine capital items include vehicle and equipment replacements for various departments, machinery, office equipment, data processing hardware and software, furniture and fixtures, minor building and structure improvements, 700 Main Center building improvements, park and playground repairs and improvements, waterline and sewer line improvements, water tower replacement, and replacements and street construction and maintenance. A recap of budgeted routine capital expenditures can be found in the Capital Outlay Expenditure section of the FY 2009 Budget Message.

Maintaining Adequate Fund Balance - The City of Victoria has a fiscal financial policy of maintaining a minimum General Fund fund balance of 18.5% of the proposed expenditures for a given fiscal year. This 18.5% represents funding equal to approximately 2.22 months of operating expenditures. Fiscal Year 2008-2009 projected General Fund fund balance is \$9,369,026 which is approximately \$1,309,866 above the minimum fund balance of \$8,059,160 (18.5% of total budgeted expenditures of \$43,563,025). For enterprise funds, the City's policy is to maintain a working capital balance equal to three months of operating expenses. Internal service funds are used to account for the financing of goods and services provided by one department to other departments of the City, or to other governments, on a cost-reimbursement basis. Internal Service Funds maintain a working capital balance of zero or an acceptable minimal working capital balance level.

City Tax - The City is on sound financial footing. Our growing economy and conservative financial management allowed the City Council to lower its tax rate in FY 2005 to 69 cents per \$100 of property value and keep the same rate for Fiscal Year 2006 and 2007. For Fiscal Year 2008, due to strong showing in taxable appraised values and continued economic growth, the City lowered its over-all property tax to 67.5 cents per \$100 of property value.

For Fiscal Year 2009, the City continues to encounter favorable economic trends. As a result, the City was able to lower its property tax to 65 cents. Over-all, the City has lowered its tax rate by 5 cents within the past five fiscal years.

The City remains committed to retain a low tax rate by continuing funding and supporting economic development projects and making sure that the City's appraised values are consistent and compatible to real estate market.

Capital Improvement Program - Improvements to Victoria infrastructure continue to be a major priority for the City. By using a combination of current budget resources, grants, Sales Tax Corporation funding, and bond indebtedness, the City has been able to implement a capital improvement process to allow for infrastructure improvements well into the future. In addition to the capital improvement projects currently underway, \$94 million in major improvement projects are planned for the next five fiscal years (2008-2012). The following pages will outline the City of Victoria's Capital Improvement Program, as of February 2009. (Note: City of Victoria Council will be meeting in March 2009 to update the City's Capital Improvement Program.)

Major Initiatives - (Continued)

Fiscal Year 2008 Capital Improvement Program:

Project Name	Project Description	Cost of Project	Funding Sources
1. Laurent Street Project Phase II - Engineering	The project involves reclaiming the existing base, rebuilding the street out of concrete, and re-striping the roadway from Airline Road to Sam Houston Drive. The project also involves the replacement of water and sanitary sewer lines, a new traffic signal, widening improvements to the intersection at Crestwood Drive and all associated traffic signage. The construction cost, \$14,606,265, will be funded in FY 2009 with Certificate of Obligation Bonds, Revenue Bonds, and Sales Tax Development Corporation (4B).	\$899,000	Certificate of Obligation Bonds
2. Fire Ladder Truck Replacement	Purchasing a new ladder truck which will be stationed at the new Fire Station No. 4.	\$950,000	General Fund
3. Downtown Utility Improvement Project - Phase II, Project No. 8 - Construction Cost	The project involves replacing or rehabilitating the water and sanitary sewer lines in Water Street from Moody Street to Navarro Street, in Main Street from Water Street to South Street, and in Second Street from Glass Street to Main Street.	\$1,327,917	Sales Tax Dev. Corp. (4B) and TWDB Bonds
4. Downtown Utility Improvement Project - Phase I, Project No. 6 - Construction Cost	The project involves replacing or rehabilitating the water and sanitary sewer lines in South Deleon from River Street to Third Street.	\$1,085,083	Sales Tax Dev. Corp. (4B) and TWDB Bonds
5. Downtown Utility Improvement Project - Phase I, Project No. 1 and 2 - Engineering Cost	The project involves replacing or rehabilitating the water and sanitary sewer lines in Glass Street, and Main Street from Commercial Street to Juan Linn Street.	\$422,000	Water/Wastewater Fund and Revenue Bonds
6. Downtown Utility Improvement Project - Phase I, Project No. 1 and 2 - Construction Cost	The project involves replacing or rehabilitating the water and sanitary sewer lines in Glass Street, and Main Street from Commercial Street to Juan Linn Street.	\$3,759,180	Revenue Bonds
7. Downtown Utility Improvement Project - Phase I, Project No. 3 and 4 - Engineering Cost	The project involves replacing or rehabilitating the water and sanitary sewer lines in Juan Linn, William Streets, and in Constitution and Forrest Streets. The construction cost, \$2,560,733, will be funded in FY 2009 with Revenue Bonds.	\$579,110	Sales Tax Dev. Corp. (4B)

Major Initiatives - (Continued)

Fiscal Year 2008 Capital Improvement Program:

Project Name	Project Description	Cost of Project	Funding Sources
8. Skate Park Project	This project involves the construction of a skate park for the Citizens of Victoria.	\$274,000	General Fund
9. East Loop 463 Corridor Annexation Project	This proposed annexation consists of land fronting on the northeast side of Loop 463 from near Mockingbird Lane to just south of Ben Jordan Street. Water and sanitary sewer lines are needed to service this area.	\$230,000	Sales Tax Dev. Corp. (4B)
10. Sam Houston Alternative Street Project - Pre Engineering Cost	This project involves reclaiming the existing base, applying a double chip seal, laying a 2" hot-mix asphalt course and re-striping of the roadway from Laurent Street to Business 59. The plan also involves the replacement of water and sanitary sewer lines located under the existing pavement section, the replacement of two (2) traffic signals and replacing all associated traffic signage. The construction cost, \$19,115,328, will be funded in FY 2009 with Revenue Bonds, Certificate of Obligation Bonds, and Sales Tax Development Corporation (4B).	\$200,000	Certificate of Obligation Bonds
11. West High School (New School) Utility Extension Project	This new high school project would provide extension of water lines across Zac Lentz Parkway and Wagner property to site from southwest and then onward around site to Hwy 87. The City will participate in the school project and bear the cost of oversizing.	\$987,300	Sales Tax Dev. Corp. (4B)
12. West High School (New School) Traffic Signal US 87 Project	The new high school project would provide traffic signal at Tropical Drive and Main Street (Hwy 87) intersection. The City will participate in the school project by funding half of the construction cost.	\$200,000	Sales Tax Dev. Corp. (4B) and Certificate of Obligation Bonds
13. US 87 Annexation, Utility Extensions North of West High School Campus Project	This project involves installing 24" sanitary sewer line and 16" water line north of West High School.	\$1,149,800	Sales Tax Dev. Corp. (4B)

Major Initiatives - (Continued)

Fiscal Year 2008 Capital Improvement Program: - (Continued)

Project Name	Project Description	Cost of Project	Funding Sources
14. Mallette Drive Street Improvement Project.	The project involves reclaiming the existing base, applying a double chip seal, placing a 2" hot-mix asphalt surface course and widening the existing street. The project also involves the replacement of water and sanitary sewer lines, drainage work, and sidewalks. This project will accommodate VISD new middle school.	\$895,185	Certificate of Obligation Bonds and Revenue Bonds
15. Lone Tree Road Street Project	The project involves reclaiming the existing base, applying a double chip seal, placing a 2" hot-mix asphalt surface course. This project will accommodate VISD new middle school.	\$85,000	Certificate of Obligation Bonds
16. Anthony Road Street Project	The project involves reclaiming the existing base, applying a double chip seal, placing a 2" hot-mix asphalt surface course. This project will accommodate VISD new middle school.	\$138,000	Certificate of Obligation Bonds
17. East Campus Box Culvert Extension	Involves extending box culvert under proposed driveway near Mockingbird Lane so that proposed driveway will line up with Carriage Drive.	\$100,000	Certificate of Obligation Bonds
18. Land for Fire Station No. 6	This project involves the acquisition of land (2 acres) in an area of rapid growth (north of Victoria). The land will be used in the future for the new Fire Station No. 6.	\$200,000	General Fund
19. Sam Houston Street Alternative Project - Survey	This project involves reclaiming the existing base, applying a double chip seal, laying a 2" hot-mix asphalt course and re-striping of the roadway from Laurent Street to Business 59. The plan also involves the replacement of water and sanitary sewer lines located under the existing pavement section, the replacement of two (2) traffic signals and replacing all associated traffic signage. The construction cost, \$19,115,328, will be funded in FY 2009 with Revenue Bonds, Certificate of Obligation Bonds, and Sales Tax Development Corporation (4B).	\$611,400	Certificate of Obligation Bonds
Total Fiscal Year 2008 CIP Cost:		\$14,092,975	

Major Initiatives - (Continued)

Fiscal Year 2009 Capital Improvement Program:

Project Name	Project Description	Cost of Project	Funding Sources
20. Laurent Street Project Phase II - Construction Cost	The project involves reclaiming the existing base, rebuilding the street out of concrete, and re-striping the roadway from Airline Road to Sam Houston Drive. The project also involves the replacement of water and sanitary sewer lines, a new traffic signal, widening improvements to the intersection at Crestwood Drive and all associated traffic signage.	\$14,606,265	a. Certificate of Obligation Bonds b. Revenue Bonds c. Sales Tax Dev. Corp. (4B)
21. Sam Houston Street Alternative Project - Engineering & Right of Way	This project involves reclaiming the existing base, applying a double chip seal, laying a 2" hot-mix asphalt course and re-striping of the roadway from Laurent Street to Business 59. The plan also involves the replacement of water and sanitary sewer lines located under the existing pavement section, the replacement of two (2) traffic signals and replacing all associated traffic signage. The construction cost, \$19,115,328, will be funded in FY 2009 with Revenue Bonds, Certificate of Obligation Bonds, and Sales Tax Development Corporation (4B).	\$2,751,730	Certificate of Obligation Bonds
22. Red River Street Park Entrance Project	Construction of Red River entrance to Riverside Park and associated utilities, drainage, sidewalks, and related infrastructure.	\$1,851,157	Sales Tax Dev. Corp. (4B)
23. Reimburse General Fund for Fire Station No. 4	During Fiscal Year 2007, City Council passed a reimbursement resolution to reimburse General Fund for the construction cost of the new Fire Station No. 4. As part of our effort to plan for the future, the City is moving forward with the construction of a new Fire Station No. 4. With an adjustment in zones for the existing stations, this new fire station will help shorten our emergency response times in north Victoria. This fire station will be built on Salem Road and will be ready for staffing in the last quarter of 2008.	\$2,500,000	Certificate of Obligation Bonds

Major Initiatives - (Continued)

Fiscal Year 2009 Capital Improvement Program: - (Continued)

Project Name	Project Description	Cost of Project	Funding Sources
24. Fire Station No. 2 - Relocation	After the completion of the new Fire Station No. 4, the City will move forward in relocating Fire Station No. 2 in order to comply with the modification of the fire station zoning plan. This relocation will shorten the emergency response time within the central part of Victoria.	\$2,713,000	a. Certificate of Obligation Bonds b. General Fund
25. Downtown Utilities Improvement Project - Phase I, Project No. 3 and 4 - Construction Cost	The project involves replacing or rehabilitating the water and sanitary sewer lines in Juan Linn and William Streets, and in Constitution and Forrest Streets.	\$2,560,733	Revenue Bonds
26. Downtown Utilities Improvement Project - Phase I, Project No. 5 and 6 - Engineering Cost	The project involves replacing or rehabilitating the water and sanitary sewer lines in Deleon and Commercial Streets, and in Liberty and Juan Linn Streets. The construction cost, \$3,009,230, will be funded in FY 2010 with Revenue Bonds.	\$451,385	Sales Tax Dev. Corp. (4B)
27. Traffic Signal (Navarro @ Crestwood Project)	Engineering and construction cost of traffic control facilities for Navarro and Crestwood Streets & associated utilities, drainage, sidewalks, and other related infrastructure.	\$250,000	Sales Tax Dev. Corp. (4B)
28. Land Acquisition for Wastewater Treatment Plant Project	Acquiring land for future construction of a Wastewater Treatment Plant in FY 2012.	\$200,000	Water/Wastewater Fund
29. Lone Tree Hike/Bike Trail Extension	A 2,200 LF extension of the Lone Tree Hike/Bike Trail. The trail meanders along the Lone Tree Creek Corridor and adjacent to the East High School project from John Stockbauer to Mockingbird.	\$382,000	General Fund and Sales Tax Dev. Corp. (4B)
30. Downtown Sidewalk and Traffic Control Project - Engineering	Engineering for a sidewalk and traffic control replacement project on Main Street, from Commercial Street to Juan Linn Street and along portions of Bridge Street, Forrest Street and Constitution Street.	\$350,000	Sales Tax Dev. Corp. (4B)
Total Fiscal Year 2009 CIP Cost:		\$28,616,270	

Major Initiatives - (Continued)

Fiscal Year 2010 Capital Improvement Program:

Project Name	Project Description	Cost of Project	Funding Sources
31. Downtown Utilities Improvement Project - Phase I, Project No. 5 and 6 - Construction Cost	The project involves replacing or rehabilitating the water and sanitary sewer lines in DeLeon and Commercial Streets, and in Liberty and Juan Linn Streets.	\$3,009,230	Revenue Bonds
32. Wastewater Treatment Plant Permit Project	Acquiring permits from TCEQ for construction of a Wastewater Treatment Plant in FY 2012.	\$50,000	Water/Wastewater Fund
33. Downtown Utilities Improvement Project - Phase II, Project No. 1 - Engineering Cost	The project involves replacing or rehabilitating the water and sanitary sewer lines in Church and Glass Streets. The construction cost, \$1,009,349, will be funded in FY 2010 with Revenue Bonds.	\$151,402	Sales Tax Dev. Corp. (4B)
34. Downtown Utilities Improvement Project - Phase II, Project No. 2 - Engineering Cost	The project involves replacing or rehabilitating the water and sanitary sewer lines in Convent, Wheeler, and DeLeon Streets. The construction cost, \$1,650,965, will be funded in FY 2010 with Revenue Bonds.	\$247,645	Sales Tax Dev. Corp. (4B)
35. Downtown Utilities Improvement Project - Phase II, Project No. 3 - Engineering Cost	The project involves replacing or rehabilitating the water and sanitary sewer lines in Main, Bridge and River Streets. The construction cost, \$1,788,215, will be funded in FY 2011 by the Sales Tax Development Corporation (4B).	\$268,232	Sales Tax Dev. Corp. (4B)
36. Downtown Utilities Improvement Project - Phase II, Project No. 4 - Engineering Cost	The project involves replacing or rehabilitating the water and sanitary sewer lines in Liberty and Murray Streets. The construction cost, \$1,229,262, will be funded in FY 2011 by the Sales Tax Development Corporation (4B).	\$184,389	Sales Tax Dev. Corp. (4B)
37. Downtown Utilities Improvement Project - Phase II, Project No. 1 - Construction Cost	The project involves replacing or rehabilitating the water and sanitary sewer lines in Church and Glass Streets.	\$1,009,349	Revenue Bonds

Major Initiatives - (Continued)

Fiscal Year 2010 Capital Improvement Program: - (Continued)

Project Name	Project Description	Cost of Project	Funding Sources
38. Downtown Utilities Improvement Project - Phase II, Project No. 2 - Construction Cost	The project involves replacing or rehabilitating the water and sanitary sewer lines in Convent, Wheeler, and DeLeon Streets.	\$1,650,965	Revenue Bonds
39. Reimbursement for Utility Line Tuscany Subdivision Project	Reimbursing contractor for over-sizing utility lines for future development.	\$223,000	Water/Wastewater Fund
40. Lone Tree Community Park Project	A 110 acre community park on the east side of Victoria - located off Airline Road. Amenities include: splashpad, pavilion, restrooms, play-equipment, practice football field, practice soccer, and ball fields.	\$1,000,000	General Fund and Texas Parks & Wildlife Grant
Total Fiscal Year 2010 CIP Cost:		\$7,794,212	

Fiscal Year 2011 Capital Improvement Program:

Project Name	Project Description	Cost of Project	Funding Sources
41. Downtown Utilities Improvement Project - Phase II, Project No. 3 - Construction Cost	The project involves replacing or rehabilitating the water and sanitary sewer lines in Main, Bridge and River Streets.	\$1,788,215	Sales Tax Dev. Corp. (4B)
42. Downtown Utilities Improvement Project - Phase II, Project No. 4 - Construction Cost	The project involves replacing or rehabilitating the water and sanitary sewer lines in Liberty and Murray Streets.	\$1,229,262	Sales Tax Dev. Corp. (4B)
43. Downtown Utilities Improvement Project - Phase II, Project No. 5 - Engineering Cost	The project involves replacing or rehabilitating the water and sanitary sewer lines in Bridge and South streets. The construction cost, \$756,918, will be funded in FY 2012 by the Sales Tax Development Corporation (4B).	\$113,538	Water/Wastewater Fund
44. Downtown Utilities Improvement Project - Phase II, Project No. 7 - Engineering Cost	The project involves replacing or rehabilitating the water and sanitary sewer lines in Third, Second, and DeLeon Streets. The construction cost, \$1,074,819, will be funded in FY 2012 by the Sales Tax Development Corporation (4B).	\$161,223	Water/Wastewater Fund
45. Sam Houston Alternative Street Project - Construction Cost	This project involves reclaiming the existing base, applying a double chip seal, laying a 2" hot-mix asphalt course and re-striping of the roadway from Laurent Street to Business 59. The plan also involves the replacement of water and sanitary sewer lines located under the existing pavement section, the replacement of two (2) traffic signals and replacing all associated traffic signage.	\$19,115,328	a. Certificate of Obligation Bonds b. Revenue Bonds c. Sales Tax Dev. Corp. (4B) d. Water/Wastewater Fund
Total Fiscal Year 2011 CIP Cost:		\$22,407,566	

Major Initiatives - (Continued)

Fiscal Year 2012 Capital Improvement Program:

Project Name	Project Description	Cost of Project	Funding Sources
46. Downtown Utilities Improvement Project - Phase II, Project No. 5 - Construction Cost	The project involves replacing or rehabilitating the water and sanitary sewer lines in Bridge and South Streets.	\$756,918	Sales Tax Dev. Corp. (4B)
47. Downtown Utilities Improvement Project - Phase II, Project No. 7 - Construction Cost	The project involves replacing or rehabilitating the water and sanitary sewer lines in Third, Second, and DeLeon Streets.	\$1,074,819	Sales Tax Dev. Corp. (4B)
48. Wastewater Treatment Plant Project - Engineering Cost	Construction of a new 4.4 MGD wastewater treatment plant which will replace the Willow Street 2.2 MGD wastewater treatment plant	\$2,572,100	Revenue Bonds
49. Wastewater Treatment Plant Project - Construction Cost	Construction of a new 4.4 MGD wastewater treatment plant which will replace the Willow Street 2.2 MGD wastewater treatment plant	\$17,147,900	Revenue Bonds
Total Fiscal Year 2012 CIP Cost:		\$21,551,737	
Total Fiscal Year '08, '09, '10, '11, and '12 CIP Cost:		\$94,462,760	

The Capital Improvement Program (CIP) is an ongoing process. The program will be updated every year, at which time the first year (that which has already been budgeted) drops off. The remaining years are then reevaluated and updated to reflect any changes in cost estimates or priorities, and a new fifth year is added.

Financial Information

Accounting System and Internal Controls - In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and the evaluation of costs and benefits requires estimates and judgments by management.

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

Budgetary Controls - The City maintains budgetary controls to ensure compliance with legal provisions embodied in the annual budgets approved by the Mayor and Council. Activities of the General Fund, Special Revenue Funds, Debt Service Fund, Capital Project Funds, Enterprise Funds, and Internal Service Funds are included in the annual budgets. The only funds with appropriated budgets are the General Fund and the Debt Service Fund. The level of budgetary control includes expenditures that cannot legally exceed the appropriated amount and is established by department within an individual governmental fund and proprietary fund.

Budgetary control is maintained at the subfunction level by the encumbrance of estimated purchase amounts prior to the release of purchase orders to vendors. Purchase orders which result in an overrun of subfunction balances are not released until additional appropriations are made available. Open encumbrances are reported as reservations of fund balance at September 30, 2008.

According to the City Charter, "No funds of the City of Victoria shall be expended, nor shall any obligation for the expenditure of money be incurred, except in pursuance of the annual appropriation ordinance . . ."

Cash Administration

The City currently has a depository contract with Wells Fargo Bank. This contract is in effect until April 30, 2010. Under this agreement, all excess funds above predetermined balances are swept out at the end of each business day. These funds are held in securities chosen by the City, and interest is earned based on the market value of the instrument, less a service rate. Before the open of business the following day, the funds are swept back and interest earned is deposited into a separate account. The interest earned daily is reallocated at month-end based on each bank account's daily sweep balance.

The City reserves the right to invest outside the depository if it is to the City's advantage. As long as the City can earn a better yield outside the depository, it exercises that right, leaving about 10% of its portfolio in the depository for operating purposes. The City's investment policy allows it to invest in any legal investment. The followed practice, however, has been to consider the following instruments as appropriate:

1. Direct obligations of the U.S. Treasury
2. Selected securities of U.S. Government agencies
3. FDIC insured bank certificates of deposit
4. Repurchase agreements
5. Pools
6. Commercial Paper

Investments are competitively bid by phone quotes and they are limited in maturity to less than two years per the City's investment policy.

Risk Management

For fiscal year 2007-08, the City had most of its liability risks covered by insurance. These coverages are summarized below:

General Liability, including EMS Errors & Omissions	\$2,000,000 Occurrence \$4,000,000 Aggregate \$1,000 Deductible per occurrence
Police Professional Liability	\$1,000,000 Occurrence \$3,000,000 Aggregate \$5,000 Deductible per occurrence
Public Officials' Liability	\$5,000,000 Occurrence \$10,000,000 Aggregate \$25,000 Deductible per claim
Fleet Liability	\$2,000,000 Occurrence \$1,000,000 Uninsured/Underinsured motorist \$25,000 Medical Payment per person \$0 Deductible on liability \$500 deductible each vehicle on auto physical damage \$10,000 deductible each occurrence on auto physical damage \$25,000 deductible catastrophe
Contractors' Equipment	\$2,906,756 (per scheduled equipment) \$250,000 newly purchased equipment \$5,000 rental cost per item \$2,500 Deductible per occurrence

Risk Management - (Continued)

Comprehensive Property Damage	\$96,200,283 Combined Building and Contents \$500,000 Blanket Extra Expense \$96,200,283 Earth Movement \$1,000,000 Property In Transit \$1,000,000 Newly Acq/Constr. \$100,000 Property of Others \$10,000 Pollutant Cleanup \$5,000 Blanket \$25,000 Deductible per occurrence on flood and earthquake
Electronic Data Processing Equipment	\$2,692,969 per scheduled equipment (Replacement Cost) \$250 on Computer Equipment \$250 on Flood & Earthquake
Employee Benefits Liability	Included in Public Officials & Employee Liability \$5,000 Deductible per occurrence
Radio Towers	\$7,338,511 per scheduled equipment \$10,000 Pollutant Cleanup \$2,500 Deductible
Crime Coverage	\$1,000,000 per agreement \$2,500 Deductible per agreement
Boiler and Machinery	\$50,597,761 (per scheduled equipment) \$1,000,000 Newly Acq. Loc. \$500,000 Extra Expense \$10,000 Pollutant Removal \$1,000 Deductible per Occurrence \$5,000 Deductible Extra Expense

For several years, the City has been managing a self-insured health plan for employees, retirees, and dependents. Effective January 1, 1998, the City changed administrators to Boon Chapman. This firm provides intensive review of claims before they are paid, including managed care, utilization review, discharge review, precertification review, and hospital audits.

Effective October 1, 1989, the City made the decision to self-insure for workers' compensation liability. The plan carries reinsurance at a \$350,000 per incident level.

Independent Audit

This report is prepared in compliance with the legal requirements imposed by Article V, Section 3(6) of the Charter of the City of Victoria, Texas, as amended. In addition to fulfilling this legal requirement, this report serves to fully disclose financial data and other statistical data on an annual basis to management, the elected Council and Mayor, the public, investors, and other interested persons. The Victoria firm of Harrison, Waldrop & Uherek, L.L.P., was retained by the City to satisfy this requirement.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Victoria for its comprehensive annual financial report for the fiscal year ended September 30, 2007. This was the twenty-fifth consecutive year that the City of Victoria has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

The preparation of the comprehensive annual financial report is a joint effort of the City's Finance Department and the City's independent auditor, Harrison, Waldrop & Uherek, L.L.P. The successful and timely preparation of this report depends on the cooperation of these groups and upon the hard work of the entire staff of the Finance Department. Appreciation must also be expressed to the City's Mayor and Council for their continuing support.

Gilbert P. Reyna, Jr., CPA
Director of Finance

Charles E. Windwehen
City Manager

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Victoria
Texas

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

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



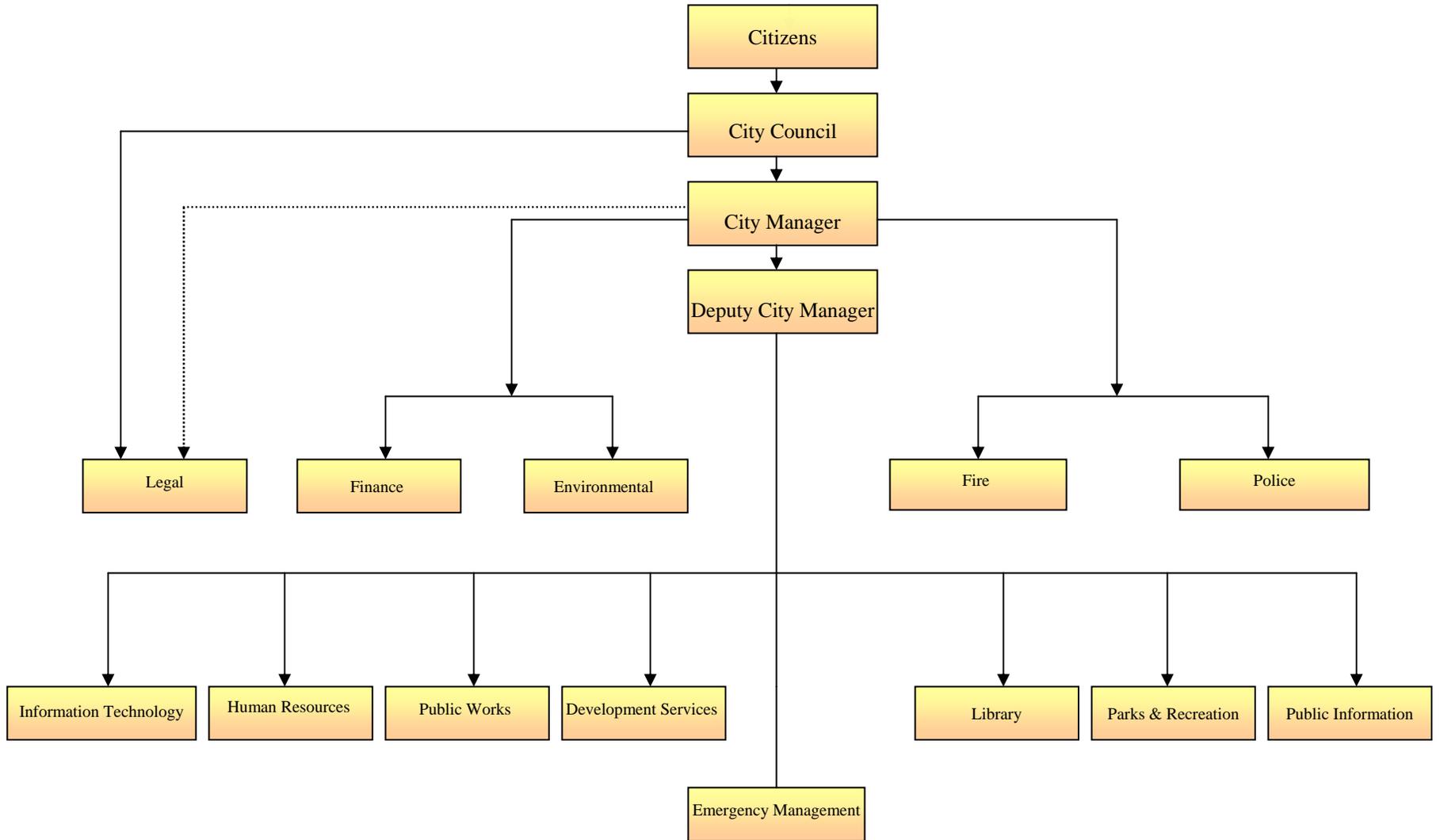
President

Executive Director

City of Victoria, Texas

Organization Chart

October 2008



PRINCIPAL CITY OFFICIALS

ELECTED OFFICIALS

<u>Name</u>	<u>Position</u>	<u>Years of Service</u>	<u>Term Expires</u>
Will Armstrong	Mayor (5 years prior service 1973-1979)	4	May, 2010
Lewis Nietsch	Mayor Pro-Tem, District 2	9	May, 2009
Philip Guittard	Council Member, District 1	10	May, 2009
David Hagan	Council Member, District 4	2	May, 2009
Paul Polasek	Council Member, Superdistrict 3	2	May, 2009
Jim Wyatt	Council Member, Superdistrict 5 (7 years prior service 1988-1995)	7	May, 2010
Tom Halepaska	Council Member, Superdistrict 6	4	May, 2010

ADMINISTRATIVE OFFICIALS

<u>Name</u>	<u>Position</u>	<u>Years of Service</u>	
		<u>With City</u>	<u>Current Position</u>
Charles E. Windwehen	City Manager	33	2
Charmelle Garrett	Deputy City Manager	18	2
Gilbert P. Reyna, Jr.	Director of Finance	13	12
Miles K. Risley	City Attorney	12	1
Danette Respondek	Director of Human Resources	4	2
Rick Henrichs	Director of Information Technology	28	10
John Kaminski	Director of Development Services	19	10
Bruce Ure	Police Chief	1	1
Vance L. Riley	Fire Chief	13	13
Doug Cochran	Director of Parks and Recreation	19	10
James Stewart	Director of Public Library	30	30
Lynn Short	Director of Public Works	16	10
Jerry G. James	Director of Environmental Services	6	5



CERTIFIED PUBLIC ACCOUNTANTS
101 S. MAIN, SUITE 400
VICTORIA, TEXAS 77901-8142

STEPHEN W. VAN MANEN, CPA
HAMILTON H. REDMON, CPA
DENNIS C. CIHAL, CPA
ERIC L. KUCERA, CPA
CLAYTON P. VAN PELT, CPA
ROBERT W. SCHAAR, CPA
MELISSA M. TERRY, CPA

VOICE: (361) 573-3255
FAX: (361) 573-9531

INDEPENDENT AUDITOR'S REPORT

The Honorable Will Armstrong, Mayor
and Members of the City Council
City of Victoria, Texas

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Sales Tax Development Corporation and the Victoria Recreation Association, Inc. were not audited in accordance with *Government Auditing Standards*. 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of September 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 3 through 16 and 63 through 64, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2009, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Honorable Will Armstrong, Mayor
and Members of the City Council

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual major and nonmajor fund financial statements and schedules, statistical data, and schedule of expenditures of federal and state awards (as required by the U.S. Office of Management and Budget Circular A-133, *Auditing of States, Local Governments, and Non-Profit Organizations*) are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual major and nonmajor fund financial statements and schedules and the schedule of expenditures of federal and state awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical data have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Harrison Waldrop + Uherick, LLP

March 2, 2009

The discussion and analysis of the City of Victoria's (the "City") financial performance provides an overall review of the City's financial activities for the year ended September 30, 2008. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the transmittal letter and the basic financial statements to enhance their understanding of the City's financial performance.

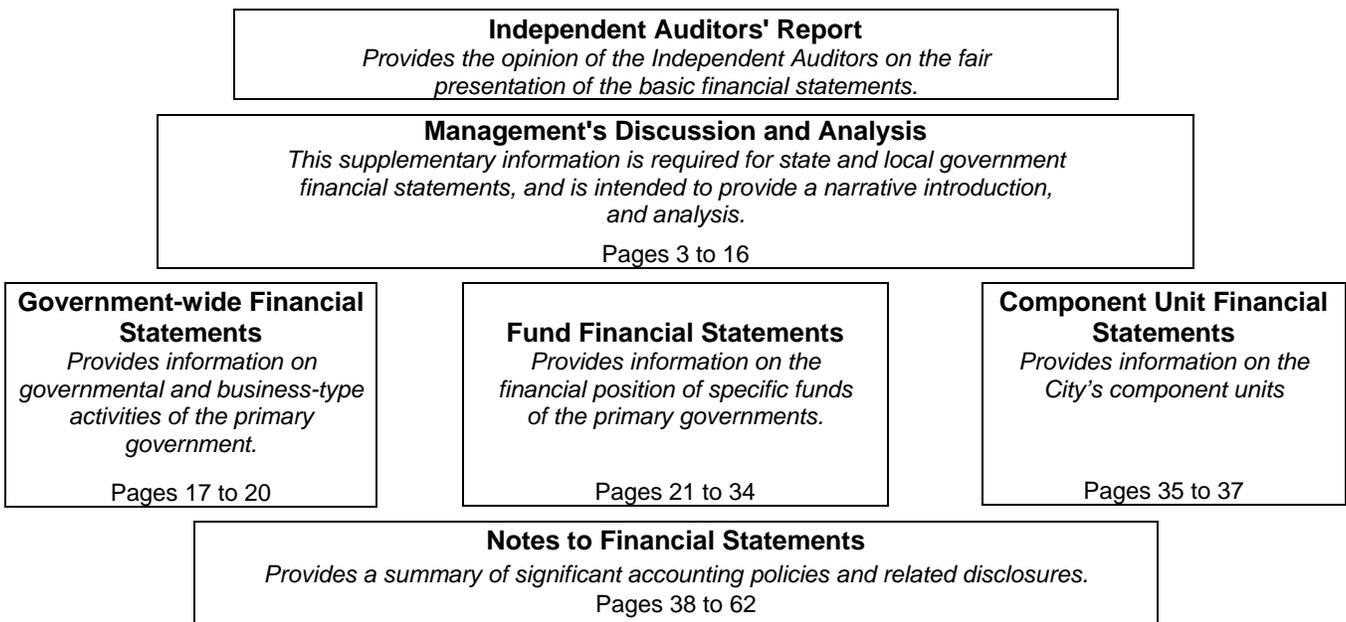
FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the fiscal year ended September 30, 2008, by \$167,322,505. Of this amount, \$45,665,566 of unrestricted net assets is available to meet the City's ongoing obligations to citizens and creditors (see page 8 for further detail).
- At September 30, 2008, the City's governmental funds reported combined ending fund balances of \$38,989,940, a decrease of \$3,404,823 (8.03%) in comparison with prior year. The amount available for governmental discretion (unreserved fund balance) is \$24,750,140 (see page 10 for further detail).
- At September 30, 2008, unreserved fund balance for the General Fund was \$11,055,775 or 27.30% of total General Fund expenditures.
- The total cost of all City activities was \$69,509,986 for the fiscal year. Net cost of all activities was \$26,475,574.
- During the year, the City's general revenues exceeded net expenses of the primary government by \$15,173,624. This represents a 9.97% increase in net assets from the previous fiscal year as a result from operations.
- The City's outstanding long-term debt had a net increase of \$3,656,669 mainly due to the issuance of \$9,995,000 in Certificates of Obligation, Series 2007 for constructing improvements to various City infrastructures and for the payment of related contractual obligations for professional services.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The basic financial statements are comprised of the following components: 1) government-wide financial statements, 2) fund financial statements, 3) component unit financial statements, and 4) notes to financial statements. The report also contains other supplementary information in addition to the basic financial statements.

Organization and Flow of Financial Section Information



OVERVIEW OF THE FINANCIAL STATEMENTS - (Continued)

Government-wide Financial Statements

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

Statement of Net Assets

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The statement of net assets can be found on pages 17 through 18.

Statement of Activities

The statement of activities presents information showing how the government's net assets changed during fiscal year 2008. All changes in net assets are reported as soon as the underlying event, giving rise to the change, occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected and earned, but unused vacation leave). The statement of activities can be found on pages 19 through 20.

Both of these financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, streets and highways, culture and recreation, and interest on long-term debt. The business-type activities of the City include water/wastewater utilities, environmental service operations, and other (700 Main Center, Community Center, and Education & Government Channel). The government-wide financial statements can be found immediately following the Management's Discussion and Analysis.

The government-wide financial statements include not only the City itself (known as the primary government) but also the component units of Sales Tax Development Corporation and Victoria Recreation Association, Inc. These component units are not included as part of the primary government.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet (pages 21 and 22) and the governmental fund statement of revenues, expenditures, and changes in fund balances (pages 24 and 25) provide reconciliations to facilitate this comparison between governmental funds and governmental activities (page 23 and page 26).

OVERVIEW OF THE FINANCIAL STATEMENTS - (Continued)

Fund Financial Statements - (Continued)

Governmental Funds - (Continued)

The City maintains several individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, 2000 and 2001 Street and Drainage Use Bonds Fund, and Capital Improvement Program Fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining and individual statements and schedules following the required supplementary information.

The City adopts annual appropriated budgets for its General Fund, Debt Service Fund, and Capital Project Funds. Budgetary comparison schedules have been provided for these funds to demonstrate compliance.

The basic governmental fund financial statements may be found immediately following the government-wide financial statements.

Proprietary Funds

The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the fiscal activities relating to water/wastewater utilities, environmental service operations, and other enterprise activities (700 Main Center, Community Center, and Education & Government Channel). Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its vehicle and equipment services, information technology services, communication services, purchasing services, safety management services, workers compensation services, print shop services, and health plan services. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water/wastewater utilities and environmental service operations, which are both considered to be major funds for the City, and other (700 Main Center, Community Center, and Education & Government Channel).

The basic proprietary fund financial statements follow the governmental fund financial statements (pages 27 through 32).

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs/operations. The accounting used for fiduciary funds is similar to proprietary.

The basic fiduciary fund financial statements can be found on pages 33 through 34 of this report.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 38 through 62 of this report.

OVERVIEW OF THE FINANCIAL STATEMENTS - (Continued)

Other Information

In addition to the basic financial statements and accompanying notes, required supplementary information is included which presents a budgetary comparison schedule for the City's General Fund. Required supplementary information can be found on pages 63 through 64 of this report.

The combining and individual fund statements and schedules referred to earlier in connection with nonmajor governmental funds, nonmajor enterprise funds, and internal service funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 65 through 164 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$167,322,505 at the close of the fiscal year ended September 30, 2008.

At the end of fiscal year 2008, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

City of Victoria, Texas

Net Assets

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 57,552,723	\$ 55,313,131	\$ 25,115,140	\$ 25,090,651	\$ 82,667,863	\$ 80,403,782
Capital assets (net)	<u>140,457,456</u>	<u>121,588,586</u>	<u>98,519,030</u>	<u>96,874,125</u>	<u>238,976,486</u>	<u>218,462,711</u>
Total assets	<u>198,010,179</u>	<u>176,901,717</u>	<u>123,634,170</u>	<u>121,964,776</u>	<u>321,644,349</u>	<u>298,866,493</u>
Current and other liabilities	11,971,454	8,143,407	5,782,076	5,225,567	17,753,530	13,368,974
Noncurrent liabilities	<u>69,230,974</u>	<u>62,668,463</u>	<u>67,337,340</u>	<u>70,680,175</u>	<u>136,568,314</u>	<u>133,348,638</u>
Total liabilities	<u>81,202,428</u>	<u>70,811,870</u>	<u>73,119,416</u>	<u>75,905,742</u>	<u>154,321,844</u>	<u>146,717,612</u>
Net assets:						
Investment in capital assets, net of related debt	82,236,177	81,674,543	37,957,306	33,129,491	120,193,483	114,804,034
Restricted	1,463,456	1,696,525	-	-	1,463,456	1,696,525
Unrestricted	<u>33,108,118</u>	<u>22,718,779</u>	<u>12,557,448</u>	<u>12,929,543</u>	<u>45,665,566</u>	<u>35,648,322</u>
Total net assets	<u>\$ 116,807,751</u>	<u>\$ 106,089,847</u>	<u>\$ 50,514,754</u>	<u>\$ 46,059,034</u>	<u>\$ 167,322,505</u>	<u>\$ 152,148,881</u>

The largest portion of the City's fiscal year 2008 net assets (71.83% or \$120,193,483) reflects its investment in capital assets (e.g., land, buildings, streets, and equipment); less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)

The City has restricted net assets of \$801,401 for debt service and \$662,055 for special programs. The remaining balance of \$45,665,566 may be used to meet the government's ongoing obligations to citizens and creditors; over all, the City's net assets increased by \$15,173,624, which consists of an increase of \$10,717,904 in governmental net assets and an increase of \$4,455,720 in business-type net assets.

City of Victoria, Texas
Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
REVENUES						
Program revenues:						
Charges for services	\$ 7,246,205	\$ 6,256,441	\$ 28,204,434	\$23,763,471	\$35,450,639	\$30,019,912
Operating grants and contributions	1,782,897	1,483,014	-	-	1,782,897	1,483,014
Capital grants and contributions	4,000,000	205,606	1,800,876	774,028	5,800,876	979,634
General revenues:						
Property taxes	18,731,119	17,365,758	-	-	18,731,119	17,365,758
Other taxes	19,529,743	19,043,843	-	-	19,529,743	19,043,843
Other	<u>2,639,733</u>	<u>3,167,812</u>	<u>748,603</u>	<u>754,867</u>	<u>3,388,336</u>	<u>3,922,679</u>
Total revenues	<u>53,929,697</u>	<u>47,522,474</u>	<u>30,753,913</u>	<u>25,292,366</u>	<u>84,683,610</u>	<u>72,814,840</u>
EXPENSES						
General government	6,931,856	6,309,381	-	-	6,931,856	6,309,381
Public safety	21,735,079	21,011,764	-	-	21,735,079	21,011,764
Highways and streets	7,823,283	6,536,201	-	-	7,823,283	6,536,201
Culture and recreation	5,103,708	4,567,261	-	-	5,103,708	4,567,261
Interest on long-term debt	3,292,118	3,045,176	-	-	3,292,118	3,045,176
Water/wastewater	-	-	18,715,248	17,796,972	18,715,248	17,796,972
Environmental services	-	-	5,024,014	3,910,749	5,024,014	3,910,749
Other	<u>-</u>	<u>-</u>	<u>884,680</u>	<u>644,320</u>	<u>884,680</u>	<u>644,320</u>
Total expenses	<u>44,886,044</u>	<u>41,469,783</u>	<u>24,623,942</u>	<u>22,352,041</u>	<u>69,509,986</u>	<u>63,821,824</u>
Change in net assets before transfers	9,043,653	6,052,691	6,129,971	2,940,325	15,173,624	8,993,016
Transfers	<u>1,674,251</u>	<u>6,290,847</u>	<u>(1,674,251)</u>	<u>(6,290,847)</u>	<u>-</u>	<u>-</u>
Change in net assets	10,717,904	12,343,538	4,455,720	(3,350,322)	15,173,624	8,993,016
Net assets - 10/01/07	<u>106,089,847</u>	<u>93,746,309</u>	<u>46,059,034</u>	<u>49,409,556</u>	<u>152,148,881</u>	<u>143,155,865</u>
Net assets - 9/30/08	<u>\$116,807,751</u>	<u>\$ 106,089,847</u>	<u>\$ 50,514,754</u>	<u>\$46,059,034</u>	<u>\$167,322,505</u>	<u>\$152,148,881</u>

GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)

The over-all increase in net assets of \$15,173,624 is mainly due to the following reasons:

- City's FY 2008 taxable appraised values were 10.68% higher than last year's, due to re-appraisal of property and City's expansion in economic development growth.
- Sales tax revenue was 4% higher than last year's, due to continued retail growth.
- Franchise tax revenue came in lower because of restructuring the City landfill rates in order to become more marketable and competitive.
- New Fire/EMS Inter-local Agreement with the County of Victoria resulted in a "one-time" increase in governmental charges for services of \$699,359.
- Ambulance revenue, charges for services, came in higher than last fiscal year's.
- Operating grant revenues came in higher than last year because of a new grant the City received in FY 2008 called Border Star Grant.
- Capital grants and contributions revenues came in higher than last year because of an increase in funding from the Sales Tax Development Corporation (4B).
- Other general revenues came in lower than last year because of lower interest earning income.
- Expenses for the governmental activities increased approximately 8% over last fiscal year due to an increase in operating expenses.
- During FY 2007 and 2008, the City implemented water and wastewater rate increases.
- During FY 2008, the City experienced a drier summer than last year, and as a result, the charges for services for water and wastewater came in higher than expected.
- Water/wastewater expense was increased because of replacing Water Tower #3.
- The Environmental Services Fund (a business-type activity) received a "one-time" royalty payment of \$1.9 million from the new landfill operator (Republic, Inc.). In addition, Allied/BFI Inc., prior landfill operator, made a "one-time" closure and post-closure payment of \$1.4 million.
- The increase in Environmental Services expenses was due to acquiring new fully-automated garbage trucks and 20,000 carts in order to implement a new refuse collection program - "once a week" garbage pickup with fully automatic garbage trucks. The City is anticipating cost savings in FY 2009 and 2010.

Governmental Activities

City of Victoria, Texas

2008 Expenses and Program Revenues - Governmental Activities

<u>Functions/Programs</u>	<u>Expenses</u>	<u>% of Total</u>	<u>Revenues</u>	<u>% of Total</u>	<u>Net (Expense) Revenue</u>
General government	\$ 6,931,856	15.44%	\$ 3,088,569	23.70%	(\$ 3,843,287)
Public safety	21,735,079	48.42%	5,716,568	43.88%	(16,018,511)
Highways and streets	7,823,283	17.43%	4,000,000	30.70%	(3,823,283)
Culture and recreation	5,103,708	11.37%	223,965	1.72%	(4,879,743)
Interest on long-term debt	<u>3,292,118</u>	7.34%	-	0.00%	<u>(3,292,118)</u>
	<u>\$44,886,044</u>		<u>\$13,029,102</u>		<u>(\$ 31,856,942)</u>

GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)

Governmental Activities - (Continued)

City of Victoria, Texas				
Revenue by Source - Governmental Activities				
Description	Revenues		Revenues	
	2008	% of Total	2007	% of Total
Charges for services	\$ 7,246,205	13.03%	\$ 6,256,441	11.63%
Operating grants and contributions	1,782,897	3.21%	1,483,014	2.76%
Capital grants and contributions	4,000,000	7.19%	205,606	0.38%
Property taxes	18,731,119	33.69%	17,365,758	32.27%
Sales taxes	13,545,220	24.36%	13,028,689	24.21%
Franchise taxes	4,678,027	8.41%	4,887,453	9.08%
Other taxes	1,306,496	2.35%	1,127,701	2.10%
Unrestricted investment earnings	2,062,275	3.71%	2,333,774	4.34%
Gain (loss) on disposition of capital assets	-	0.00%	(153,537)	(0.29%)
Miscellaneous	577,458	1.04%	987,575	1.83%
Transfers	<u>1,674,251</u>	3.01%	<u>6,290,847</u>	11.69%
Total	<u>\$ 55,603,948</u>		<u>\$ 53,813,321</u>	

Business-type Activities

Fiscal year 2008 business-type activities increased the City's net assets by \$4,455,720. This increase is mainly due to the following reasons:

- In FY 2008, water and wastewater rates were increased.
- In FY 2007 wastewater rate increases were implemented in April 2007. The full impact of this increase was seen in FY 2008.
- "One-time" royalty payment of \$1.9 million from the new City landfill operator.
- "One-time" closure and post-closure payment of \$1.4 million from the City's old landfill operator.

GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)

Business-type Activities - (Continued)

**City of Victoria, Texas
2008 Expenses and Program Revenues - Business-type Activities**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>% of Total</u>	<u>Program Revenues</u>	<u>% of Total</u>	<u>Net (Expense) Revenue</u>
Water/wastewater	\$18,715,248	76.01%	\$22,798,287	75.98%	\$4,083,039
Environmental services	5,024,014	20.40%	6,726,226	22.42%	1,702,212
Other	<u>884,680</u>	3.59%	<u>480,797</u>	1.60%	(<u>403,883</u>)
	<u>\$24,623,942</u>		<u>\$30,005,310</u>		<u>\$5,381,368</u>

**City of Victoria, Texas
Revenue by Source - Business-type Activities**

<u>Description</u>	<u>Revenues 2008</u>	<u>% of Total</u>	<u>Revenues 2007</u>	<u>% of Total</u>
Charges for services	\$28,204,434	96.99%	\$23,763,471	125.06%
Capital grants and contributions	1,800,876	6.19%	774,028	4.07%
Gain (loss) on disposition of capital assets	-	0.00%	(194,343)	(1.02%)
Unrestricted investment earnings	748,603	2.58%	812,815	4.28%
Miscellaneous	-	0.00%	136,395	0.72%
Transfers	(<u>1,674,251</u>)	(5.76%)	(<u>6,290,847</u>)	(33.11%)
Total	<u>\$29,079,662</u>		<u>\$19,001,519</u>	

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS - (Continued)

Governmental Funds - (Continued)

As of the end of fiscal year 2008, the City's governmental funds reported combined ending fund balances of \$38,989,940, a decrease of \$3,404,823. The main reason for the decrease in the City's governmental funds is due to spending "down" prior fiscal years bond proceeds for capital improvement program projects.

Unreserved fund balance is \$24,750,140 and is available for spending, subject to regulatory, statutory, and budgetary restrictions. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior period in the amount of \$14,239,800.

The City's governmental funds combined fund balance of \$38,989,940 is mainly made up of the following funds:

1. *The General Fund* is the chief operating fund of the City. At the end of fiscal year 2008, unreserved fund balance of the General Fund was \$11,055,775 while total General Fund fund balance was \$14,846,528. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 27.30% of the total General Fund expenditures, while total fund balance represents 36.66% of that same amount.

The City's General Fund fund balance was decreased by \$36,874. Key factors in this net decrease are as follows:

- Ad valorem tax revenue came in higher than expected.
 - Franchise tax revenue came in higher than expected.
 - Building permit revenue came in higher than expected.
 - Ambulance fee revenue came in higher than expected.
 - Personnel cost came in lower than expected.
 - Traffic supplies and maintenance came in lower than expected.
 - Land for Fire Station No. 6 was not purchased in FY 2008.
 - Transfer to the Construction Fund-Lone Tree Trail Project was lower than expected.
2. *The Streets and Drainage Use Bonds Fund* is a capital project fund used to account for the funding of streets and drainage improvements funded by the 2000 and 2001 general obligation bond issues. At the end of fiscal year 2008, total fund balance of the Street and Drainage Use Bonds Fund was \$416,129. The fund balance is considered reserved for outstanding construction contracts as of September 30, 2008.
 3. *The Residential/Arterial Capital Improvement Program Fund* is a capital project fund used to account for the funding of street improvements and to pay for professional services related to the issuance of the 2005, 2006, and 2007 Certificates of Obligation. At the end of fiscal year 2008, unreserved fund balance of the Residential/Arterial Capital Improvement Program Fund was \$11,662,468, while total Residential/Arterial Capital Improvement Program Fund fund balance was \$21,695,386. The difference between the unreserved fund balance and total fund balance is \$10,032,918 which is considered a reserved fund balance for outstanding construction contracts as of September 30, 2008.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS - (Continued)

Governmental Funds - (Continued)

4. *The Debt Service Fund* is a debt service fund used to account for the General Obligation Bond and Certificate of Obligation Bond debt repayments and revenue collections. At the end of fiscal year 2008, unreserved fund balance of the Debt Service Fund was \$1,185,901, while total Debt Service Fund fund balance was \$1,185,901.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail.

Unrestricted net assets of proprietary funds at the end of the fiscal year amounted to:

<u>Fund</u>	<u>2008 Unrestricted Net Assets</u>	<u>2007 Unrestricted Net Assets</u>
Water and Wastewater	\$5,847,019	\$ 7,867,963
Environmental Services	4,679,769	3,404,218
Other	<u>2,030,660</u>	<u>1,657,362</u>
Total	<u>\$12,557,448</u>	<u>\$12,929,543</u>

Other factors concerning the finances of these funds have been addressed in the discussion of the City's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

- Differences between the General Fund's original budget and final amended budget for expenditures, which increased by \$3,650,348 and can be briefly summarized as follows:
 - \$2,860,348 for encumbrances carried over from prior fiscal year.
 - \$200,000 for land acquisition for Fire Station No. 6.
 - \$200,000 for legal expenditures.
 - \$390,000 for FY 2008 Reclaim & Overlay Street Project.
- Of this increase, \$2,860,348 was funded out of the fiscal year 2007 reserve fund balance for encumbrances and the remaining \$790,000 came out of the fiscal year 2008 unreserved fund balance.
- For fiscal year 2008, the General Fund's revenues came in \$1,130,158 higher - compared to the final budget. The positive budget variance is due mainly to:
 - Franchise tax revenue came in \$341,027 higher.
 - Licenses and permits revenues came in \$185,291 higher.
 - Inter-local government revenue came in \$446,229 higher.
 - Charges for services came in \$137,691 higher.
 - Online auction sales (included in miscellaneous revenue) came in \$120,390 higher.

GENERAL FUND BUDGETARY HIGHLIGHTS - (Continued)

- For fiscal year 2008, the General Fund's actual expenditures came in \$6,592,860 lower than the final budget. This positive variance is mainly due to:
- As of September 30, 2008, the City had \$3,903,699 of outstanding purchase orders and contracts.
 - Transfer to Construction Fund-Lone Tree Trail Project was \$104,000 less than what was budgeted.
 - Personnel service cost came in \$1,200,245 under budget due to various vacant positions.
 - Traffic supplies and maintenance came in \$335,000 under budget.
 - \$200,000 for the fire station no. 6 land was not acquired in FY 2008.
 - Net from various expenditures accounts came in \$849,916 lower than expected.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2008, amounts to \$238,976,486 (net of accumulated depreciation). This investment in capital assets includes land, buildings, office equipment, machinery and equipment, improvements other than buildings, streets and bridges, water and wastewater distribution system, and construction in progress. The total net increase in the City's investment in capital assets for the current fiscal year was \$20,513,772 or 9.39% (a \$18,868,870 or 15.52% increase for governmental activities and \$1,644,902 or 1.70% increase for business-type activities).

Major capital asset events during the current fiscal year included the following capital purchases, constructions, and deletions:

City of Victoria, Texas Capital Asset Investment Activity Schedule

Capital Asset Description	Additions		Deletions		Net Total
	Governmental Activities	Governmental Activities	Business-type Activities	Business-type Activities	
Land	\$ -	\$ -	\$ 1,029,831	\$ 10,000	\$ 1,019,831
Buildings	458,709	20,579	416,209	203,751	650,588
Other structure improvements	67,600	294,514	-	-	(226,914)
Infrastructure - streets, drainage, traffic, and sidewalks, etc.	2,216,857	-	-	5,229	2,211,628
Construction in progress	22,157,151	2,183,930	3,119,548	2,867,205	20,225,564
Machinery, equipment, and vehicles	3,782,779	1,643,163	771,236	15,883	2,894,969
Water and wastewater distribution system	-	-	3,099,845	-	3,099,845
Total	\$ 28,683,096	\$ 4,142,186	\$ 8,436,669	\$ 3,102,068	29,875,511
					FY 2008 depreciation expense (11,184,703)
					FY 2008 accumulated depreciation deletions: 1,822,964
					Primary government beginning capital assets balance: <u>218,462,714</u>
					Primary government ending capital assets balance: <u>\$238,976,486</u>

CAPITAL ASSET AND DEBT ADMINISTRATION - (Continued)

Capital Assets - (Continued)

The following financial table represents the City's total capital assets as of September 30, 2008:

City of Victoria, Texas						
Capital Assets						
(Net of Depreciation)						
	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$ 3,728,189	\$ 3,728,189	\$ 4,064,644	\$ 3,044,813	\$ 7,792,833	\$ 6,773,002
Construction in progress	41,766,296	21,793,075	3,371,405	3,119,062	45,137,701	24,912,137
Machinery and equipment	11,664,816	10,295,339	1,172,151	659,962	12,836,967	10,955,301
Buildings	2,931,366	2,639,632	31,672,044	32,559,421	34,603,410	35,199,053
Improvements other than buildings	3,636,770	3,942,695	719,710	781,148	4,356,480	4,723,843
Infrastructure	76,730,019	79,189,656	259,797	274,457	76,989,816	79,464,113
Water and wastewater distribution system	-	-	<u>57,259,279</u>	<u>56,435,262</u>	<u>57,259,279</u>	<u>56,435,262</u>
Total	<u>\$140,457,456</u>	<u>\$121,588,586</u>	<u>\$98,519,030</u>	<u>\$96,874,125</u>	<u>\$238,976,486</u>	<u>\$218,462,711</u>

Additional information on the City's capital assets can be found in Note 5 of this report.

Long-Term Debt

At the end of fiscal year 2008, the City had total bonded debt outstanding of \$139,575,000. Of this amount, \$72,600,000 comprises debt backed by the full faith and credit of the government and \$66,975,000 secured solely by specific revenue sources (i.e., revenue bonds). In addition, the City had outstanding \$1,409,501 in compensated absences, \$2,771,868 in estimated landfill closure and post-closure care cost; \$1,722,221 in net bond premium (discount), \$1,912,243 in deferred financing costs, and \$219,790 in rebatable arbitrage as of September 30, 2008.

City of Victoria, Texas						
Outstanding Debt, Net Bond Premium (Discount), and Deferred Financing Costs						
	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
	\$					
General obligation bonds	33,720,000	\$ 35,050,000	\$ -	\$ -	\$ 33,720,000	\$ 35,050,000
Certificate of obligation bonds	38,880,000	30,880,000	-	-	38,880,000	30,880,000
Revenue bonds	-	-	66,975,000	70,360,000	66,975,000	70,360,000
Compensated absences	1,212,694	1,099,217	196,807	198,436	1,409,501	1,297,653
Rebatable arbitrage	219,654	268,797	136	6,564	219,790	275,361
Estimated landfill closure and post-closure care cost	-	-	2,771,868	2,671,551	2,771,868	2,671,551
Net bond premium (discount)	293,498	113,426	1,428,723	1,527,699	1,722,221	1,641,125
Deferred financing costs	<u>(1,278,839)</u>	<u>(1,364,095)</u>	<u>(633,404)</u>	<u>(682,127)</u>	<u>(1,912,243)</u>	<u>(2,046,222)</u>
Total	<u>\$ 73,047,007</u>	<u>\$ 66,047,345</u>	<u>\$ 70,739,130</u>	<u>\$ 74,082,123</u>	<u>\$143,786,137</u>	<u>\$ 140,129,468</u>

CAPITAL ASSET AND DEBT ADMINISTRATION - (Continued)

Long-Term Debt - (Continued)

The City's debt had a net increase of \$3,656,669 or 2.61%. The key factors to this net increase are the following:

- Debt payments of \$3,325,000 in governmental activities bonds and \$3,385,000 in business-type activities bonds were made during fiscal year 2008,
- The City issued \$9,995,000 in certificates of obligation in fiscal year 2008,
- Compensated absences liability increased by \$111,848,
- Landfill closure/post-closure care cost was increased by the annual amortization cost of \$100,317,
- Rebutable arbitrage was decreased by \$55,571.

Additional information on the City's debt can be found in Note 10 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The unemployment rate for the City as of November 2008 was estimated at 4.7% per the U.S. Department of Labor website. This compares favorably to the national average rate of 6.8%.
- Property taxes (i.e., ad valorem taxes) are based on the value of total appraised, assessed taxable property in the City. The property tax levy includes the taxable value of new improvements and property annexed since January 1, 2007. The 2008-2009 total appraised value of all property in the City of Victoria, as rendered by the Victoria County Tax Appraisal District, is \$3,090,600,493, an increase over last year's tax roll of \$266,623,503 or 9.44%.

The 2008-2009 frozen appraised values (65 & over, disabled) is \$375,240,030, an increase over last year's frozen appraised values of \$31,539,263 or 9.18%.

The total appraised value (excluding frozen appraised values) for fiscal year 2009 is \$2,715,360,463.

In comparing fiscal year 2008 taxable appraised values (\$2,774,180,872) with fiscal year 2009 taxable appraised values (\$3,029,733,559), after adjusting for the frozen tax appraised values, fiscal year 2009 taxable appraised values were increased by 9.21% or \$255,552,687. This increase consists of 39.23% or \$100,254,426 from new improvements and 60.77% or \$155,298,261 from re-appraisals.

- Total building permits issued in fiscal year 2008 were 1,345 compared to 1,147 in fiscal year 2007, an increase of 198.
- Victoria, the second oldest incorporated city in Texas, celebrated its 178th birthday in October 2002. More than 185,000 people live in the seven-county region known as the "Golden Crescent," which surrounds the City. The City's population is approximately 62,000 and its growth rate has remained low but steady.
- The local PCE Inflation rate is approximately 2.1 which compares favorably to national and state indices.
- The City is expecting sales tax revenue for fiscal year 2009 to be approximately 2.5% higher than what was received in fiscal year 2008.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES - (Continued)

- The General Fund unreserved fund balance at September 30, 2008, came in \$4,981,113 above the minimum required unreserved fund balance of \$6,074,662. The City has a policy of maintaining a minimum unreserved fund balance of 15% of total actual expenditures. Most of the excess unreserved fund balance will be used during fiscal year 2009 on one-time/non-reoccurring expenditures and on capital improvement projects.
- For FY 2009, Council increased its minimum unreserved fund balance from 15% to 18.5%.
- The ad valorem tax rate for fiscal year 2009 was set at \$0.6500, a decrease of \$0.0250 from last year's tax rate of \$0.6750.
- Water and sewer rates were increased in fiscal year 2009. More detailed information on this subject can be found in the City's fiscal year 2009 budget.
- During fiscal year 2008, the City implemented a "once-a-week"/automated truck garbage pick-up system where by it will allow the garbage rates to remain at \$13.75 per month instead of increasing the rate to approximately \$19.00 if the City continued with the old system of "twice-of-week"/rear loader trucks. The City is anticipating approximately \$850,000 in savings over the next fiscal years.

In addition, the City will be evaluating its recycling department operations and developing a business/operating plan in fiscal year 2009.

The City bid out its landfill operations and received five proposals. Republic Waste, Inc. was awarded the City landfill operating contract in October 2007. As a result, the City was able to reduce its landfill tipping fees from approximately \$40/ton to \$20/ton (fixed for three fiscal years). The tipping fees for others went from approximately \$40/ton to \$34/ton. In addition, Republic Waste, Inc. gave the City \$2 million one-time royalty payment (note: the City will continue to receive host-fee on all tipping fees paid at the landfill) and promised to invest approximately \$1.3 million in landfill improvements.

- The City's next five fiscal years Capital Improvement Program Projects consist of approximately \$89 million; fiscal year 2009 - \$30 million, fiscal year 2010 - \$27 million, fiscal year 2011 - \$3 million, fiscal year 2012 - \$25 million, and fiscal year 2013 - \$4 million. More detailed information on this subject can be found in the City's fiscal year 2009 budget.

Requests for Information

This financial report is designed to present users with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions concerning any of the information provided in this report or need additional financial information, contact the Office of the Finance Director, 700 Main Center, Suite 100, Victoria, Texas 77901.



CITY OF VICTORIA, TEXAS
STATEMENT OF NET ASSETS
September 30, 2008

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 25,556,926	\$ 8,449,043	\$ 34,005,969	\$ 3,554,285
Investments	23,500,236	-	23,500,236	12,047,955
Receivables (net)	6,610,810	1,913,421	8,524,231	525,575
Internal balances	527,534	(527,534)	-	-
Due from component units	12,165	-	12,165	-
Inventory	384,149	-	384,149	-
Returned checks	14,280	4,496	18,776	-
Restricted assets				
Cash and cash equivalents	23,000	9,226,974	9,249,974	-
Investments	-	4,988,719	4,988,719	-
Total current assets	56,629,100	24,055,119	80,684,219	16,127,815
Noncurrent assets				
Capital assets				
Land and other assets not being depreciated	45,494,485	7,436,049	52,930,534	12,921,370
Buildings, improvements, and equipment (net)	94,962,971	91,082,981	186,045,952	297,323
Bond issue costs (net)	923,623	977,348	1,900,971	170,145
Deposits	-	82,673	82,673	-
Total noncurrent assets	141,381,079	99,579,051	240,960,130	13,388,838
Total assets	198,010,179	123,634,170	321,644,349	29,516,653

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
LIABILITIES				
Current liabilities				
Accounts payable	\$ 5,189,241	\$ 901,787	\$ 6,091,028	\$ 744,368
Accrued expenses	1,740,314	359,424	2,099,738	-
Due to other governments	108,696	93,707	202,403	-
Customer deposits	-	32,985	32,985	-
Claims payable	659,860	-	659,860	-
Unearned revenue	72,810	-	72,810	-
Due to primary government	-	-	-	12,165
Accrued compensated absences	11,033	1,790	12,823	-
Accrued interest payable	384,500	992,383	1,376,883	132,228
Current portion of long-term obligations	<u>3,805,000</u>	<u>3,400,000</u>	<u>7,205,000</u>	<u>735,000</u>
Total current liabilities	<u>11,971,454</u>	<u>5,782,076</u>	<u>17,753,530</u>	<u>1,623,761</u>
Noncurrent liabilities				
Noncurrent portion of long-term obligations (net of deferred amounts)	67,809,659	64,370,319	132,179,978	7,301,689
Accrued compensated absences	1,201,661	195,017	1,396,678	-
Rebatable arbitrage	219,654	136	219,790	82,779
Estimated landfill closure and postclosure care cost	-	<u>2,771,868</u>	<u>2,771,868</u>	-
Total noncurrent liabilities	<u>69,230,974</u>	<u>67,337,340</u>	<u>136,568,314</u>	<u>7,384,468</u>
Total liabilities	<u>81,202,428</u>	<u>73,119,416</u>	<u>154,321,844</u>	<u>9,008,229</u>
NET ASSETS				
Invested in capital assets, net of related debt	82,236,177	37,957,306	120,193,483	5,182,004
Restricted for:				
Debt service	801,401	-	801,401	-
Capital projects	-	-	-	799,500
Special programs	662,055	-	662,055	-
Unrestricted net assets	<u>33,108,118</u>	<u>12,557,448</u>	<u>45,665,566</u>	<u>14,526,920</u>
Total net assets	<u>\$ 116,807,751</u>	<u>\$ 50,514,754</u>	<u>\$ 167,322,505</u>	<u>\$ 20,508,424</u>

The accompanying notes are an integral part of this statement.

CITY OF VICTORIA, TEXAS
STATEMENT OF ACTIVITIES
For the year ended September 30, 2008

Function/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government	\$ 6,931,856	\$ 1,984,766	\$ 1,103,803	\$ -
Public safety	21,735,079	5,061,946	654,622	-
Highways and streets	7,823,283	-	-	4,000,000
Culture and recreation	5,103,708	199,493	24,472	-
Interest on long-term debt	3,292,118	-	-	-
Total governmental activities	<u>44,886,044</u>	<u>7,246,205</u>	<u>1,782,897</u>	<u>4,000,000</u>
Business-type activities				
Water/wastewater	18,715,248	20,997,411	-	1,800,876
Environmental services	5,024,014	6,726,226	-	-
Other	884,680	480,797	-	-
Total business-type activities	<u>24,623,942</u>	<u>28,204,434</u>	<u>-</u>	<u>1,800,876</u>
Total primary government	<u>\$ 69,509,986</u>	<u>\$ 35,450,639</u>	<u>\$ 1,782,897</u>	<u>\$ 5,800,876</u>
Component Units	<u>\$ 6,856,679</u>	<u>\$ 56,101</u>	<u>\$ -</u>	<u>\$ 820,000</u>

General revenues:

Taxes:

Property taxes, levied for general purposes

Property taxes, levied for debt service

Sales taxes

Franchise taxes

Other taxes

Unrestricted investment earnings

Miscellaneous

Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning

Net assets - ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business- type Activities	Total	Component Units
\$ (3,843,287)	\$ -	\$ (3,843,287)	\$ -
(16,018,511)	-	(16,018,511)	-
(3,823,283)	-	(3,823,283)	-
(4,879,743)	-	(4,879,743)	-
(3,292,118)	-	(3,292,118)	-
<u>(31,856,942)</u>	<u>-</u>	<u>(31,856,942)</u>	<u>-</u>
-	4,083,039	4,083,039	-
-	1,702,212	1,702,212	-
<u>-</u>	<u>(403,883)</u>	<u>(403,883)</u>	<u>-</u>
<u>-</u>	<u>5,381,368</u>	<u>5,381,368</u>	<u>-</u>
<u>(31,856,942)</u>	<u>5,381,368</u>	<u>(26,475,574)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,980,578)</u>
12,082,825	-	12,082,825	-
6,648,294	-	6,648,294	-
13,545,220	-	13,545,220	6,772,610
4,678,027	-	4,678,027	-
1,306,496	-	1,306,496	-
2,062,275	748,603	2,810,878	625,362
577,458	-	577,458	8,323
<u>1,674,251</u>	<u>(1,674,251)</u>	<u>-</u>	<u>-</u>
<u>42,574,846</u>	<u>(925,648)</u>	<u>41,649,198</u>	<u>7,406,295</u>
10,717,904	4,455,720	15,173,624	1,425,717
<u>106,089,847</u>	<u>46,059,034</u>	<u>152,148,881</u>	<u>19,082,707</u>
<u>\$ 116,807,751</u>	<u>\$ 50,514,754</u>	<u>\$ 167,322,505</u>	<u>\$ 20,508,424</u>

CITY OF VICTORIA, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2008

	<u>General</u>	<u>Debt Service</u>	<u>Streets and Drainage Use Bonds</u>	<u>Residential/Arterial Capital Improvement Program</u>
ASSETS				
Current assets				
Cash and cash equivalents	\$ 8,742,194	\$ 185,901	\$ 1,323,901	\$ 7,874,256
Investments	6,507,292	1,000,000	-	15,992,944
Receivables (net)	5,181,957	374,971	-	-
Due from other funds	341,671	-	-	-
Due from component units	12,165	-	-	-
Returned checks	14,280	-	-	-
Total assets	<u>\$ 20,799,559</u>	<u>\$ 1,560,872</u>	<u>\$ 1,323,901</u>	<u>\$ 23,867,200</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 970,368	\$ -	\$ 907,772	\$ 2,171,814
Accrued expenditures	1,659,456	-	-	-
Accrued compensated absences	1,753	-	-	-
Due to other governments	108,696	-	-	-
Due to other funds	317,176	-	-	-
Deferred revenue	2,895,582	374,971	-	-
Total liabilities	<u>5,953,031</u>	<u>374,971</u>	<u>907,772</u>	<u>2,171,814</u>
Fund balances				
Reserved for:				
Encumbrances	3,790,753	-	416,129	10,032,918
Unreserved, undesignated reported in:				
General fund	11,055,775	-	-	-
Special revenue funds	-	-	-	-
Debt service fund	-	1,185,901	-	-
Capital project funds	-	-	-	11,662,468
Total fund balances	<u>14,846,528</u>	<u>1,185,901</u>	<u>416,129</u>	<u>21,695,386</u>
Total liabilities and fund balances	<u>\$ 20,799,559</u>	<u>\$ 1,560,872</u>	<u>\$ 1,323,901</u>	<u>\$ 23,867,200</u>

The accompanying notes are an integral part of this statement.

Other Governmental Funds	Total Governmental Funds
\$ 956,694	\$ 19,082,946
-	23,500,236
807,219	6,364,147
51,860	393,531
-	12,165
-	14,280
<u>\$ 1,815,773</u>	<u>\$ 49,367,305</u>

\$ 323,143	\$ 4,373,097
-	1,659,456
-	1,753
-	108,696
573,824	891,000
72,810	3,343,363
<u>969,777</u>	<u>10,377,365</u>

-	14,239,800
-	11,055,775
786,064	786,064
-	1,185,901
<u>59,932</u>	<u>11,722,400</u>
<u>845,996</u>	<u>38,989,940</u>
<u>\$ 1,815,773</u>	<u>\$ 49,367,305</u>

CITY OF VICTORIA, TEXAS

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET ASSETS
OF GOVERNMENTAL ACTIVITIES**

September 30, 2008

Total governmental fund balances		\$ 38,989,940
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Internal service funds are used by the City to charge the costs of certain activities, such as insurance and vehicle and equipment services, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		15,257,764
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.		1,365,578
Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (for example, receivables) are offset by deferred revenues in the governmental funds and thus are not included in fund balance.		1,904,975
Capital assets used in governmental activities are reported as expenditures in governmental funds when purchased or constructed. The cost of these assets is \$218,724,209 and the accumulated depreciation is \$86,984,888.		131,739,321
Other noncurrent assets (for example, bond issue costs) used in governmental activities are not financial resources and therefore are not reported in governmental funds. The cost of these assets is \$1,291,101 and the accumulated amortization is \$367,478.		923,623
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Bonds and certificates payable	\$ (72,600,000)	
Bond premiums	(293,498)	
Deferred loss on refunding	1,278,839	
Accrued interest on the bonds	(384,500)	
Rebatable arbitrage	(219,654)	
Compensated absences	(1,154,637)	(73,373,450)
Net assets of governmental activities		<u>\$ 116,807,751</u>

The accompanying notes are an integral part of this statement.



CITY OF VICTORIA, TEXAS**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES****GOVERNMENTAL FUNDS**

For the year ended September 30, 2008

	<u>General</u>	<u>Debt Service</u>	<u>Streets and Drainage Use Bonds</u>	<u>Residential/Arterial Capital Improvement Program</u>
REVENUES				
Taxes	\$ 30,574,663	\$ 6,612,823	\$ -	\$ -
Licenses and permits	787,190	-	-	-
Intergovernmental	2,746,477	-	-	-
Charges for services	1,764,291	-	-	-
Fines and forfeitures	1,165,607	-	-	-
Investment income	551,130	91,494	155,913	1,036,386
Miscellaneous	476,685	-	2,000,000	2,000,000
Total revenues	<u>38,066,043</u>	<u>6,704,317</u>	<u>2,155,913</u>	<u>3,036,386</u>
EXPENDITURES				
Current				
General government	4,997,289	-	-	-
Public safety	24,970,116	-	-	-
Highways and streets	4,961,785	-	-	-
Culture and recreation	5,568,554	-	-	-
Capital outlay	-	-	7,423,582	11,403,398
Debt service				
Principal retirement	-	3,325,000	-	-
Interest and fiscal charges	-	3,117,121	-	-
Paying agents' fees and issue costs	-	9,800	-	176,003
Total expenditures	<u>40,497,744</u>	<u>6,451,921</u>	<u>7,423,582</u>	<u>11,579,401</u>
Excess (deficiency) of revenues over expenditures	(2,431,701)	252,396	(5,267,669)	(8,543,015)
OTHER FINANCING SOURCES (USES)				
Bonds issued	-	-	-	9,995,000
Premium on issuance of bonds	-	-	-	195,519
Transfers in	2,524,042	-	-	-
Transfers out	(129,215)	-	-	-
Total other financing sources (uses)	<u>2,394,827</u>	<u>-</u>	<u>-</u>	<u>10,190,519</u>
Change in fund balances	(36,874)	252,396	(5,267,669)	1,647,504
Fund balances at beginning of year	<u>14,883,402</u>	<u>933,505</u>	<u>5,683,798</u>	<u>20,047,882</u>
Fund balances at end of year	<u>\$ 14,846,528</u>	<u>\$ 1,185,901</u>	<u>\$ 416,129</u>	<u>\$ 21,695,386</u>

The accompanying notes are an integral part of this statement.

Other Governmental Funds	Total Governmental Funds
\$ 1,197,299	\$ 38,384,785
-	787,190
1,665,175	4,411,652
-	1,764,291
88,687	1,254,294
17,454	1,852,377
82,981	4,559,666
<u>3,051,596</u>	<u>53,014,255</u>
1,165,127	6,162,416
782,083	25,752,199
-	4,961,785
383,990	5,952,544
-	18,826,980
-	3,325,000
-	3,117,121
-	185,803
<u>2,331,200</u>	<u>68,283,848</u>
720,396	(15,269,593)
-	9,995,000
-	195,519
117,215	2,641,257
<u>(837,791)</u>	<u>(967,006)</u>
<u>(720,576)</u>	<u>11,864,770</u>
(180)	(3,404,823)
<u>846,176</u>	<u>42,394,763</u>
<u>\$ 845,996</u>	<u>\$ 38,989,940</u>

CITY OF VICTORIA, TEXAS

*RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the year ended September 30, 2008*

Total net change in fund balances - governmental funds		\$ (3,404,823)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Internal service funds are used by the City to charge the costs of certain activities, such as insurance and vehicle and equipment services, to individual funds. The net income of the internal service funds is reported with governmental activities.		3,543,363
Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of removing the 2007/2008 capital outlays is to increase net assets.		23,643,440
The net effect of various transactions involving capital assets (i.e., transfers, adjustments and dispositions) is to increase net assets.		(155,078)
Depreciation is not recognized as an expense on the governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.		(6,079,412)
Bond proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the statement of net assets. In the current period, proceeds were received from:		
2007 Certificates of Obligations		(9,995,000)
Current year payments on long-term debt are expenditures in the fund financial statements, but they serve to reduce long-term liabilities in the government-wide financial statements. In the current year, these amounts consist of:		
Bond principal retirement		3,325,000
Because some property taxes will not be collected for several months after the City's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Similarly, other revenues are not currently available at year end and are not reported as revenue in the governmental funds.		
Property taxes	\$ 63,218	
Other revenues	<u>37,389</u>	100,607
Some items 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. These activities consist of:		
Increase in compensated absences	(124,622)	
Decrease in rebatable arbitrage	49,143	
Increase in accrued interest	(38,440)	
Decrease in loss on bond refunding	(85,256)	
Net increase in bond premium	(180,072)	
Net increase in bond issue costs	<u>119,054</u>	<u>(260,193)</u>
Change in net assets of governmental activities		<u>\$ 10,717,904</u>

The accompanying notes are an integral part of this statement.



CITY OF VICTORIA, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
September 30, 2008

	Business-type Activities			Total	Governmental Activities Internal Service Funds
	Water and Wastewater	Environmental Services	Other Enterprise Funds		
ASSETS					
Current assets					
Cash and cash equivalents	\$ 6,005,445	\$ 1,312,770	\$ 1,130,828	\$ 8,449,043	\$ 6,473,980
Receivables (net)	1,675,556	236,344	1,521	1,913,421	246,663
Due from other funds	-	-	232,110	232,110	1,028,507
Inventory	-	-	-	-	384,149
Returned checks	3,838	-	658	4,496	-
Restricted assets					
Cash and cash equivalents	4,497,587	3,973,235	756,152	9,226,974	23,000
Investments	1,981,427	3,007,292	-	4,988,719	-
Total current assets	14,163,853	8,529,641	2,121,269	24,814,763	8,156,299
Noncurrent assets					
Capital assets					
Land and other assets not being depreciated	6,236,360	799,931	399,758	7,436,049	173,175
Buildings, improvements, and equipment (net)	86,818,052	533,844	3,731,085	91,082,981	8,544,960
Bond issue costs (net)	977,348	-	-	977,348	-
Deposits	82,673	-	-	82,673	-
Total noncurrent assets	94,114,433	1,333,775	4,130,843	99,579,051	8,718,135
Total assets	108,278,286	9,863,416	6,252,112	124,393,814	16,874,434
LIABILITIES					
Current liabilities					
Accounts payable	760,119	116,010	25,658	901,787	816,144
Accrued expenses	229,012	115,011	15,401	359,424	80,858
Accrued compensated absences	1,258	455	77	1,790	9,280
Due to other governments	-	93,707	-	93,707	-
Due to other funds	48,376	703,217	8,051	759,644	3,504
Customer deposits	-	-	32,985	32,985	-
Claims payable	-	-	-	-	659,860
Accrued interest payable	992,383	-	-	992,383	-
Current portion of revenue bonds	3,400,000	-	-	3,400,000	-
Total current liabilities	5,431,148	1,028,400	82,172	6,541,720	1,569,646
Noncurrent liabilities					
Revenue bonds (net)	64,370,319	-	-	64,370,319	-
Accrued compensated absences	136,976	49,604	8,437	195,017	47,024
Rebatable arbitrage earnings	136	-	-	136	-
Estimated landfill closure and postclosure care cost	-	2,771,868	-	2,771,868	-
Total noncurrent liabilities	64,507,431	2,821,472	8,437	67,337,340	47,024
Total liabilities	69,938,579	3,849,872	90,609	73,879,060	1,616,670
NET ASSETS					
Invested in capital assets, net of related debt	32,492,688	1,333,775	4,130,843	37,957,306	8,718,135
Unrestricted net assets	5,847,019	4,679,769	2,030,660	12,557,448	6,539,629
Total net assets	\$ 38,339,707	\$ 6,013,544	\$ 6,161,503	\$ 50,514,754	\$ 15,257,764

The accompanying notes are an integral part of this statement.

CITY OF VICTORIA, TEXAS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

PROPRIETARY FUNDS

For the year ended September 30, 2008

	Business-type Activities			Total	Governmental Activities Internal Service Funds
	Water and Wastewater	Environmental Services	Other Enterprise Funds		
OPERATING REVENUES					
Charges for services	\$ 20,966,306	\$ 4,700,776	\$ 480,797	\$ 26,147,879	\$ 14,028,903
Miscellaneous	31,105	2,025,450	-	2,056,555	113,875
Total operating revenues	<u>20,997,411</u>	<u>6,726,226</u>	<u>480,797</u>	<u>28,204,434</u>	<u>14,142,778</u>
OPERATING EXPENSES					
Personnel	3,639,038	1,691,102	233,503	5,563,643	1,308,588
Materials and supplies	1,189,388	218,427	66,697	1,474,512	1,667,959
Maintenance	929,934	2,135	35,916	967,985	98,723
Heat, lights and power	1,018,484	16,112	147,759	1,182,355	25,883
Reinsurance premiums	-	-	-	-	683,441
Miscellaneous services	1,481,490	1,754,077	69,344	3,304,911	610,264
Contractual services	3,671,984	316,988	2,801	3,991,773	1,044,480
Computer services	128,208	30,103	-	158,311	54,856
Monitoring costs	-	23,580	-	23,580	-
Court costs, judgments and damages	-	-	-	-	16,312
Claims expense	-	-	-	-	3,837,105
Wellness program	-	-	-	-	16,753
Tipping fees	-	779,055	-	779,055	-
Landfill closure and postclosure care cost	-	100,317	-	100,317	-
Bad debts expense	136,074	21,259	-	157,333	-
Depreciation	3,513,948	55,190	188,511	3,757,649	1,347,642
Total operating expenses	<u>15,708,548</u>	<u>5,008,345</u>	<u>744,531</u>	<u>21,461,424</u>	<u>10,712,006</u>
Operating income (loss) before nonoperating revenues (expenses) and contributions and transfers	5,288,863	1,717,881	(263,734)	6,743,010	3,430,772
NONOPERATING REVENUES (EXPENSES)					
Investment income	379,524	322,834	46,245	748,603	160,755
Interest and fiscal charges	(2,995,607)	-	-	(2,995,607)	-
Loss on disposition of capital assets	(11,093)	(15,669)	(140,149)	(166,911)	(48,164)
Net nonoperating revenues (expenses)	<u>(2,627,176)</u>	<u>307,165</u>	<u>(93,904)</u>	<u>(2,413,915)</u>	<u>112,591</u>
Income before contributions and transfers	2,661,687	2,025,046	(357,638)	4,329,095	3,543,363
Contributions and transfers					
Capital contributions	1,800,876	-	-	1,800,876	-
Transfers in	-	-	849,791	849,791	-
Transfers out	(2,126,325)	(356,300)	(41,417)	(2,524,042)	-
Total contributions and transfers	<u>(325,449)</u>	<u>(356,300)</u>	<u>808,374</u>	<u>126,625</u>	<u>-</u>
Change in net assets	2,336,238	1,668,746	450,736	4,455,720	3,543,363
Total net assets at beginning of year	<u>36,003,469</u>	<u>4,344,798</u>	<u>5,710,767</u>	<u>46,059,034</u>	<u>11,714,401</u>
Total net assets at end of year	<u>\$ 38,339,707</u>	<u>\$ 6,013,544</u>	<u>\$ 6,161,503</u>	<u>\$ 50,514,754</u>	<u>\$ 15,257,764</u>

The accompanying notes are an integral part of this statement.

CITY OF VICTORIA, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended September 30, 2008

	Business-type Activities		
	Water and Wastewater	Environmental Services	Other Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 20,871,899	\$ 6,872,307	\$ 483,395
Cash paid to suppliers for goods and services	(7,927,266)	(3,159,595)	(308,860)
Cash paid to employees for services	(3,601,565)	(1,662,487)	(229,242)
Net cash provided (used) by operating activities	<u>9,343,068</u>	<u>2,050,225</u>	<u>(54,707)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Increase (decrease) in customer deposits	-	-	3,350
Borrowings from (to) other funds	-	640,995	(138,385)
Repayments to other funds	(7,180)	-	-
Transfers in from other funds	-	-	849,791
Transfers out to other funds	(2,126,325)	(356,300)	(41,417)
Net cash provided (used) by noncapital financing activities	<u>(2,133,505)</u>	<u>284,695</u>	<u>673,339</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(2,919,782)	(464,052)	(406,098)
Principal paid on revenue bonds	(3,385,000)	-	-
Interest paid on revenue bonds	(2,955,863)	-	-
Net cash provided (used) by capital and related financing activities	<u>(9,260,645)</u>	<u>(464,052)</u>	<u>(406,098)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sales and maturities of investments	3,318,573	11,226,759	-
Purchase of investments	(5,300,000)	(12,400,000)	-
Rebatable arbitrage payments	(4,125)	-	-
Investment income	373,097	322,834	46,245
Net cash provided (used) by investing activities	<u>(1,612,455)</u>	<u>(850,407)</u>	<u>46,245</u>
Net increase (decrease) in cash and cash equivalents	(3,663,537)	1,020,461	258,779
Cash and cash equivalents at beginning of year	<u>14,166,569</u>	<u>4,265,544</u>	<u>1,628,201</u>
Cash and cash equivalents at end of year	<u>\$ 10,503,032</u>	<u>\$ 5,286,005</u>	<u>\$ 1,886,980</u>

The accompanying notes are an integral part of this statement.

<u>Total</u>	Governmental Activities Internal Service Funds
\$ 28,227,601	\$ 13,442,285
(11,395,721)	(7,318,396)
<u>(5,493,294)</u>	<u>(1,291,755)</u>
11,338,586	4,832,134
3,350	-
502,610	1,990
(7,180)	(1,826)
849,791	-
<u>(2,524,042)</u>	<u>-</u>
(1,175,471)	164
(3,789,932)	(2,855,727)
(3,385,000)	-
<u>(2,955,863)</u>	<u>-</u>
(10,130,795)	(2,855,727)
14,545,332	-
(17,700,000)	-
(4,125)	-
742,176	160,755
<u>(2,416,617)</u>	<u>160,755</u>
(2,384,297)	2,137,326
20,060,314	4,359,654
<u>\$ 17,676,017</u>	<u>\$ 6,496,980</u>

(continued)

CITY OF VICTORIA, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended September 30, 2008

	Business-type Activities		
	Water and Wastewater	Environmental Services	Other Enterprise Funds
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 5,288,863	\$ 1,717,881	\$ (263,734)
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation	3,513,948	55,190	188,511
Bad debts expense	136,074	21,259	-
Changes in assets and liabilities			
(Increase) decrease in accounts receivable	(234,158)	(21,693)	-
(Increase) decrease in other receivables	109,839	167,774	2,598
(Increase) decrease in returned checks	(1,193)	-	-
(Increase) decrease in due from other funds	-	-	-
(Increase) decrease in inventory	-	-	-
Increase (decrease) in accounts payable	492,222	(22,453)	13,657
Increase (decrease) in accrued expenses	38,216	29,140	4,622
Increase (decrease) in compensated absences	(743)	(525)	(361)
Increase (decrease) in due to other governments	-	3,335	-
Increase (decrease) in claims payable	-	-	-
Increase (decrease) in landfill closure and postclosure care cost	-	100,317	-
Total adjustments	<u>4,054,205</u>	<u>332,344</u>	<u>209,027</u>
Net cash provided (used) by operating activities	<u>\$ 9,343,068</u>	<u>\$ 2,050,225</u>	<u>\$ (54,707)</u>
Reconciliation of cash and cash equivalents			
Unrestricted			
Cash and cash equivalents	\$ 6,005,445	\$ 1,312,770	\$ 1,130,828
Restricted			
Cash and cash equivalents	<u>4,497,587</u>	<u>3,973,235</u>	<u>756,152</u>
Total	<u>\$ 10,503,032</u>	<u>\$ 5,286,005</u>	<u>\$ 1,886,980</u>

Noncash capital and related financing activities

The Water and Wastewater Fund received noncash contributions relating to capital asset additions of \$2,876 for fiscal year 2008.

The accompanying notes are an integral part of this statement.

<u>Total</u>	<u>Governmental Activities Internal Service Funds</u>
\$ 6,743,010	\$ 3,430,772
3,757,649	1,347,642
157,333	-
(255,851)	-
280,211	(69,665)
(1,193)	-
-	(709,596)
-	46,871
483,426	651,757
71,978	14,858
(1,629)	1,975
3,335	-
-	117,520
<u>100,317</u>	<u>-</u>
<u>4,595,576</u>	<u>1,401,362</u>
<u>\$ 11,338,586</u>	<u>\$ 4,832,134</u>
\$ 8,449,043	\$ 6,473,980
<u>9,226,974</u>	<u>23,000</u>
<u>\$ 17,676,017</u>	<u>\$ 6,496,980</u>

CITY OF VICTORIA, TEXAS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
September 30, 2008

	Private Purpose Trust	Agency
	<u> </u>	<u> </u>
ASSETS		
Cash and cash equivalents	\$ 9,673	\$ 371,246
Receivables (net)		
Other	-	500
	<u>9,673</u>	<u>371,746</u>
Total assets		
LIABILITIES		
Liabilities		
Accounts payable	-	190
Due to other agencies	-	371,556
	<u>-</u>	<u>371,746</u>
Total liabilities		
NET ASSETS		
Unrestricted net assets	<u>\$ 9,673</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

CITY OF VICTORIA, TEXAS

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

For the year ended September 30, 2008

	<u>Private Purpose Trust</u>
ADDITIONS	
Miscellaneous	
Participants' contributions	\$ 144,834
DEDUCTIONS	
General government	
Participants' withdrawals	<u>143,306</u>
Changes in net assets	1,528
Net assets - beginning	<u>8,145</u>
Net assets - ending	<u><u>\$ 9,673</u></u>

The accompanying notes are an integral part of this statement.



CITY OF VICTORIA, TEXAS
STATEMENT OF NET ASSETS
COMPONENT UNITS
September 30, 2008

	Sales Tax Development Corporation	Victoria Recreation	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 3,522,585	\$ 31,700	\$ 3,554,285
Investments	12,047,955	-	12,047,955
Receivables (net)			
Sales taxes	<u>525,575</u>	<u>-</u>	<u>525,575</u>
Total current assets	<u>16,096,115</u>	<u>31,700</u>	<u>16,127,815</u>
Noncurrent assets			
Capital assets			
Land and other assets not being depreciated	12,921,370	-	12,921,370
Buildings, improvements, and equipment (net)	-	297,323	297,323
Bond issue costs (net)	<u>170,145</u>	<u>-</u>	<u>170,145</u>
Total noncurrent assets	<u>13,091,515</u>	<u>297,323</u>	<u>13,388,838</u>
Total assets	<u>29,187,630</u>	<u>329,023</u>	<u>29,516,653</u>
LIABILITIES			
Current liabilities			
Accounts payable	744,368	-	744,368
Accrued interest payable	132,228	-	132,228
Due to primary government	-	12,165	12,165
Current portion of long-term obligations	735,000	-	735,000
Noncurrent liabilities			
Rebatable arbitrage	82,779	-	82,779
Noncurrent portion of long-term obligations	<u>7,301,689</u>	<u>-</u>	<u>7,301,689</u>
Total liabilities	<u>8,996,064</u>	<u>12,165</u>	<u>9,008,229</u>
NET ASSETS			
Invested in capital assets, net of related debt	4,884,681	297,323	5,182,004
Restricted for capital projects	799,500	-	799,500
Unrestricted net assets	<u>14,507,385</u>	<u>19,535</u>	<u>14,526,920</u>
Total net assets	<u>\$ 20,191,566</u>	<u>\$ 316,858</u>	<u>\$ 20,508,424</u>

The accompanying notes are an integral part of this statement.

CITY OF VICTORIA, TEXAS
STATEMENT OF ACTIVITIES
COMPONENT UNITS
For the year ended September 30, 2008

		Program Revenues		
Function/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Component Units				
Sales Tax Development Corporation	\$ 6,790,487	\$ -	\$ -	\$ 820,000
Victoria Recreation	<u>66,192</u>	<u>56,101</u>	<u>-</u>	<u>-</u>
Total component units	<u>\$ 6,856,679</u>	<u>\$ 56,101</u>	<u>\$ -</u>	<u>\$ 820,000</u>

General revenues:
 Taxes:
 Sales taxes
 Unrestricted investment earnings
 Miscellaneous
 Total general revenues
 Change in net assets
 Net assets - beginning
 Net assets - ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue
and Changes
in Net Assets

Component Units		
Sales Tax Development Corporation	Victoria Recreation	Total
\$ (5,970,487)	\$ -	\$ (5,970,487)
-	(10,091)	(10,091)
(5,970,487)	(10,091)	(5,980,578)
6,772,610	-	6,772,610
625,231	131	625,362
8,323	-	8,323
7,406,164	131	7,406,295
1,435,677	(9,960)	1,425,717
18,755,889	326,818	19,082,707
\$ 20,191,566	\$ 316,858	\$ 20,508,424



INDEX

<u>Note</u>		<u>Page</u>
1	Summary of Significant Accounting Policies	39
2	Deposits and Investments	46
3	Receivables.....	47
4	Joint Venture	48
5	Capital Assets	49
6	Employees' Retirement Plan	51
7	Other Postemployment Benefits	53
8	Self-insurance	54
9	Deferred Compensation Plan.....	55
10	Long-term Debt	56
11	Interfund Receivables, Payables, and Transfers	60
12	Related Party Transactions.....	60
13	Prior Year Defeasance of Debt	61
14	Commitments and Contingencies	61
15	Closure and Postclosure Care Costs	61
16	Litigation.....	62
17	Conduit Debt Obligations	62
18	Subsequent Events	62

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Victoria (the "City"), operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety, highways and streets, sanitation, health and social services, culture and recreation, public improvements, planning, water and sewer, and general administrative services.

A. Reporting Entity

In evaluating how to define the government, for financial reporting purposes, the City's management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. Under these guidelines, the reporting entity consists of the primary government (all funds of the City), organizations for which the primary government is financially accountable, organizations for which the primary government is not financially accountable, organizations that raise and hold economic resources for the direct benefit of the primary government, and any other organization for which the nature and significance of their relationship with the primary government is such that exclusion could cause the City's financial statements to be misleading or incomplete. Entities other than the primary government that are included in the primary government's financial statements are called component units.

The component units discussed in this note are included in the City's financial statements because of the significance of their financial relationships with the City.

Excluded from the reporting entity:

Victoria Independent School District - Provides educational services to the residents of the City. The Independent School District's board members are elected by the residents of the City and County of Victoria; in addition, Victoria Independent School District provides its own source of financing.

Advisory Boards and Commissions - The City Council uses an extensive network of advisory boards and commissions in order to ensure public input to the City's decision-making process. These boards and commissions are: Building, Electrical, Health, Library, Minimum Housing, Mechanical, Plumbing, and Sign boards, Housing Authority, Parks and Recreation Commission, Planning Commission, Cultural Council, and Building and Standards Commission. The advisory boards and commissions are appointed by the City Council; however, these boards and commissions do not perform any financial activity.

Included in the reporting entity:

The component units column in the financial statements includes the financial data from two component units. These component units are reported in a separate column to emphasize that they are legally separate from the City. The component unit column is made of the following:

1. The Sales Tax Development Corporation was created for the purpose of aiding, assisting and acting on behalf of the City in undertaking and completing projects to acquire and improve drainage, water and sewage, streets and roads, parks and recreational facilities, and public safety facilities. All powers of the corporation are vested in the Board of Directors consisting of three members of the City Council and four individuals appointed by the City Council. The Board of Directors operates at the direction of the City Council. This entity is reported as a governmental fund type.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

A. Reporting Entity - (Continued)

2. The Victoria Recreation Association, Inc. was created in May 1998, to operate and maintain the softball recreational complex owned by the City of Victoria. The corporation raises and holds economic resources for the direct benefit of the City. The management of the corporation is vested in the Board of Directors consisting of three City of Victoria employees. The Board of Directors operates at the direction of the City Council. The Victoria Recreation Association, Inc. operates as a proprietary fund type.

These component units are discretely presented in the financial statements. Complete financial statements of the individual component units can be obtained from the Office of the Finance Director, 700 Main Center, Suite 100, Victoria, Texas 77901.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all nonfiduciary activities of the City and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes, and intergovernmental revenues are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from its legally separate component units.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 or segment 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 among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, discretely presented component units, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. 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, as are the proprietary fund and trust fund financial statements. Agency funds have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the 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 to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers property taxes as available if they are collected within 60 days after year-end. A 120 day availability period is used for recognition of all other Governmental Fund revenues. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - (Continued)

Property taxes, franchise taxes, fines, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The Capital Project Funds account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). The City has three Capital Project Funds, two of which have been reported as major funds. The Streets and Drainage Use Bonds Fund accounts for the use of the proceeds from the City's 2000 and 2001 general obligation bond issues on streets and drainage improvements. The Residential/Arterial Capital Improvement Program accounts for the funding of street improvements by the 2005 and 2006 certificates of obligation proceeds.

The City reports the following major proprietary funds:

Enterprise Funds are used to account for operations: 1) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or 2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The Water and Wastewater Fund, an enterprise fund, accounts for the activities of the City related to its sewage treatment plant and the water distribution system.

The Environmental Services Fund, an enterprise fund, accounts for the operation of the City's garbage collection and landfill.

Additionally, the City reports the following fund types:

The Internal Service Funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis. The City maintains eight Internal Service Funds: Vehicle and Equipment Services, Information Technology, Communications, Purchasing, Safety Management, Workers' Compensation, Print Shop, and Employee Health Plan.

The Private Purpose Trust Fund, or the Section 125 Flexible Benefits Fund, is used to account for amounts withheld from employee paychecks before FICA and withholding taxes are computed. All resources of the fund, including any earnings on invested resources, may be used to benefit parties outside the City. The fund is excluded from the government-wide financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - (Continued)

The Agency Fund accounts for the collection and payment of various trust funds such as refundable deposits and single check payments that need to be allocated to different funds. The fund is excluded from the government-wide financial statements.

The Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are interfund services provided and used between various City functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as 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, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and internal service funds are charges to customers for sales and services. The Water and Wastewater Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

D. Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to September 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted through passage of an ordinance.
4. No funds may be expended or encumbered which will exceed appropriations; however, the City Manager is authorized to transfer budgeted amounts within any department or agency. Any revisions that alter the total expenditures of any department or agency must be approved by the City Council. There were several supplemental appropriations made during the year. The effect of budget supplements was to increase appropriations for the General Fund in the amount of \$590,000.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Budgets and Budgetary Accounting - (Continued)

5. Budgets for the General, Special Revenue, Debt Service, Capital Projects, and all Proprietary Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended by the City Council during the fiscal year. Unlike the governmental funds, the proprietary funds use the accrual basis of accounting in adopting its budget. Budget comparisons are presented in the accompanying financial statements for the funds with appropriated budgets, which are the General Fund, Debt Service Fund, and the Capital Project Funds.
6. The Debt Service Fund is budgeted by debt service issues.
7. Formal budgetary integration is employed as a management control device during the year for all governmental funds and proprietary funds.
8. All appropriations lapse at year-end.

E. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund, Special Revenue Funds, and Capital Project Funds. Encumbrances outstanding at year-end are reported as reservations of fund balance since they do not constitute expenditures or liabilities.

F. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The City may invest its excess funds in any instruments authorized by the Public Funds Investment Act of Texas. Investments authorized under this Act include, but are not limited to, the following: Obligations of the United States or its agencies and instrumentalities; direct obligations of the State of Texas or its agencies and instrumentalities; collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities; certificates of deposit issued by a state or financial institution domiciled in the State of Texas which is guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC) or otherwise secured; and certain repurchase agreements.

The City Council has adopted a written investment policy regarding the investment of its funds as defined by the Public Funds Investment Act of 1995. The investments of the City are in compliance with the City Council's investment policies.

Investments for the City, as well as the component units, are recorded at amortized cost, which as of September 30, 2008, approximates fair value. Because the fair value of the City's investments did not materially differ from cost, no adjustments were made to the City's reporting amounts. See Note 2 for further discussion.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

G. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property tax receivables include unpaid property taxes at year-end along with penalties and interest assessed on these unpaid taxes. The allowance on the unpaid property taxes is equal to 5% of the outstanding property taxes and the allowance on the penalties and interest is equal to 50% of the assessed amount.

H. Inventory and Prepaid Items

Inventory is valued at lower of cost or market, which is determined by using a monthly moving average. The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed.

Certain payments to vendors reflect costs applicable to future accounting periods. These payments are reported as deferred expenditures (governmental funds) or prepaid expenses (proprietary funds) in the fund financial statements and as deferred expenditures/expenses in the government-wide statements.

I. Restricted Assets

The City has interest and sinking accounts in the Water and Wastewater Fund that are used to segregate resources accumulated for debt service payments. The City also has set aside resources in the Environmental Services Fund to pay for closure and postclosure care costs and to fund for a new facility, and in the Community Center Fund to fund any future improvements to the Community Center facility. The restricted cash in the Workers' Compensation Fund represents those funds held by a third party administrator for future claims.

J. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, drainage systems, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide statement of net assets. The City defines capital assets as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost 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.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest is capitalized on capital assets of business-type activities when acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred during the period of construction until completion of the project with interest earned on invested proceeds over the same period.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

J. Capital Assets - (Continued)

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Improvements other than buildings	40
Water and wastewater distribution system	40
Streets and bridges - parking lots	10
Sidewalks	10
Machinery and equipment	2-20
Office equipment and fixtures	2-10

K. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All compensated absence pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

L. Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs and deferred losses on refunding as expenditures 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.

M. Fund Equity

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

N. Use of Estimates

The preparation of the government-wide and fund financial statements in conformity with GAAP requires the City to make estimates and assessments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

NOTE 2: DEPOSITS AND INVESTMENTS

As of September 30, 2008, the Reporting Entity had the following investments:

<u>Investment Type</u>	<u>Amortized Cost</u>	<u>Weighted Average Maturity (Days)</u>
Public Funds Investment Pool		
L.O.G.I.C. Pool	\$ 16,003,251	37
Texas TERM Investment Pool	3,576,861	41
TexPool Prime Pool	19,103,506	39
Commercial Paper	12,047,955	37
U.S. Government Securities	<u>30,789,691</u>	52
Total	<u>\$ 81,521,264</u>	

The investment pools operate in a manner consistent with the Securities and Exchange Commission's (SEC) Rule 2(a)(7) of the Investment Company Act of 1940 but are not registered with the SEC as an investment company. Instead, the regulatory oversight for the pools is the State of Texas. The pools use amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in the pools is the same as the value of the shares in the pools.

As previously discussed in Note 1, the investments are reported in the accompanying statements at amortized cost.

Interest Rate Risk

In accordance with the City's investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio for investments to less than one year from the time of purchase. The maximum weighted average maturities for the Pools' according to their respective policies are as follows: 60 days for the L.O.G.I.C. Pool, 365 days for the Texas TERM Investment Pool, and 60 days for TexPool.

Credit Risk

It is the City's policy to limit its investments to those with ratings of not less than A or its equivalent. The City's investments in the public funds investment pools include those with the L.O.G.I.C. Pool, the Texas TERM Investment Pool, and TexPool. The pools operate in full compliance with the Public Funds Investment Act. The investments held by the City at September 30, 2008, are rated AAAM by Standard & Poor's.

Concentration of Credit Risk

The City's investment policy requires that the investment portfolio shall be diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce the risk of loss resulting from over concentration of assets in a specific class of investments, specific maturity or specific user. At year-end, the City was not exposed to concentration of credit risk.

NOTE 2: DEPOSITS AND INVESTMENTS - (Continued)Custodial Credit Risk - Deposits

The City's custodial credit risk refers to the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policies require that deposits at financial institutions be insured by the FDIC and/or collateralized by securities pledged to the City by the depository in an amount equal to at least 102% of the carrying value of deposits held.

As of September 30, 2008, \$5,696,601 of the City's bank balance of \$5,796,601 was exposed to custodial credit risk because it was uninsured by the FDIC and collateralized with securities held by the pledging institution's trust department or agent, but not in the City's name.

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that securities be held in the name of the City or held on behalf of the City and that all securities are purchased using the delivery versus payment method. As of September 30, 2008, and for the year then ended, the City was not exposed to any custodial credit risk.

NOTE 3: RECEIVABLES

Receivables at September 30, 2008 consist of the following:

	<u>General</u>	<u>Debt Service</u>	<u>Water and Wastewater</u>	<u>Environmental Services</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Gross receivables:						
Accounts	\$ -	\$ -	\$ 1,814,681	\$ 198,101	\$ -	\$ 2,012,782
Ad valorem taxes	1,243,845	394,707	-	-	-	1,638,552
Franchise taxes	670,653	-	-	-	-	670,653
Sales taxes	1,051,151	-	-	-	-	1,051,151
Paving						
assessments	139,743	-	-	-	-	139,743
Weedy lots	1,384,580	-	-	-	-	1,384,580
Ambulance	3,212,553	-	-	-	-	3,212,553
Fines	1,085,986	-	-	-	-	1,085,986
Other	586,738	-	11,498	60,963	785,503	1,444,702
Total gross receivables	9,375,249	394,707	1,826,179	259,064	785,503	12,640,702
Less: allowances	4,193,292	19,736	150,623	22,720	-	4,386,371
Total net receivables	<u>\$ 5,181,957</u>	<u>\$ 374,971</u>	<u>\$ 1,675,556</u>	<u>\$ 236,344</u>	<u>\$ 785,503</u>	<u>\$ 8,254,331</u>

NOTE 3: RECEIVABLES - (Continued)

The City's governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
General Fund			
Ad valorem taxes receivable	\$ 990,607	\$ -	\$ 990,607
Paving assessments	13,974	-	13,974
Weedy lots	160,625	-	160,625
Ambulance	1,404,580	-	1,404,580
Fines	325,796	-	325,796
Debt Service Fund			
Ad valorem taxes receivable	374,971	-	374,971
Nonmajor Funds			
Grants	-	72,810	72,810
	<u>\$ 3,270,553</u>	<u>\$ 72,810</u>	<u>\$ 3,343,363</u>

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and payable by the following January 31, which comprises the collection dates for the current tax roll. The Victoria County Tax Assessor bills, collects, and remits daily all ad valorem taxes.

The City is permitted by a local charter to levy taxes up to \$2.00 per \$100 of assessed valuation. The combined tax rate for the year ended September 30, 2008, was \$0.675 per \$100, which means that the City has a tax margin of \$1.325 per \$100 and could raise up to \$36,757,897 on \$2,774,180,872 before the limit is reached.

NOTE 4: JOINT VENTURE

The South Texas Zoo is a cooperative effort funded by the City of Victoria's General Fund and the South Texas Zoological Society. The South Texas Zoological Society operates and maintains the South Texas Zoo located in the City-owned Riverside Park. The City does not appoint any of the directors of the Society. As of the last financial statement, September 30, 2008, total assets were \$713,967, total liabilities were \$191,008, total fund net assets was \$522,959, total support and revenues were \$514,597 and total expenses were \$596,709. Excess expenses over revenues resulted in a net loss of \$82,111. The amount contributed by the City for years ended September 30, 2008 and 2007, was \$162,500 and \$137,089, respectively. Complete audited financial statements for the South Texas Zoo may be obtained at 110 Memorial Drive, Victoria, Texas 77901.

NOTE 5: CAPITAL ASSETS

The City's capital asset activity for the year ended September 30, 2008, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 3,728,189	\$ -	\$ -	\$ 3,728,189
Construction in progress	<u>21,793,075</u>	<u>22,157,151</u>	<u>2,183,930</u>	<u>41,766,296</u>
Total capital assets not being depreciated	<u>25,521,264</u>	<u>22,157,151</u>	<u>2,183,930</u>	<u>45,494,485</u>
Capital assets, being depreciated				
Machinery and equipment	31,651,913	3,782,779	1,643,163	33,791,529
Buildings	5,962,557	458,709	20,579	6,400,687
Improvements other than buildings	6,012,432	67,600	294,514	5,785,518
Infrastructure	<u>144,387,019</u>	<u>2,216,857</u>	<u>-</u>	<u>146,603,876</u>
Total capital assets being depreciated	<u>188,013,921</u>	<u>6,525,945</u>	<u>1,958,256</u>	<u>192,581,610</u>
Less accumulated depreciation for				
Machinery and equipment	21,320,411	2,360,992	1,554,690	22,126,713
Buildings	3,322,925	151,651	5,255	3,469,321
Improvements other than buildings	2,106,021	237,796	195,069	2,148,748
Infrastructure	<u>65,197,242</u>	<u>4,676,615</u>	<u>-</u>	<u>69,873,857</u>
Total accumulated depreciation	<u>91,946,599</u>	<u>7,427,054</u>	<u>1,755,014</u>	<u>97,618,639</u>
Total capital assets being depreciated, net	<u>96,067,322</u>	<u>(901,109)</u>	<u>203,242</u>	<u>94,962,971</u>
Governmental activities capital assets, net	<u>\$121,588,586</u>	<u>\$ 21,256,042</u>	<u>\$ 2,387,172</u>	<u>\$140,457,456</u>
Business-type activities				
Capital assets, not being depreciated				
Land	\$ 3,044,813	\$ 1,029,831	\$ 10,000	\$ 4,064,644
Construction in progress	<u>3,119,062</u>	<u>3,119,548</u>	<u>2,867,205</u>	<u>3,371,405</u>
Total capital assets not being depreciated	<u>6,163,875</u>	<u>4,149,379</u>	<u>2,877,205</u>	<u>7,436,049</u>
Capital assets, being depreciated				
Machinery and equipment	1,934,947	771,236	15,883	2,690,300
Buildings	41,052,609	416,209	203,751	41,265,067
Improvements other than buildings	1,304,426	-	-	1,304,426
Infrastructure	418,097	-	5,229	412,868
Water and wastewater distribution system	<u>95,776,177</u>	<u>3,099,845</u>	<u>-</u>	<u>98,876,022</u>
Total capital assets being depreciated	<u>140,486,256</u>	<u>4,287,290</u>	<u>224,863</u>	<u>144,548,683</u>
Less accumulated depreciation for				
Machinery and equipment	1,289,505	243,432	14,788	1,518,149
Buildings	8,478,668	1,166,189	51,834	9,593,023
Improvements other than buildings	523,278	61,438	-	584,716
Infrastructure	143,640	10,759	1,328	153,071
Water and wastewater distribution system	<u>39,340,912</u>	<u>2,275,831</u>	<u>-</u>	<u>41,616,743</u>
Total accumulated depreciation	<u>49,776,003</u>	<u>3,757,649</u>	<u>67,950</u>	<u>53,465,702</u>
Total capital assets being depreciated, net	<u>90,710,253</u>	<u>529,641</u>	<u>156,913</u>	<u>91,082,981</u>
Business-type activities capital assets, net	<u>\$ 96,874,128</u>	<u>\$ 4,679,020</u>	<u>\$ 3,034,118</u>	<u>\$ 98,519,030</u>

NOTE 5: CAPITAL ASSETS - (Continued)

Depreciation expense was charged to functions/programs of the City as follows:

Governmental activities

General government	\$ 640,961
Public safety	1,345,840
Highways and streets	4,836,515
Culture and recreation	<u>603,738</u>

Total depreciation expense - governmental activities \$ 7,427,054

Business-type activities

Water/wastewater	3,513,948
Environmental services	55,190
Other	<u>188,511</u>

Total depreciation expense - business-type activities \$ 3,757,649

Discretely Presented Component Units:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Sales Tax Development Corporation				
Capital assets, not being depreciated				
Land	\$ 3,527,059	\$ -	\$ -	\$ 3,527,059
Construction in progress	<u>4,151,557</u>	<u>5,245,630</u>	<u>2,876</u>	<u>9,394,311</u>
Total capital assets not being depreciated	<u>7,678,616</u>	<u>5,245,630</u>	<u>2,876</u>	<u>12,921,370</u>
Sales Tax Development Corporation capital assets, net	<u>7,678,616</u>	<u>5,245,630</u>	<u>2,876</u>	<u>12,921,370</u>
Victoria Recreation				
Capital assets, being depreciated				
Machinery and equipment	64,271	-	-	64,271
Improvements other than buildings	<u>461,588</u>	-	-	<u>461,588</u>
Total capital assets being depreciated	<u>525,859</u>	-	-	<u>525,859</u>
Less accumulated depreciation for				
Machinery and equipment	52,343	6,343	-	58,686
Improvements other than buildings	<u>146,698</u>	<u>23,152</u>	-	<u>169,850</u>
Total accumulated depreciation	<u>199,041</u>	<u>29,495</u>	-	<u>228,536</u>
Total capital assets being depreciated, net	<u>326,818</u>	<u>(29,495)</u>	-	<u>297,323</u>
Victoria Recreation capital assets, net	<u>326,818</u>	<u>(29,495)</u>	-	<u>297,323</u>
Discretely presented component units capital assets, net	<u>\$ 8,005,434</u>	<u>\$ 5,216,135</u>	<u>\$ 2,876</u>	<u>\$ 13,218,693</u>

NOTE 6: EMPLOYEES' RETIREMENT PLANPlan Description

The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 827 currently administered by TMRS, an agent multiple-employer public employee retirement system.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions.

In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity. Members can retire at ages 60 and above with 5 or more years of service or with 20 years of service regardless of age. A member is vested after 5 years. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

Contributions

The contribution rate for the employees is 6%, and the City's matching percent is currently 2 to 1, both as adopted by the governing body of the City. Under the state law governing TMRS, the actuary annually determines the City's contribution rate. 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 currently accruing monetary credits due to City's matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his retirement becomes effective. The prior service contribution rate amortizes the unfunded actuarial liability over the remainder of the plan's 25-year amortization period. The unit credit actuarial cost method is used for determining the City's contribution rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect (i.e., December 31, 2007, valuation is effective for rates beginning January 2009).

Annual Pension Cost

For the employer's fiscal year ending September 30, 2008, the annual pension cost for the TMRS plan for its employees was \$3,032,138, and the actual contributions were \$3,032,138. The net pension obligation at the beginning and end of the fiscal year was zero.

NOTE 6: EMPLOYEES' RETIREMENT PLAN - (Continued)

Actuarial Valuation Information

Following is a tabular summary of actuarial valuation information for the 12/31/07 and 12/31/06 valuation dates.

	Actuarial Valuation Information	
	12/31/07	12/31/06
Actuarial cost method	projected unit credit	unit credit
Amortization method	level percent of payroll	level percent of payroll
Amortization period in years	30 - closed	25 - open
Asset valuation method	amortized cost	amortized cost
Investment return	7.00%	7.00%
Projected salary increases	varies by age and service	none
Inflation	3.00%	3.50%
Cost of living adjustments	2.1% (3.0% CPI)	none
Payroll growth assumption	3.00%	5.00%
Withdrawal rates for male/female	mid-high/mid	mid/mid

Trend Information

Contributions Required and Contributions Made			
Year End September 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2008	\$ 3,032,138	100%	\$ -
2007	2,832,675	100%	-
2006	2,810,816	100%	-

Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Un-funded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/07	\$46,442,240	\$87,624,753	\$41,182,513	53.00%	\$21,367,076	192.74%
12/31/06	46,282,645	71,171,440	24,888,795	65.03%	21,219,310	117.29%
12/31/05	47,221,367	70,045,633	22,824,266	67.42%	20,507,818	111.30%
12/31/04	47,745,102	68,950,382	21,205,280	69.25%	19,761,134	107.31%
12/31/03	48,467,691	68,277,880	19,810,189	70.99%	18,626,220	106.36%
12/31/02	48,339,276	65,745,670	17,406,394	73.52%	18,843,180	92.38%
12/31/01	47,500,581	63,148,769	15,648,188	75.22%	18,615,876	84.06%
12/31/00	46,019,013	60,178,675	14,159,662	76.47%	16,831,906	84.12%
12/31/99	45,032,453	57,905,981	12,873,528	77.77%	16,619,536	77.46%
12/31/98	41,165,608	53,387,293	12,221,685	77.11%	16,413,612	74.46%

The City is one of 827 municipalities having the benefit plan administered by TMRS. Each of the 827 municipalities has an annual, individual actuarial valuation performed. All assumptions for the December 31, 2007, valuations are contained in the 2007 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained by writing to P. O. Box 149153, Austin, Texas 78714-9153.

NOTE 6: EMPLOYEES' RETIREMENT PLAN - (Continued)**Trend Information - (Continued)**

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

If the changes in actuarial funding method and assumptions had not been adopted for the 2007 valuation, the City's unfunded actuarial accrued liability would have been \$27,433,719 and the funded ratio would have been 62.9%.

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

NOTE 7: OTHER POSTEMPLOYMENT BENEFITS

In addition to providing pension benefits, the City provides its retirees with postemployment health care benefits. In order for a City employee to be eligible for this benefit, he or she needs 20 years of service, attained the age of 60 with 5 years of service, or otherwise be eligible to retire under TMRS and receive a monthly TMRS annuity.

In fiscal year 2008, retirees had a choice of two insurance plans, "buy-up" and "core" from October 1, 2007, through December 31, 2007. Effective January 1, 2008, only the "core" plan was offered. Under the "buy-up" plan, retirees with 30 years or more of service and with Medicare coverage pay a monthly health premium of \$97.02, without Medicare, \$194.04. Retirees with 20 to 29 years of service and with Medicare coverage pay a monthly health premium of \$194.04, without Medicare, \$388.08. Retirees with less than 20 years of service and with Medicare coverage pay a monthly health premium of \$485.10, without Medicare \$970.20.

Under the "core" plan, retirees with 30 years or more of service and with Medicare coverage pay a monthly health premium of \$68, without Medicare, \$136. Retirees with 20 to 29 years of service and with Medicare coverage pay a monthly health premium of \$136, without Medicare, \$272. Retirees with less than 20 years of service and with Medicare coverage pay a monthly health premium of \$340, without Medicare \$680.

NOTE 7: OTHER POSTEMPLOYMENT BENEFITS - (Continued)

The retiree's dependents are allowed to participate in the health insurance plan; however, it is up to the retiree to pay for their dependent's health insurance premiums.

The City is under no obligation, statutory or otherwise, to pay any portion of the cost of postemployment benefits to any retirees. Allocation of City funds to pay other postemployment benefits is determined on an annual basis by the City Council as part of the budget process.

Other postemployment benefits are expensed and funded on a pay-as-you-go basis. The City recognizes the cost of providing these benefits as a payroll expense/expenditure in an operating fund with corresponding revenue in the Employee Health Plan Fund. Payments for health insurance are shown as an expense in the Employee Health Plan Fund. The cost of providing these benefits for fiscal years 2008 and 2007 is as follows:

	<u>2008</u>	<u>2007</u>
Retirees	\$ 137	\$ 137
Active employees	620	607
Payments to Employee Health Plan Fund	5,553,206	5,148,473

NOTE 8: SELF-INSURANCE

The City maintains a self-insurance internal service fund designed to pay comprehensive health benefits incurred by its participants. The fund assumed all risk up to \$125,000 of claims per participant annually; after this a reinsurance policy pays any remaining claims for the remainder of the year. The reinsurance premiums were \$264,897 and \$296,216 for the fiscal years ended September 30, 2008 and 2007, respectively. Premiums are charged to the individual funds based on a predetermined cost per employee and dependent. These amounts are recorded as operating revenue in the internal service fund and as operating expenditures/expenses in the respective funds. Any claims that have been incurred, but not reported, as of the balance sheet date are shown as current liabilities in the internal service fund and have been charged as an operating expense for that period. This amount was determined by an actuary through the City's health plan administrator. During the fiscal years ended September 30, 2008 and 2007, the City paid health claims of \$3,561,021 and \$3,737,880. The fund incurred a net income for the year of \$1,574,722 compared to a net income of \$940,499 for the prior year.

Settlements of claims did not exceed insurance coverage for any of the past three fiscal years.

	<u>Beginning Liability</u>	<u>Current Year Claims and Changes In Estimates</u>	<u>Claim Payments</u>	<u>Ending Liability</u>
Fiscal Year 2004	\$ 284,373	\$ 3,755,938	\$3,605,850	\$434,461
Fiscal Year 2005	434,461	3,695,161	3,752,417	377,205
Fiscal Year 2006	377,205	3,742,187	3,842,490	276,902
Fiscal Year 2007	276,902	3,737,880	3,662,524	352,258
Fiscal Year 2008	352,258	3,561,021	3,405,204	508,075

The City established an internal service fund called Workers' Compensation Fund in the fiscal year 1989-1990 to account for and finance its uninsured risk of loss. Under this program the Workers' Compensation Fund provides coverage for up to a maximum of \$350,000 for each workers' compensation claim. Any excess over the maximum self-insured amount would be covered by the City's workers' compensation insurance.

NOTE 8: SELF-INSURANCE - (Continued)

All funds of the City participate in the program and make payments to the Workers' Compensation Fund based on actuarial estimates of the amount needed to pay prior and current year claims and to establish a reserve for catastrophic losses.

The claim liability of \$151,785 and \$190,082, for the fiscal years 2007-2008 and 2006-2007, are based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. As a result of this, the Workers' Compensation Fund incurred a fund surplus (deficit) of \$358,777 and \$237,095 in the fiscal years 2008 and 2007, respectively. Settlements of claims did not exceed insurance coverage for any of the past three fiscal years.

	<u>Beginning Liability</u>	<u>Current Year Claims and Changes In Estimates</u>	<u>Claim Payments</u>	<u>Ending Liability</u>
Fiscal Year 2004	\$ 338,462	\$ 273,449	\$ 300,486	\$311,425
Fiscal Year 2005	311,425	427,846	451,999	287,272
Fiscal Year 2006	287,272	396,219	425,585	257,906
Fiscal Year 2007	257,906	210,149	277,973	190,082
Fiscal Year 2008	190,082	276,084	314,381	151,785

The City was insured in the area of general liability, police liability, and public officials liability for the fiscal year ending September 30, 1988. On September 26, 1988, by Council resolution, the City decided to purchase insurance coverage for all risk areas; and created an internal service fund, the Safety Management Fund, to account for liability and casualty insurance premiums as well as for any claim payments made in areas of self-insurance. Under this program, the City is insured up to a combined single limit that ranges from \$5,000,000 to \$1,000,000 with various deductible amounts. For the fiscal years 2008 and 2007, total contributions from the various City funds totaled \$512,525 and \$512,525, respectively. During the fiscal years 2008 and 2007, the City paid \$418,544 and \$397,573 in reinsurance premiums and \$16,312 and \$3,000 in legal fees and claims. In addition to this, the fund incurred a net income of \$23,466, compared to a net income of \$65,977 for the prior year. Full insurance coverage was in effect for the year ended September 30, 2008. Settlements of claims did not exceed insurance coverage for any of the past three fiscal years.

The City purchases commercial insurance coverage for fleet liability, contractors' equipment, comprehensive property damage, comprehensive general liability, police professional liability, public officials errors and omissions, electronic data processing physical damage, employee benefits liability, radio towers, boilers and machinery, and employee dishonesty coverage. There have been no significant reductions in insurance coverage during the fiscal year 2008. Settlements of claims did not exceed insurance coverage for any of the past three fiscal years.

NOTE 9: DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Effective January, 1997, the assets were transferred to trusts for the exclusive benefit of the participants and their beneficiaries.

NOTE 10: LONG-TERM DEBT**A. Changes In Long-Term Liabilities**

Long-term liability activity for the year ended September 30, 2008, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Primary government					
Governmental activities					
Bonds and certificates payable					
Certificates of obligation	\$ 30,880,000	\$ 9,995,000	\$ 1,995,000	\$ 38,880,000	\$ 2,310,000
General obligation bonds	35,050,000	-	1,330,000	33,720,000	1,495,000
Less deferred amounts:					
Issuance premiums	113,426	195,519	15,447	293,498	-
Loss on refunding	(1,364,095)	-	(85,256)	(1,278,839)	-
Net bonds and certificates payable	64,679,331	10,190,519	3,255,191	71,614,659	3,805,000
Rebatable arbitrage	268,797	-	49,143	219,654	-
Compensated absences	1,099,217	1,904,373	1,790,896	1,212,694	11,033
Total governmental activity long-term liabilities	<u>\$ 66,047,345</u>	<u>\$ 12,094,892</u>	<u>\$ 5,095,230</u>	<u>\$ 73,047,007</u>	<u>\$ 3,816,033</u>
Business-type activities					
Bonds payable					
Revenue bonds	\$ 70,360,000	\$ -	\$ 3,385,000	\$ 66,975,000	\$ 3,400,000
Less deferred amounts:					
Issuance premiums	1,527,699	-	98,976	1,428,723	-
Loss on refunding	(682,127)	-	(48,723)	(633,404)	-
Net bonds payable	71,205,572	-	3,435,253	67,770,319	3,400,000
Rebatable arbitrage	6,564	-	6,428	136	-
Estimated landfill closure and postclosure care cost	2,671,551	100,317	-	2,771,868	-
Compensated absences	198,436	296,563	298,192	196,807	1,791
Total business-type activity long-term liabilities	<u>\$ 74,082,123</u>	<u>\$ 396,880</u>	<u>\$ 3,739,873</u>	<u>\$ 70,739,130</u>	<u>\$ 3,401,791</u>
Discretely presented component units					
Sales Tax Development Corporation					
Bonds payable					
Revenue bonds	\$ 8,395,000	\$ -	\$ 535,000	\$ 7,860,000	\$ 735,000
Less deferred amounts:					
Issuance premiums	198,106	-	21,417	176,689	-
Net bonds payable	8,593,106	-	556,417	8,036,689	735,000
Rebatable arbitrage	-	82,779	-	82,779	-
Total discretely presented component units	<u>\$ 8,593,106</u>	<u>\$ 82,779</u>	<u>\$ 556,417</u>	<u>\$ 8,119,468</u>	<u>\$ 735,000</u>

NOTE 10: LONG-TERM DEBT - (Continued)

B. General Obligation Certificates and Bonds - Primary Government

Bonds and certificates payable at September 30, 2008, are comprised of the following individual issues:

\$6,200,000 1998 Tax and Revenue Certificates of Obligation due in one annual installment of \$905,000 on February 15, 2009; interest varying between 4.00% and 5.00%	\$ 905,000
\$6,000,000 1999 Tax and Revenue Certificates of Obligation due in one annual installment of \$300,000 on August 15, 2009; interest varying between 5.00% and 5.75%	300,000
\$15,000,000 2000 General Obligation Bonds due in annual installments ranging from \$625,000 to \$650,000 through August 15, 2010; interest varying between 4.65% and 6.00%	1,275,000
\$15,000,000 2001 General Obligation Bonds due in annual installments ranging from \$650,000 to \$1,250,000 through August 15, 2023; interest varying between 3.70% and 5.375%	10,650,000
\$5,325,000 2003 Certificates of Obligation due in annual installments ranging from \$250,000 to \$415,000 through August 15, 2023; interest varying between 3.35% and 4.35%	4,845,000
\$9,915,000 2004 General Obligation Refunding Bonds due in annual installments ranging from \$105,000 to \$1,435,000 through August 15, 2021; interest varying between 1.70% and 4.35%	9,465,000
\$12,330,000 2005 General Obligation Refunding Bonds due in annual installments ranging from \$30,000 to \$2,235,000 through August 15, 2023; interest varying between 3.00% and 4.20%	12,330,000
\$14,120,000 2005 Certificates of Obligation due in annual installments ranging from \$200,000 to \$1,070,000 through August 15, 2026; interest varying between 3.00% and 5.00%	13,300,000
\$9,880,000 2006 Certificates of Obligation due in annual installments ranging from \$375,000 to \$730,000 through August 15, 2026; interest varying between 3.875% and 4.50%	9,575,000
\$9,995,000 2007 Certificates of Obligation due in annual installments ranging from \$230,000 to \$835,000 through August 15, 2027; interest varying between 4.00% and 4.50%	<u>9,955,000</u>
Total General Obligation Certificates and Bonds	<u>\$ 72,600,000</u>

The City issues general obligation certificates and bonds to provide funds for the construction of improvements to various City infrastructures and for the payment of related contractual obligations for professional services.

NOTE 10: LONG-TERM DEBT - (Continued)

B. General Obligation Certificates and Bonds - Primary Government - (Continued)

Annual debt service requirements to maturity for certificates of obligation and general obligation bonds are as follows:

Year Ending September 30	Governmental Activities		
	Principal	Interest	Total
2009	\$ 3,805,000	\$ 3,057,924	\$ 6,862,924
2010	3,065,000	2,918,461	5,983,461
2011	3,195,000	2,796,171	5,991,171
2012	3,755,000	2,672,374	6,427,374
2013	3,895,000	2,526,349	6,421,349
2014-2018	22,000,000	10,119,788	32,119,788
2019-2023	24,600,000	5,308,501	29,908,501
2024-2027	8,285,000	845,838	9,130,838
	<u>\$ 72,600,000</u>	<u>\$ 30,245,406</u>	<u>\$ 102,845,406</u>

Internal service funds predominantly serve the governmental funds. Accordingly, the long-term liabilities for internal service funds are included as part of the above totals for governmental activities. At year-end, \$56,304 of internal service funds' compensated absences are included in the above amounts. Also, for the governmental activities, compensated absences are generally liquidated by the General Fund.

C. Revenue Bonds - Primary Government

Revenue bonds payable are comprised of the following individual issues:

\$21,925,000 1998 Utility System Revenue Bonds, Series 1998 due in annual installments ranging from \$950,000 to \$2,000,000 through December 1, 2022; interest varying between 4.75% and 5.60%	\$ 8,375,000
\$25,580,000 1999 Utility System Revenue Bonds Series 1999 due in annual installments ranging from \$910,000 to \$2,030,000 through December 1, 2020; interest varying between 2.75% and \$4.30%	20,735,000
\$20,045,000 2005 Utility System Revenue Refunding Bonds Series 2005 due in annual installments ranging from \$385,000 to \$2,205,000 through December 1, 2021; interest varying between 3.00% and \$5.00%	19,930,000
\$18,360,000 2007 Utility System Revenue Refunding Bonds Series 2007 due in annual installments ranging from \$580,000 to \$1,325,000 through December 1, 2027; interest varying between 4.00% and \$5.00%	<u>17,935,000</u>
Total Revenue Bonds	<u>\$ 66,975,000</u>

NOTE 10: LONG-TERM DEBT - (Continued)

C. Revenue Bonds - Primary Government - (Continued)

Annual debt service requirements to maturity for revenue bonds are as follows:

Year Ending September 30	Business-type Activities		
	Principal	Interest	Total
2009	\$ 3,400,000	\$ 2,905,963	\$ 6,305,963
2010	3,535,000	2,769,958	6,304,958
2011	3,715,000	2,628,926	6,343,926
2012	3,860,000	2,478,546	6,338,546
2013	4,020,000	2,316,365	6,336,365
2014-2018	23,130,000	8,686,735	31,816,735
2019-2023	21,935,000	3,059,167	24,994,167
2024-2028	3,380,000	439,500	3,819,500
	<u>\$ 66,975,000</u>	<u>\$ 25,285,160</u>	<u>\$ 92,260,160</u>

The revenues of the Water and Wastewater Fund are pledged for the repayment of debt reported by the fund.

The revenue bond debt agreements contain certain requirements regarding the establishment and funding of an interest and sinking fund. In addition, the agreements provide that the City maintain a coverage ratio of at least 1.35 times the average annual debt service. The City complied in all aspects as of September 30, 2008.

D. Revenue Bonds - Sales Tax Development Corporation

Revenue bonds payable are comprised of the following individual issue:

\$8,395,000 2007 Sales Tax Revenue Bonds Series 2007 due in annual installments ranging from \$735,000 to \$1,025,000 through 2017; interest at 4.25%. \$ 7,860,000

The purpose of the bonds is for constructing, acquiring and equipping a sports venue project including the related infrastructure and professional services.

Annual debt service requirements to maturity for revenue bonds are as follows:

Year Ending September 30	Sales Tax Development Corporation		
	Principal	Interest	Total
2009	\$ 735,000	\$ 334,050	\$ 1,069,050
2010	765,000	302,813	1,067,813
2011	800,000	270,300	1,070,300
2012	830,000	236,300	1,066,300
2013	870,000	201,025	1,071,025
2014-2017	3,860,000	418,625	4,278,625
	<u>\$ 7,860,000</u>	<u>\$ 1,763,113</u>	<u>\$ 9,623,113</u>

The revenue bond debt agreements contain certain requirements regarding the establishment and funding of a debt service fund and a reserve fund. The Corporation complied in all respects as of September 30, 2008.

E. Rebatable Arbitrage

The Federal Tax Reform Act of 1986 requires issuers of tax-exempt debt to make payments to the United States Treasury of investment income received at yields that exceed the issuer's tax-exempt borrowing rates. The U.S. Treasury requires payment for each issue every five years. The estimated liability is updated annually for any tax-exempt issuances or changes in yields until such time payment of the calculated liability is due.

NOTE 11: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

A. Interfund Receivables and Payables

At times during the fiscal year the various funds of the City were involved in transactions that created interfund receivable and payable balances. These transactions related to such things as the purchase of goods by one fund on behalf of another and the receipt of revenue in one fund that belongs to or is designated for another fund. Interfund receivable and payable balances as of September 30, 2008, were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor Governmental	\$ 341,671
Nonmajor Governmental	General	51,818
	Nonmajor Governmental	43
Nonmajor Business-type	Nonmajor Governmental	232,110
Internal Service	General	265,358
	Water and Wastewater	48,376
	Environmental Services	703,217
	Nonmajor Business-type	8,051
	Other Internal Service	3,504
		<u>\$ 1,654,148</u>

B. Interfund Transfers

Each year various funds of the City transfer funds to other funds. The most significant of these are the planned transfers from the City's enterprise funds to specified governmental funds. These transfers are intended to provide the necessary resources to meet the operating and debt service obligations of the receiving funds. During the current fiscal year, transfers between funds consisted of the following:

<u>Transfers Out</u>	<u>Transfers In</u>			<u>Total</u>
	<u>General</u>	<u>Nonmajor Governmental</u>	<u>Nonmajor Business-type</u>	
General	\$ -	\$ 117,215	\$ 12,000	\$ 129,215
Nonmajor Governmental	-	-	837,791	837,791
Water and Wastewater	2,126,325	-	-	2,126,325
Environmental Services	356,300	-	-	356,300
Nonmajor Business-type	41,417	-	-	41,417
	<u>\$ 2,524,042</u>	<u>\$ 117,215</u>	<u>\$ 849,791</u>	<u>\$ 3,491,048</u>

NOTE 12: RELATED PARTY TRANSACTIONS

During fiscal year 2008, the Sales Tax Development Corporation, a discretely presented component unit of the City, contributed to the City \$2,876 in capital assets for the fiscal year ended September 30, 2008. The contribution consisted of \$2,876 in Water and Wastewater Fund assets. The Sales Tax Development Corporation also contributed \$4,000,000 to the City's major capital project funds during fiscal year 2008.

NOTE 13: PRIOR YEAR DEFEASANCE OF DEBT

In prior years the City defeased certain general obligation bonds and revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability of the bonds are not included in the City's financial statements. At September 30, 2008, \$47,765,000 of bonds outstanding is considered defeased.

NOTE 14: COMMITMENTS AND CONTINGENCIES**Grant Programs**

The City participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at September 30, 2008, may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

NOTE 15: CLOSURE AND POSTCLOSURE CARE COSTS

State and federal laws and regulations require that the City place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the useful life of the landfill. It is estimated that 48% of the landfill capacity has been used as of September 30, 2008. The estimated remaining useful life of the landfill at September 30, 2008, is 22 years.

The estimated liability for landfill closure and postclosure care costs has a balance of \$2,771,868 and \$2,671,551 as of September 30, 2008 and 2007, determined by calculating the lapsed portion of the landfill's life. It is estimated that an additional \$2,106,665 will be recognized as closure and postclosure care expense between the date of the balance sheet and the date the landfill is expected to be filled to capacity (2030). However, the City anticipates a modification to the permit to increase allowable vertical height, which will result in extending the life of the landfill an additional 30-35 years. In addition, the City is in the process of acquiring additional land for future landfill cells, which will add life to the landfill of an additional 20-25 years. The estimated total current cost of the landfill closure and postclosure care (\$4,878,533) is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of September 30, 2008. However, the actual cost of closure and postclosure care may be different due to inflation, changes in technology, or changes in landfill laws and regulations.

As of September 30, 2008, the City is in compliance with state and federal laws and regulations concerning "financial assurances". The City currently has a contract with Republic Waste Services of Texas, Ltd., which is currently operating the landfill for the City. As per the contract agreement, Republic Waste Services of Texas, Ltd. "will be responsible for completing, at its cost, closure of any area of the landfill in which new waste disposal cells are constructed by operator and which is filled to the final grades authorized in the permit by operator during the operating term." The City will be responsible for prior existing cells, and has established a closure/post-closure fund to accommodate those future liabilities.

NOTE 16: LITIGATION

Various claims and lawsuits are pending against the City. In the opinion of City management, after consultation with legal counsel, the potential loss on all claims and lawsuits will not materially affect the City's financial position.

NOTE 17: CONDUIT DEBT OBLIGATIONS

The Guadalupe-Blanco River Authority (GBRA) contracted with the City in 1970 to provide wastewater treatment services through its *Victoria Regional Wastewater Reclamation Division*. The division operates and maintains two plants with a combined treatment capacity of 10.5 million gallons per day. The Highway 59 plant uses a complete mix activated sludge process. The waste sludge is dewatered by a belt press system and is hauled by division personnel to the City's sanitary landfill for proper disposal by Republic Waste Services of Texas, Ltd. The Willow Street plant utilizes a conventional trickling filter process, and transfers its waste sludge by truck to the Highway 59 plant for dewatering and disposal.

The Victoria Regional Wastewater Reclamation Division had total assets of \$6,934,627, total liabilities of \$4,301,883 and total equity of \$2,092,744 at August 31, 2008.

GBRA issued Contract Revenue Bonds in fiscal year 1996 for the City's Regional Wastewater Treatment System Project. These bond proceeds will be used to fund the expansion of the regional wastewater treatment system. As of August 31, 2008, there was \$990,000 of bonds outstanding. The City has agreed to cover operation, maintenance, and debt service costs of GBRA on an annual basis relating to this project. The City has no obligation beyond what has previously been described.

In September 1997, Warm Springs Rehabilitation Foundation issued \$4,000,000 in bonds using the name of Victoria Health Facilities Development Corporation in order to provide funding for a rehabilitation facility in Victoria, Texas. Neither the faith and credit nor the taxing power of the City is pledged to the payment of the principal, interest, or any redemption premium of these bonds. The foundation will pay interest only on the bonds until the year 2027 when the entire principal will mature.

NOTE 18: SUBSEQUENT EVENTS

In October 2008, the City issued Utility System Revenue Bonds of \$6,555,000. The bonds are due in annual installments ranging from \$230,000 to \$505,000 through 2027 with interest varying from 4.00% to 5.00%. The proceeds from the sale of the bonds will be used to facilitate the City's capital improvement project program in order to acquire, construct, improve, enlarge or equip the City's combined waterworks and sewer system and to pay the costs of issuance of the bonds.

CITY OF VICTORIA, TEXAS

MAJOR GOVERNMENTAL FUNDS - GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET (GAAP BASIS) AND ACTUAL

For the year ended September 30, 2008

With comparative totals for the year ended September 30, 2007

	2008			Variance Positive (Negative)	2007 Actual
	Original Budget	Final Budget	Actual		
REVENUES					
Taxes	\$ 30,236,497	\$ 30,236,497	\$ 30,574,663	\$ 338,166	\$ 29,547,282
Licenses and permits	601,899	601,899	787,190	185,291	727,532
Intergovernmental	2,300,248	2,300,248	2,746,477	446,229	1,866,972
Charges for services	1,626,600	1,626,600	1,764,291	137,691	1,697,048
Fines and forfeitures	1,266,000	1,266,000	1,165,607	(100,393)	1,290,817
Investment income	660,000	660,000	551,130	(108,870)	748,591
Miscellaneous	244,641	244,641	476,685	232,044	567,521
Total revenues	<u>36,935,885</u>	<u>36,935,885</u>	<u>38,066,043</u>	<u>1,130,158</u>	<u>36,445,763</u>
EXPENDITURES					
General government	5,210,972	5,518,055	4,997,289	520,766	4,442,001
Public safety	26,258,966	27,833,915	24,970,116	2,863,799	21,153,437
Highways and streets	5,775,788	7,246,429	4,961,785	2,284,644	4,882,077
Culture and recreation	6,206,530	6,492,205	5,568,554	923,651	4,493,109
Total expenditures	<u>43,452,256</u>	<u>47,090,604</u>	<u>40,497,744</u>	<u>6,592,860</u>	<u>34,970,624</u>
Excess (deficiency) of revenues over expenditures	(6,516,371)	(10,154,719)	(2,431,701)	7,723,018	1,475,139
OTHER FINANCING SOURCES (USES)					
Transfers in	2,524,042	2,524,042	2,524,042	-	2,775,035
Transfers out	(85,380)	(97,380)	(129,215)	(31,835)	(47,055)
Total other financing sources (uses)	<u>2,438,662</u>	<u>2,426,662</u>	<u>2,394,827</u>	<u>(31,835)</u>	<u>2,727,980</u>
Change in fund balance	(4,077,709)	(7,728,057)	(36,874)	7,691,183	4,203,119
Fund balance at beginning of year	14,883,402	14,883,402	14,883,402	-	10,680,283
Fund balance at end of year	<u>\$ 10,805,693</u>	<u>\$ 7,155,345</u>	<u>\$ 14,846,528</u>	<u>\$ 7,691,183</u>	<u>\$ 14,883,402</u>

The accompanying notes to required supplementary information are an integral part of this schedule.

CITY OF VICTORIA, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2008

NOTE 1: BUDGETARY BASIS OF ACCOUNTING

The City annually adopts budgets that are prepared using the modified accrual basis of accounting, which is consistent with generally accepted accounting principles.

**Combining And Individual
Fund Statements And Schedules**

CITY OF VICTORIA, TEXAS
 ALL NONMAJOR GOVERNMENTAL FUNDS
 COMBINING BALANCE SHEET
 September 30, 2008

	Total Nonmajor Special Revenue Funds	Total Nonmajor Capital Project Fund	Total Nonmajor Governmental Funds
ASSETS			
Current assets			
Cash and cash equivalents	\$ 896,762	\$ 59,932	\$ 956,694
Receivables (net)	807,219	-	807,219
Due from other funds	51,860	-	51,860
Total assets	<u>\$ 1,755,841</u>	<u>\$ 59,932</u>	<u>\$ 1,815,773</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 323,143	\$ -	\$ 323,143
Due to other funds	573,824	-	573,824
Deferred revenue	72,810	-	72,810
Total liabilities	<u>969,777</u>	<u>-</u>	<u>969,777</u>
Fund balances			
Unreserved, undesignated reported in:			
Special revenue funds	786,064	-	786,064
Capital project fund	-	59,932	59,932
Total fund balances	<u>786,064</u>	<u>59,932</u>	<u>845,996</u>
Total liabilities and fund balances	<u>\$ 1,755,841</u>	<u>\$ 59,932</u>	<u>\$ 1,815,773</u>

CITY OF VICTORIA, TEXAS

ALL NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

For the year ended September 30, 2008

	Total Nonmajor Special Revenue Funds	Total Nonmajor Capital Project Fund	Total Nonmajor Governmental Funds
REVENUES			
Taxes	\$ 1,197,299	\$ -	\$ 1,197,299
Intergovernmental	1,665,175	-	1,665,175
Fines and forfeitures	88,687	-	88,687
Investment income	15,345	2,109	17,454
Miscellaneous	82,981	-	82,981
Total revenues	<u>3,049,487</u>	<u>2,109</u>	<u>3,051,596</u>
EXPENDITURES			
Current			
General government	1,159,327	5,800	1,165,127
Public safety	782,083	-	782,083
Culture and recreation	383,990	-	383,990
Total expenditures	<u>2,325,400</u>	<u>5,800</u>	<u>2,331,200</u>
Excess (deficiency) of revenues over expenditures	724,087	(3,691)	720,396
OTHER FINANCING SOURCES (USES)			
Transfers in	117,215	-	117,215
Transfers out	(837,791)	-	(837,791)
Total other financing sources (uses)	<u>(720,576)</u>	<u>-</u>	<u>(720,576)</u>
Change in fund balances	3,511	(3,691)	(180)
Fund balances at beginning of year	<u>782,553</u>	<u>63,623</u>	<u>846,176</u>
Fund balances at end of year	<u>\$ 786,064</u>	<u>\$ 59,932</u>	<u>\$ 845,996</u>

NONMAJOR SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, private purpose trusts, or major capital projects) that are legally restricted to expenditures for specific purposes. The City's Special Revenue Funds consist of the following:

Project Safe Neighborhood - A Sam Houston State University project which is funded by the Office of Justice Programs, providing the Victoria Police Department and the Victoria County Sheriff's Office software that will allow officers to identify gang members. Funds are reimbursed to the City and County for officers and/or deputy sheriffs who are reporting overtime hours to manage data and perform fieldwork to identify gang members.

GCRAC EMS/Trauma System Grant - Used to account for funds received to purchase additional supplies and equipment for local fire and EMS services.

GCRPC Grant - Used to account for funds received from the Golden Crescent Regional Planning Commission to divert battery waste from the Landfill and implement a sustainable and successful rechargeable battery project.

STEP WAVE Grant - Used to account for funds received to conduct occupant protection enforcement efforts during the major holidays in order to increase restraint use and reduce traffic crash injuries and fatalities.

HOME Contract - Used to account for the Affordable Housing Programs expenditures.

Riverside Stadium - Used to account for funds received from the sale of signage in Riverside Stadium and which will be used by the parks department for improvements as needed to the Riverside Stadium.

LEOSE Training Grant - Used to account for funds received to provide for the continuing education of persons licensed under Chapter 1701, Occupations Code, or to provide the necessary training, as determined by the agency head, to full-time, fully paid law enforcement support personnel.

Auto Theft Grant - Used to account for the funding of salaries, fringe benefits, overtime, and in-state travel for law enforcement officers in order to help reduce automobile theft.

TCEQ Grant - Used to account for funds received in order for the City to conduct air quality planning activities within the City/County of Victoria. This includes the identifying, inventorying, and monitoring of current air pollution levels; the modeling of future air pollution levels; and the identification and quantification of potential pollution reduction through voluntary controls.

MPO Grant - Used to account for funds received to provide continuing education for the City staff, administrative expense, and other expenditures relating to metropolitan planning.

Motel Tax - State legislation allows Texas cities to impose a maximum of seven percent room charge tax on hotels and motels operating within their city limits. This tax is used to promote the arts, tourism and conventions. The City currently imposes a seven percent tax, which was raised from five percent effective October 1, 1988. In fiscal year 2008, this tax was allocated as follows: for operations of the Community Center not to exceed \$331,546; for capital improvements to the Community Center not to exceed \$506,245; to the Chamber of Commerce Tourist and Visitor Information Program, funding not to exceed \$202,000; to the Cultural Council for promotion of the arts, funding not to exceed \$85,000; for Texas Settlement Independence Region not to exceed \$4,000; for Victoria Regional Museum Association \$15,000; for the Victoria Branding Project not to exceed \$40,000; and for tournaments not to exceed \$10,000.

NONMAJOR SPECIAL REVENUE FUNDS - (Continued)

Forfeiture Fund - This fund is used to account for receipt and disbursement of monies awarded to the City by the court system. Money and property confiscated in drug-related cases are the sources of these funds. Both federal and state courts have programs in place. The monies, by law and court order, must be spent on certain activities within the Police Department.

Office of Justice Grants - This fund is used to account for the proceeds of the Local Law Enforcement Block Grant and the Justice Assistance Grant and the disbursement of such on public safety equipment, travel, etc.

K-9 Unit Program - This fund will track the expenditures related to the Police Department K-9 Unit. An initial donation was received from the American Petroleum Institute to purchase two K-9 dogs.

Clean Cities Program - This program is a locally based industry and government partnership sponsored by the U.S. Department of Energy. Its mission is to advance the economic, environmental and energy security goals of the United States by supporting local decisions to adopt practices that contribute to the reduction of petroleum consumption in the transportation sector.

Hurricane Program Grant - Federal Emergency Management Agency grant passed through the Texas Department of Public Safety's Division of Emergency Management to allow cities to respond to disasters and to recover from their impact. While these grants are aimed at governments and organizations, their final goal is to help a community and all its citizens recover from devastating natural disasters. This fund is currently accounting for funds pertaining to Hurricane Ike.

Victoria Kids Recycle - Used to account for a program funded by LyondellBasell which educates students at eleven VISD elementary campuses and provides curricular experiences that give rise to lifelong learning, citizenship, and environmental stewardship.

Victoria 100 Club - Used to account for funds received from the Victoria 100 Club to purchase safety vests and scopes for the Police Department.

Gates Foundation Grant - Used to account for funds received from the Texas State Library and Archives Commission via the Bill and Melinda Gates Foundation to increase access to technology.

Municipal Court Special Revenue - Used to account for funds generated from Municipal Court fees. Each ticket processed by Municipal Court has a City imposed charge of \$3.00 for security fees and a charge of \$4.00 for technology fees. These funds are used to upgrade the Municipal Court security and technology systems.

Border Star Grant - Used to account for funds received by the Governor's Division of Emergency Management for additional manpower by local law enforcement agencies for state surge operations for improved border security. Eligible activities and costs are project overtime, transportation, lodging, per diem, and operating expenses incurred during field operations that correlate with the Border Star grant. Reimbursement is processed through the Texas Department of Public Safety as authorized by the General Appropriation Act, 80th Legislature, Article V.

Federal Home Loan Bank Affordable Housing - Used to account for the Affordable Housing Program and the agreement between the Federal Home Loan Bank of Dallas, First Capital Bank and the City of Victoria for the Owner Occupied Project. This project rehabilitated ten housing units for low-income families.

NONMAJOR SPECIAL REVENUE FUNDS - (Continued)

Lone Star Libraries Grant - Texas State Library and Archives Commission grant designed to purchase books and other literature sources for local libraries.

Community Development Block Grant – Used to account for the proceeds of federal block grants and the disbursements of such on public works construction projects. Funds may be used only as designated in grant applications and according to federal block grant guidelines.

Weapons of Mass Destruction - The funds from the Weapons of Mass Destruction State Homeland Security Program are used to purchase the necessary equipment to enhance the City's ability to effectively prepare for and control a terrorism incident. The funds received are based on a needs assessment performed by the City that considers the potential terrorism targets, such as the water supply and hospitals located within the City. The equipment purchased is for the police, fire, and utility departments that would respond to a terrorism incident.

Emergency Management Fund - Used to account for funds received from the County of Victoria and the State of Texas for Emergency Management operations.

CITY OF VICTORIA, TEXAS

NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

September 30, 2008

	Project Safe Neighborhood	GCRAC EMS/Trauma System Grant	GCRPC Grant	STEP Grant	HOME Contract
ASSETS					
Cash and cash equivalents	\$ -	\$ 9,556	\$ -	\$ 4,000	\$ 9,500
Receivables (net)					
Other	12,380	-	14,114	-	-
Due from other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 12,380</u>	<u>\$ 9,556</u>	<u>\$ 14,114</u>	<u>\$ 4,000</u>	<u>\$ 9,500</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 3,664	\$ 1,151	\$ 666	\$ -	\$ -
Due to other funds	8,716	-	13,448	-	-
Deferred revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,000</u>	<u>9,500</u>
Total liabilities	<u>12,380</u>	<u>1,151</u>	<u>14,114</u>	<u>4,000</u>	<u>9,500</u>
Fund balances					
Unreserved, undesignated	<u>-</u>	<u>8,405</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 12,380</u>	<u>\$ 9,556</u>	<u>\$ 14,114</u>	<u>\$ 4,000</u>	<u>\$ 9,500</u>

<u>Riverside Stadium</u>	<u>LEOSE Training Grant</u>	<u>Auto Theft Grant</u>	<u>TCEQ Grant</u>	<u>MPO Grant</u>	<u>Motel Tax</u>	<u>Forfeiture Fund</u>	<u>Office of Justice Grants</u>	<u>K-9 Unit Program</u>
\$ 9,383	\$ 11,308	\$ -	\$ -	\$ -	\$ 392,455	\$ 81,700	\$ 33,781	\$ 16
-	-	11,723	92,488	42,519	350,983	-	-	-
-	-	<u>21,838</u>	-	-	-	-	-	-
<u>\$ 9,383</u>	<u>\$ 11,308</u>	<u>\$ 33,561</u>	<u>\$ 92,488</u>	<u>\$ 42,519</u>	<u>\$ 743,438</u>	<u>\$ 81,700</u>	<u>\$ 33,781</u>	<u>\$ 16</u>
\$ 8,000	\$ -	\$ -	\$ 19,922	\$ 789	\$ 84,777	\$ 313	\$ 500	\$ -
-	-	33,561	72,566	41,730	232,110	-	-	-
-	<u>11,308</u>	-	-	-	-	-	<u>33,281</u>	-
<u>8,000</u>	<u>11,308</u>	<u>33,561</u>	<u>92,488</u>	<u>42,519</u>	<u>316,887</u>	<u>313</u>	<u>33,781</u>	<u>-</u>
<u>1,383</u>	-	-	-	-	<u>426,551</u>	<u>81,387</u>	-	<u>16</u>
<u>\$ 9,383</u>	<u>\$ 11,308</u>	<u>\$ 33,561</u>	<u>\$ 92,488</u>	<u>\$ 42,519</u>	<u>\$ 743,438</u>	<u>\$ 81,700</u>	<u>\$ 33,781</u>	<u>\$ 16</u>

(continued)

CITY OF VICTORIA, TEXAS**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS****COMBINING BALANCE SHEET**

September 30, 2008

	Clean Cities Program	Hurricane Program Grant	Victoria Kids Recycle	Victoria 100 Club	Gates Foundation Grant
ASSETS					
Cash and cash equivalents	\$ -	\$ 11,438	\$ -	\$ 171	\$ 423
Receivables					
Other	4,444	95,794	25,000	-	-
Due from other funds	-	9,997	-	-	-
Total assets	<u>\$ 4,444</u>	<u>\$ 117,229</u>	<u>\$ 25,000</u>	<u>\$ 171</u>	<u>\$ 423</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 414	\$ 25,531	\$ 1,462	\$ -	\$ -
Due to other funds	4,030	91,698	20,834	-	-
Deferred revenue	-	-	2,704	171	423
Total liabilities	<u>4,444</u>	<u>117,229</u>	<u>25,000</u>	<u>171</u>	<u>423</u>
Fund balance					
Unreserved, undesignated	-	-	-	-	-
Total liabilities and fund balances	<u>\$ 4,444</u>	<u>\$ 117,229</u>	<u>\$ 25,000</u>	<u>\$ 171</u>	<u>\$ 423</u>

<u>Municipal Court Special Revenue</u>	<u>Border Star Grant</u>	<u>F.H.L.B. Grant</u>	<u>Lone Star Libraries Grant</u>	<u>Community Development Block Grant</u>	<u>Weapons Mass Destruction</u>	<u>Emergency Management</u>	<u>Total</u>
\$ 235,988	\$ 57,647	\$ -	\$ -	\$ -	\$ -	\$ 39,396	\$ 896,762
-	-	-	-	115,973	-	41,801	807,219
-	-	-	-	-	-	20,025	51,860
<u>\$ 235,988</u>	<u>\$ 57,647</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 115,973</u>	<u>\$ -</u>	<u>\$ 101,222</u>	<u>\$ 1,755,841</u>
\$ 484	\$ 7	\$ -	\$ -	\$ 107,059	\$ -	\$ 68,404	\$ 323,143
-	46,217	-	-	8,914	-	-	573,824
-	11,423	-	-	-	-	-	72,810
<u>484</u>	<u>57,647</u>	<u>-</u>	<u>-</u>	<u>115,973</u>	<u>-</u>	<u>68,404</u>	<u>969,777</u>
<u>235,504</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,818</u>	<u>786,064</u>
<u>\$ 235,988</u>	<u>\$ 57,647</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 115,973</u>	<u>\$ -</u>	<u>\$ 101,222</u>	<u>\$ 1,755,841</u>

CITY OF VICTORIA, TEXAS

NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND

CHANGES IN FUND BALANCE

For the year ended September 30, 2008

	Project Safe Neighborhood	GCRAC EMS/Trauma System Grant	GCRPC Grant	STEP Grant	HOME Contract
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	14,114	-	-
Fines and forfeitures	-	-	-	-	-
Investment income	-	-	-	-	-
Miscellaneous	27,852	20,491	-	-	-
Total revenues	<u>27,852</u>	<u>20,491</u>	<u>14,114</u>	<u>-</u>	<u>-</u>
EXPENDITURES					
General government	-	-	14,114	-	-
Public safety	27,852	12,086	-	-	-
Culture and recreation	-	-	-	-	-
Total expenditures	<u>27,852</u>	<u>12,086</u>	<u>14,114</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	-	8,405	-	-	-
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balances	-	8,405	-	-	-
Fund balance at beginning of year	-	-	-	-	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ 8,405</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Riverside Stadium	LEOSE Training Grant	Auto Theft Grant	TCEQ Grant	MPO Grant	Motel Tax	Forfeiture Fund	Office of Justice Grants	K-9 Unit Program
\$ -	\$ -	\$ -	\$ -	\$ -	\$1,197,299	\$ -	\$ -	\$ -
-	15,341	53,515	510,335	222,247	-	-	10,284	-
-	-	-	-	-	-	25,547	-	-
182	90	-	-	-	10,259	2,473	716	317
1,000	-	-	-	-	4,778	1,890	-	-
<u>1,182</u>	<u>15,431</u>	<u>53,515</u>	<u>510,335</u>	<u>222,247</u>	<u>1,212,336</u>	<u>29,910</u>	<u>11,000</u>	<u>317</u>
-	-	-	510,335	-	-	-	-	-
-	15,431	75,353	-	222,247	-	51,229	11,000	9,300
<u>14,518</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>346,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>14,518</u>	<u>15,431</u>	<u>75,353</u>	<u>510,335</u>	<u>222,247</u>	<u>346,000</u>	<u>51,229</u>	<u>11,000</u>	<u>9,300</u>
(13,336)	-	(21,838)	-	-	866,336	(21,319)	-	(8,983)
-	-	21,838	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(837,791)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>21,838</u>	<u>-</u>	<u>-</u>	<u>(837,791)</u>	<u>-</u>	<u>-</u>	<u>-</u>
(13,336)	-	-	-	-	28,545	(21,319)	-	(8,983)
<u>14,719</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>398,006</u>	<u>102,706</u>	<u>-</u>	<u>8,999</u>
<u>\$ 1,383</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 426,551</u>	<u>\$ 81,387</u>	<u>\$ -</u>	<u>\$ 16</u>

(continued)

CITY OF VICTORIA, TEXAS

NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND

CHANGES IN FUND BALANCE

For the year ended September 30, 2008

	Clean Cities Program	Hurricane Program Grant	Victoria Kids Recycle	Victoria 100 Club	Gates Foundation Grant
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	22,896	117,728	37,411	-	-
Fines and forfeitures	-	-	-	-	-
Investment income	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	<u>22,896</u>	<u>117,728</u>	<u>37,411</u>	<u>-</u>	<u>-</u>
EXPENDITURES					
General government	22,896	-	37,411	-	-
Public safety	-	127,725	-	-	-
Culture and recreation	-	-	-	-	-
Total expenditures	<u>22,896</u>	<u>127,725</u>	<u>37,411</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	-	(9,997)	-	-	-
OTHER FINANCING SOURCES (USES)					
Transfers in	-	9,997	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>9,997</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balances	-	-	-	-	-
Fund balance at beginning of year	-	-	-	-	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Municipal Court Special Revenue	Border Star Grant	F.H.L.B. Grant	Lone Star Libraries Grant	Community Development Block Grant	Weapons Mass Destruction	Emergency Management	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,197,299
-	68,577	-	23,472	492,000	35,791	41,464	1,665,175
63,140	-	-	-	-	-	-	88,687
629	-	-	-	-	-	679	15,345
13,720	-	13,250	-	-	-	-	82,981
<u>77,489</u>	<u>68,577</u>	<u>13,250</u>	<u>23,472</u>	<u>492,000</u>	<u>35,791</u>	<u>42,143</u>	<u>3,049,487</u>
69,321	-	13,250	-	492,000	-	-	1,159,327
-	68,577	-	-	-	35,791	125,492	782,083
-	-	-	23,472	-	-	-	383,990
<u>69,321</u>	<u>68,577</u>	<u>13,250</u>	<u>23,472</u>	<u>492,000</u>	<u>35,791</u>	<u>125,492</u>	<u>2,325,400</u>
8,168	-	-	-	-	-	(83,349)	724,087
-	-	-	-	-	-	85,380	117,215
-	-	-	-	-	-	-	(837,791)
-	-	-	-	-	-	85,380	(720,576)
8,168	-	-	-	-	-	2,031	3,511
<u>227,336</u>	-	-	-	-	-	<u>30,787</u>	<u>782,553</u>
<u>\$ 235,504</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,818</u>	<u>\$ 786,064</u>



GENERAL FUND

The General Fund is used to account for all financial resources of the general government, except those required to be accounted for in another fund.

CITY OF VICTORIA, TEXAS**MAJOR GOVERNMENTAL FUNDS - GENERAL FUND****BALANCE SHEET**

September 30, 2008

With comparative totals for September 30, 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Cash and cash equivalents	\$ 8,742,194	\$ 9,490,235
Investments	6,507,292	5,065,055
Receivables (net)		
Ad valorem taxes (prior years)	990,607	961,112
Franchise taxes	670,653	758,318
Sales taxes	1,051,151	1,008,414
Paving assessments	13,974	14,039
Ambulance	1,404,580	1,381,364
Fines	325,796	322,171
Other	725,196	412,290
Due from other funds	341,671	406,652
Due from component units	12,165	-
Returned checks	<u>14,280</u>	<u>13,378</u>
Total assets	<u>\$ 20,799,559</u>	<u>\$ 19,833,028</u>
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	\$ 970,368	\$ 436,142
Accrued expenditures	1,659,456	1,328,585
Accrued compensated absences	1,753	14,874
Due to other governments	108,696	149,348
Due to other funds	317,176	191,980
Deferred revenue	<u>2,895,582</u>	<u>2,828,697</u>
Total liabilities	<u>5,953,031</u>	<u>4,949,626</u>
Fund balances		
Reserve for encumbrances	3,790,753	2,841,648
Unreserved, undesignated	<u>11,055,775</u>	<u>12,041,754</u>
Total fund balances	<u>14,846,528</u>	<u>14,883,402</u>
Total liabilities and fund balances	<u>\$ 20,799,559</u>	<u>\$ 19,833,028</u>

CITY OF VICTORIA, TEXAS*MAJOR GOVERNMENTAL FUNDS - GENERAL FUND**SCHEDULE OF REVENUES**BUDGET (GAAP BASIS) AND ACTUAL**For the year ended September 30, 2008**With comparative totals for the year ended September 30, 2007*

	2008		Variance Positive (Negative)	2007 Actual
	Final Budget	Actual		
Taxes				
Ad valorem taxes	\$ 12,066,454	\$ 12,062,440	\$ (4,014)	\$ 11,343,339
Penalty and interest	210,000	223,400	13,400	207,625
Franchise tax	4,337,000	4,678,027	341,027	4,887,453
Sales tax	13,552,043	13,545,220	(6,823)	13,028,689
Other	71,000	65,576	(5,424)	80,176
Total taxes	30,236,497	30,574,663	338,166	29,547,282
Licenses and permits				
Building	150,000	236,881	86,881	189,007
Electrical	31,100	48,436	17,336	46,107
Mechanical	26,000	35,140	9,140	31,454
Liquor	160,000	166,321	6,321	168,471
Plumbing	25,000	34,076	9,076	31,499
Vital statistics	140,000	180,845	40,845	188,399
Miscellaneous	69,799	85,491	15,692	72,595
Total licenses and permits	601,899	787,190	185,291	727,532
Intergovernmental	2,300,248	2,746,477	446,229	1,866,972
Charges for services				
Ambulance	1,360,000	1,404,580	44,580	1,374,635
Victoria Public Library	50,000	52,688	2,688	52,532
Parks and recreation	98,000	120,270	22,270	121,443
Miscellaneous	118,600	186,753	68,153	148,438
Total charges for services	1,626,600	1,764,291	137,691	1,697,048
Fines and forfeitures				
Court costs	153,000	186,256	33,256	185,252
Criminal and traffic court	1,100,000	967,318	(132,682)	1,088,634
Parking violations	13,000	12,033	(967)	16,931
Total fines and forfeitures	1,266,000	1,165,607	(100,393)	1,290,817
Investment income				
Interest	660,000	551,130	(108,870)	748,591
Miscellaneous				
Rents	1,800	2,278	478	2,378
Salvage and materials sales	2,500	2,903	403	2,472
Contributions and miscellaneous	240,341	471,504	231,163	562,671
Total miscellaneous	244,641	476,685	232,044	567,521
Total revenues	\$ 36,935,885	\$ 38,066,043	\$ 1,130,158	\$ 36,445,763

CITY OF VICTORIA, TEXAS*MAJOR GOVERNMENTAL FUNDS - GENERAL FUND**SCHEDULE OF EXPENDITURES**BUDGET (GAAP BASIS) AND ACTUAL**For the year ended September 30, 2008**With comparative totals for the year ended September 30, 2007*

	2008		Variance Positive (Negative)	2007 Actual
	Final Budget	Actual		
General government				
City manager and council				
Personnel	\$ 564,917	\$ 563,087	\$ 1,830	\$ 520,168
Maintenance and operations	104,774	74,020	30,754	73,893
Capital outlay	8,870	8,364	506	14,557
Total city manager and council	678,561	645,471	33,090	608,618
Legal - city attorney				
Personnel	425,030	372,573	52,457	392,853
Maintenance and operations	317,198	246,514	70,684	81,796
Capital outlay	1,375	2,064	(689)	3,937
Total legal - city attorney	743,603	621,151	122,452	478,586
Finance				
Personnel	449,718	385,846	63,872	423,489
Maintenance and operations	179,285	153,142	26,143	139,601
Capital outlay	-	-	-	6,954
Total finance	629,003	538,988	90,015	570,044
Municipal court				
Personnel	254,754	222,682	32,072	214,916
Maintenance and operations	33,768	24,664	9,104	21,146
Total municipal court	288,522	247,346	41,176	236,062
Human resources				
Personnel	322,929	328,696	(5,767)	305,966
Maintenance and operations	145,171	131,106	14,065	124,204
Capital outlay	4,434	3,152	1,282	-
Total human resources	472,534	462,954	9,580	430,170

(continued)

CITY OF VICTORIA, TEXAS*MAJOR GOVERNMENTAL FUNDS - GENERAL FUND**SCHEDULE OF EXPENDITURES**BUDGET (GAAP BASIS) AND ACTUAL**For the year ended September 30, 2008**With comparative totals for the year ended September 30, 2007*

	2008			2007 Actual
	Final Budget	Actual	Variance Positive (Negative)	
General government - (continued)				
Planning				
Personnel	\$ 390,094	\$ 383,925	\$ 6,169	\$ 336,857
Maintenance and operations	355,607	360,597	(4,990)	213,890
Capital outlay	<u>3,726</u>	<u>3,705</u>	<u>21</u>	<u>8,245</u>
Total planning	<u>749,427</u>	<u>748,227</u>	<u>1,200</u>	<u>558,992</u>
Building services				
Personnel	270,492	232,641	37,851	258,050
Maintenance and operations	159,896	166,339	(6,443)	145,633
Capital outlay	<u>12,112</u>	<u>936</u>	<u>11,176</u>	<u>52,278</u>
Total building services	<u>442,500</u>	<u>399,916</u>	<u>42,584</u>	<u>455,961</u>
Custodial services				
Personnel	208,005	204,242	3,763	186,590
Maintenance and operations	<u>36,824</u>	<u>32,817</u>	<u>4,007</u>	<u>45,111</u>
Total custodial services	<u>244,829</u>	<u>237,059</u>	<u>7,770</u>	<u>231,701</u>
City secretary				
Personnel	138,395	137,793	602	151,664
Maintenance and operations	68,486	57,791	10,695	72,429
Capital outlay	<u>2,750</u>	<u>1,881</u>	<u>869</u>	<u>1,194</u>
Total city secretary	<u>209,631</u>	<u>197,465</u>	<u>12,166</u>	<u>225,287</u>
Non-departmental				
Personnel	11,500	11,712	(212)	23,906
Maintenance and operations	<u>1,047,945</u>	<u>887,000</u>	<u>160,945</u>	<u>926,775</u>
Total non-departmental	<u>1,059,445</u>	<u>898,712</u>	<u>160,733</u>	<u>950,681</u>
Total general government	<u>5,518,055</u>	<u>4,997,289</u>	<u>520,766</u>	<u>4,746,102</u>

(continued)

CITY OF VICTORIA, TEXAS

MAJOR GOVERNMENTAL FUNDS - GENERAL FUND

SCHEDULE OF EXPENDITURES

BUDGET (GAAP BASIS) AND ACTUAL

For the year ended September 30, 2008

With comparative totals for the year ended September 30, 2007

	2008			2007 Actual
	Final Budget	Actual	Variance Positive (Negative)	
Public safety				
Police				
Personnel	\$ 8,594,169	\$ 8,227,936	\$ 366,233	\$ 8,058,586
Maintenance and operations	1,876,784	1,853,375	23,409	1,492,756
Capital outlay	103,794	107,421	(3,627)	123,192
Total police	10,574,747	10,188,732	386,015	9,674,534
Fire				
Personnel	7,396,083	7,342,843	53,240	6,658,336
Maintenance and operations	3,020,193	2,369,644	650,549	1,276,432
Capital outlay	3,092,691	2,048,344	1,044,347	194,935
Total fire	13,508,967	11,760,831	1,748,136	8,129,703
Inspections				
Personnel	621,017	574,598	46,419	575,053
Maintenance and operations	179,070	155,468	23,602	124,818
Capital outlay	85,326	73,052	12,274	369
Total inspections	885,413	803,118	82,295	700,240
Code enforcement				
Personnel	249,487	192,797	56,690	129,985
Maintenance and operations	303,499	200,604	102,895	109,486
Capital outlay	5,850	4,381	1,469	-
Total code enforcement	558,836	397,782	161,054	239,471
Traffic control				
Personnel	431,813	375,731	56,082	369,914
Maintenance and operations	1,818,710	1,403,452	415,258	1,513,419
Capital outlay	55,429	40,470	14,959	7,922
Total traffic control	2,305,952	1,819,653	486,299	1,891,255
Total public safety	27,833,915	24,970,116	2,863,799	20,635,203

(continued)

CITY OF VICTORIA, TEXAS*MAJOR GOVERNMENTAL FUNDS - GENERAL FUND**SCHEDULE OF EXPENDITURES**BUDGET (GAAP BASIS) AND ACTUAL**For the year ended September 30, 2008**With comparative totals for the year ended September 30, 2007*

	2008		Variance Positive (Negative)	2007 Actual
	Final Budget	Actual		
Highways and streets				
Engineering				
Personnel	\$ 794,988	\$ 706,504	\$ 88,484	\$ 797,513
Maintenance and operations	212,374	179,160	33,214	157,090
Capital outlay	23,067	18,204	4,863	7,907
Total engineering	1,030,429	903,868	126,561	962,510
Streets and drainage				
Personnel	1,480,222	1,428,120	52,102	1,232,772
Maintenance and operations	1,261,188	1,118,255	142,933	1,192,145
Capital outlay	3,474,590	1,511,542	1,963,048	2,119,498
Total streets and drainage	6,216,000	4,057,917	2,158,083	4,544,415
Total highways and streets	7,246,429	4,961,785	2,284,644	5,506,925
Culture and recreation				
Parks and recreation				
Personnel	1,657,322	1,406,145	251,177	1,327,293
Maintenance and operations	1,302,366	1,160,103	142,263	890,573
Capital outlay	1,096,163	712,749	383,414	494,505
Total parks and recreation	4,055,851	3,278,997	776,854	2,712,371
Public library				
Personnel	1,271,440	1,234,259	37,181	1,183,197
Maintenance and operations	544,550	484,488	60,062	403,345
Capital outlay	620,364	570,810	49,554	287,451
Total public library	2,436,354	2,289,557	146,797	1,873,993
Total culture and recreation	6,492,205	5,568,554	923,651	4,586,364
Total expenditures	\$ 47,090,604	\$ 40,497,744	\$ 6,592,860	\$ 35,474,594

(concluded)



DEBT SERVICE FUND

To account for the receipt and disbursement of funds utilized for the retirement of general obligation debt of the City, including general obligation bonds and certificates of obligation. The Debt Service Fund is comprised of the following debt service issues:

1998 Records Management and Related Equipment Issue - To accumulate monies for payment of the 1998 \$6,200,000 4.0% - 5.00% Tax and Revenue Certificates of Obligation, which are serial bonds due in annual installments of various amounts plus interest until maturity in 2009. Property tax is levied to finance debt service.

1999 Capital Improvement Program and Technology Plan Issue - To accumulate monies for payment of the 1999 \$6,000,000 5.00% - 5.75% Combination Tax and Revenue Certificates of Obligation, which are serial bonds due in annual installments of various amounts plus interest until maturity in 2019. Property tax is levied to finance debt service.

2000 Street & Drainage, Water, and Sewer Line Improvements Issue - To accumulate monies for payment of the 2000 \$15,000,000 4.65% - 6.00% General Obligation Bonds, which are serial bonds due in annual installments of various amounts plus interest until maturity in 2023. Property tax is levied to finance debt service.

2001 Street & Drainage, Water, and Sewer Line Improvements Issue - To accumulate monies for payment of the 2001 \$15,000,000 3.70% - 5.375% General Obligation Bonds, which are serial bonds due in annual installments of various amounts plus interest until maturity in 2023. Property tax is levied to finance debt service.

2003 Residential Street and Arterial Street Improvement Issue - To accumulate monies for payment of the 2003 \$5,325,000 3.35% - 4.35% Certificates of Obligation, which are serial bonds due in annual installments of various amounts plus interest until maturity in 2023. Property tax is levied to finance debt service.

2004 General Obligation Refunding Issue - To accumulate monies for payment of the 2004 advance refunding issue of \$9,915,000 1.70% - 4.35% Refunding General Obligation Bonds which are serial bonds due in annual installments of various amounts plus interest until maturity in 2021. Property tax is levied to finance debt service. The \$9,915,000 from the proceeds was deposited into an escrow account to pay off the maturities of the 1999 Certificates of Obligation and the 2000 General Obligation Bonds as they become due. Property taxes levied in excess of actual requirements are legally restricted to servicing this debt.

2005 General Obligation Refunding Issue - To accumulate monies for payment of the 2005 advance refunding issue of \$12,330,000 3.00% - 4.20% Refunding General Obligation Bonds which are serial bonds due in annual installments of various amounts plus interest until maturity in 2023. Property tax is levied to finance debt service. The \$12,330,000 from the proceeds was deposited into an escrow account to pay off the maturities of the 2000 General Obligation Bonds and the 2001 General Obligation Bonds as they become due. Property taxes levied in excess of actual requirements are legally restricted to servicing this debt.

2005 Streets, Drainage, Traffic Control, Water and Sewer Line Improvements, and Rights-of-Way Issue - To accumulate monies for payment of the 2005 \$14,120,000 3.00% - 5.00% Certificates of Obligation, which are serial bonds due in annual installments of various amounts plus interest until maturity in 2026. Property tax is levied to finance debt service. Proceeds from the sale of the Certificates will be used (1) to construct improvements and extensions to the City's waterworks and sewer systems, (2) construct street and drainage improvements, (3) acquire and install traffic controls, (4) acquire rights-of-way for the Lone Tree Street Project and Laurent Street Project, (5) pay legal, fiscal, and engineering fees in connection with the above projects, and (6) pay other costs related to the issuance of the Certificates.

DEBT SERVICE FUND - (Continued)

2006 Streets, Sidewalk, Drainage, Traffic Control, Water and Sewer Line Improvements, and Rights-of-Way Issue - To accumulate monies for payment of the 2006 \$9,880,000 3.875% - 4.50% Certificates of Obligation, which are serial bonds due in annual installments of various amounts plus interest until maturity in 2026. Property tax is levied to finance debt service. Proceeds from the sale of the Certificates will be used (1) to construct improvements and extensions to the City's waterworks and sewer systems, (2) construct street, sidewalk, and drainage improvements, (3) acquire and install traffic controls, (4) acquire rights-of-way for the Laurent Street Project, and (5) pay for professional services rendered by engineers, attorneys, and financial advisors in connection with the above projects and the Certificates.

2007 Streets, Sidewalk, Drainage, Traffic Control, and Water and Sewer Line Improvements Issue - To accumulate monies for payment of the 2007 \$9,995,000 4.00% - 4.50% Certificates of Obligation, which are serial and term certificates due in annual installments of various amounts plus interest until maturity in 2027. Property tax is levied to finance debt service. Proceeds from the sale of the Certificates will be used (1) to construct improvements and extensions to the City's waterworks and sewer systems, (2) construct street, sidewalk, and drainage improvements, (3) acquire and install traffic controls, and (4) pay for professional services rendered by engineers, attorneys, and financial advisors in connection with the above projects and the Certificates.

CITY OF VICTORIA, TEXAS*MAJOR GOVERNMENTAL FUNDS - DEBT SERVICE FUND***BALANCE SHEET***September 30, 2008**With comparative totals for September 30, 2007*

	<u>2008</u>	<u>2007</u>
ASSETS		
Cash and cash equivalents	\$ 185,901	\$ 933,458
Investments	1,000,000	-
Receivables (net)		
Ad valorem taxes (prior years)	374,971	341,249
Other	<u>-</u>	<u>47</u>
Total assets	<u>\$ 1,560,872</u>	<u>\$ 1,274,754</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Deferred revenue	<u>\$ 374,971</u>	<u>\$ 341,249</u>
Total liabilities	<u>374,971</u>	<u>341,249</u>
Fund balance		
Unreserved, undesignated	<u>1,185,901</u>	<u>933,505</u>
Total liabilities and fund balance	<u>\$ 1,560,872</u>	<u>\$ 1,274,754</u>

CITY OF VICTORIA, TEXAS

MAJOR GOVERNMENTAL FUNDS - DEBT SERVICE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET (GAAP BASIS) AND ACTUAL

For the year ended September 30, 2008

With comparative totals for the year ended September 30, 2007

	2008		Variance Positive (Negative)	2007 Actual
	Final Budget	Actual		
REVENUES				
Taxes				
Ad valorem - current				
1998 Issue	\$ 920,548	\$ 920,548	\$ -	\$ 886,555
1999 Issue	314,950	314,950	-	308,759
2000 Issue	691,263	691,263	-	646,525
2001 Issue	1,150,002	1,150,002	-	1,112,342
2003 Issue	438,534	438,534	-	423,143
2004 Issue	474,998	474,998	-	457,894
2005 Issue	1,384,970	1,384,970	-	1,571,844
2006 Issue	674,401	674,401	-	481,836
2007 Issue	445,086	445,086	-	-
Ad valorem - delinquent	100,000	118,071	18,071	92,754
Investment income				
Interest	132,500	91,494	(41,006)	143,009
Total revenues	<u>6,727,252</u>	<u>6,704,317</u>	<u>(22,935)</u>	<u>6,124,661</u>
EXPENDITURES				
Debt service				
Principal retirement				
1998 Issue	865,000	865,000	-	825,000
1999 Issue	285,000	285,000	-	275,000
2000 Issue	600,000	600,000	-	550,000
2001 Issue	625,000	625,000	-	600,000
2003 Issue	245,000	245,000	-	235,000
2004 Issue	105,000	105,000	-	100,000
2005 Issue	300,000	300,000	-	520,000
2006 Issue	260,000	260,000	-	45,000
2007 Issue	-	40,000	(40,000)	-
Interest				
1998 Issue	53,500	53,500	-	87,300
1999 Issue	29,250	29,250	-	42,725
2000 Issue	89,725	89,725	-	115,300
2001 Issue	522,444	522,444	-	544,644
2003 Issue	192,559	192,559	-	200,431
2004 Issue	368,941	368,941	-	371,191
2005 Issue	1,081,889	1,081,889	-	1,097,489
2006 Issue	412,900	412,900	-	365,365
2007 Issue	444,096	365,913	78,183	-
Paying agents' fees and issue costs	14,450	9,800	4,650	17,900
Total expenditures	<u>6,494,754</u>	<u>6,451,921</u>	<u>42,833</u>	<u>5,992,345</u>
Excess (deficiency) of revenues over expenditures	232,498	252,396	19,898	132,316
OTHER FINANCING SOURCES (USES)	-	-	-	-
Changes in fund balance	232,498	252,396	19,898	132,316
Fund balance at beginning of year	933,505	933,505	-	801,189
Fund balance at end of year	<u>\$ 1,166,003</u>	<u>\$ 1,185,901</u>	<u>\$ 19,898</u>	<u>\$ 933,505</u>

CAPITAL PROJECT FUNDS

The City maintains three Capital Project Funds: LaSalle Crossing / Capital Improvement Programs, the Streets and Drainage Use Bonds and the Residential/Arterial Capital Improvement Program. The purpose of these funds is to account for the acquisition or construction of City facilities, usually accounting for proceeds of bond issues and local sources. These funds are not used to account for projects financed by proprietary funds, trust funds, or Special Revenue Funds. The Streets and Drainage Use Bonds and the Residential/Arterial Capital Improvement Program funds are reported as major funds.

LaSalle Crossing / Capital Improvement Programs - Used to account for the funding of constructing a four-lane concrete paved roadway from Navarro Street at the second Mall entrance over to Hathaway Street across from the rear driveway entrance into Target, and the installation of a traffic signal in front of Wal-Mart and Mac Haik commercial property.

Streets and Drainage Use Bonds - Used to account for the funding of streets and drainage improvements by the 2000 and 2001 general obligation bond issues.

Residential/Arterial Capital Improvement Program - Used to account for the funding of street improvements and to pay for professional services related to the issuance of the 2005 and 2006 certificates of obligation.

CITY OF VICTORIA, TEXAS

NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECT FUNDS

LASALLE CROSSING / CAPITAL IMPROVEMENT PROGRAMS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -

BUDGET (GAAP BASIS) AND ACTUAL

For the year ended September 30, 2008

With comparative totals for the year ended September 30, 2007

	2008			2007 Actual
	Final Budget	Actual	Variance Positive (Negative)	
REVENUES				
Investment income				
Interest	\$ -	\$ 2,109	\$ 2,109	\$ 3,070
Total revenues	<u>-</u>	<u>2,109</u>	<u>2,109</u>	<u>3,070</u>
EXPENDITURES				
Current				
General government	-	5,800	(5,800)	-
Total expenditures	<u>-</u>	<u>5,800</u>	<u>(5,800)</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	-	(3,691)	7,909	3,070
OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balance	-	(3,691)	7,909	3,070
Fund balance at beginning of year	-	63,623	63,623	60,553
Fund balance at end of year	<u>\$ -</u>	<u>\$ 59,932</u>	<u>\$ 71,532</u>	<u>\$ 63,623</u>

CITY OF VICTORIA, TEXAS

MAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECT FUNDS

STREETS AND DRAINAGE USE BONDS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -

BUDGET (GAAP BASIS) AND ACTUAL

For the year ended September 30, 2008

With comparative totals for the year ended September 30, 2007

	2008		Variance Positive (Negative)	2007 Actual
	Final Budget	Actual		
REVENUES				
Investment income				
Interest	\$ -	\$ 155,913	\$ 155,913	\$ 484,363
Miscellaneous income	-	2,000,000	2,000,000	42,966
Total revenues	-	2,155,913	2,155,913	527,329
EXPENDITURES				
Capital outlay	12,271,940	7,423,582	4,848,358	5,717,955
Excess (deficiency) of revenues over expenditures	(12,271,940)	(5,267,669)	7,004,271	(5,190,626)
OTHER FINANCING SOURCES (USES)	-	-	-	-
Change in fund balance	(12,271,940)	(5,267,669)	7,004,271	(5,190,626)
Fund balance at beginning of year	5,683,798	5,683,798	-	10,874,424
Fund balance at end of year	\$ (6,588,142)	\$ 416,129	\$ 7,004,271	\$ 5,683,798

CITY OF VICTORIA, TEXAS

MAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECT FUNDS

RESIDENTIAL / ARTERIAL CAPITAL IMPROVEMENT PROGRAM

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -

BUDGET (GAAP BASIS) AND ACTUAL

For the year ended September 30, 2008

With comparative totals for the year ended September 30, 2007

	2008		Variance Positive (Negative)	2007 Actual
	Final Budget	Actual		
REVENUES				
Investment income				
Interest	\$ -	\$ 1,036,386	\$ 1,036,386	\$ 1,036,206
Miscellaneous income	-	2,000,000	2,000,000	13,402
Total revenues	-	3,036,386	3,036,386	1,049,608
EXPENDITURES				
Capital outlay	29,940,109	11,403,398	18,536,711	5,436,481
Debt service				
Bond issue costs	-	176,003	(176,003)	6,000
Total expenditures	29,940,109	11,579,401	18,360,708	5,442,481
Excess (deficiency) of revenues over expenditures	(29,940,109)	(8,543,015)	21,397,094	(4,392,873)
OTHER FINANCING SOURCES (USES)				
Bonds issued	-	9,995,000	9,995,000	-
Premium on issuance of bonds	-	195,519	195,519	-
Transfers in	-	-	-	4,080,000
Total other financing sources (uses)	-	10,190,519	10,190,519	4,080,000
Change in fund balance	(29,940,109)	1,647,504	31,587,613	(312,873)
Fund balance at beginning of year	20,047,882	20,047,882	-	20,360,755
Fund balance at end of year	\$ (9,892,227)	\$ 21,695,386	\$ 31,587,613	\$ 20,047,882

NONMAJOR ENTERPRISE FUNDS

The City maintains five Enterprise Funds: Water and Wastewater, Community Center, 700 Main Center, Environmental Services, and Education & Government Channel Fund. The purpose of these funds is to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the City is that the costs (expenses, including depreciation) of providing the services to the general public on a continuing basis be financed or recovered primarily through user charges. Services accounted for in Enterprise Funds are tangible, and therefore it is possible to determine the extent to which they benefit individual service consumers. In addition, Enterprise Funds provide separate accountability for their own debt and debt requirements. The Water and Wastewater and Environmental Services are major funds.

Community Center Fund - This Enterprise Fund was established to account for all transactions generated by operations of the City Community Center. Revenues include usage fees and an annual allocation of motel tax. Expenses include all maintenance and operations costs of the Community Center complex.

700 Main Center Fund - The 700 Main Center Fund was created to account for the revenues and expenses of a large office complex, operated by the City as an enterprise. The building was purchased and renovated by the City primarily to be used as a business incubator center. It is currently leasing space to several City departments and the Victoria Economic Development Corporation.

Education & Government Channel Fund (EGC) - The EGC Fund was established in order to account for all transactions associated with the operation of the City's Education and Government Television Channel. The channel will focus mainly on Victoria's city government, education, history and local arts. Featured on the channel will be broadcasts of City Council meetings and the latest news on Victoria's city government, services and programs.

CITY OF VICTORIA, TEXAS
ALL NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET ASSETS
September 30, 2008

	Community Center	700 Main Center	Education & Government Channel	Total Nonmajor Enterprise Funds
ASSETS				
Current assets				
Cash and cash equivalents	\$ 949,610	\$ 177,831	\$ 3,387	\$ 1,130,828
Receivables (net)	-	1,521	-	1,521
Due from other funds	232,110	-	-	232,110
Returned checks	658	-	-	658
Restricted assets				
Cash and cash equivalents	<u>756,152</u>	<u>-</u>	<u>-</u>	<u>756,152</u>
Total current assets	<u>1,938,530</u>	<u>179,352</u>	<u>3,387</u>	<u>2,121,269</u>
Noncurrent assets				
Capital assets				
Land and other assets not being depreciated	175,160	224,598	-	399,758
Buildings, improvements, and equipment (net)	<u>2,283,143</u>	<u>1,433,598</u>	<u>14,344</u>	<u>3,731,085</u>
Total noncurrent assets	<u>2,458,303</u>	<u>1,658,196</u>	<u>14,344</u>	<u>4,130,843</u>
Total assets	<u>4,396,833</u>	<u>1,837,548</u>	<u>17,731</u>	<u>6,252,112</u>
LIABILITIES				
Current liabilities				
Accounts payable	18,763	6,895	-	25,658
Accrued expenses	15,401	-	-	15,401
Accrued compensated absences	77	-	-	77
Due to other funds	8,051	-	-	8,051
Customer deposits	<u>32,985</u>	<u>-</u>	<u>-</u>	<u>32,985</u>
Total current liabilities	<u>75,277</u>	<u>6,895</u>	<u>-</u>	<u>82,172</u>
Noncurrent liabilities				
Accrued compensated absences	<u>8,437</u>	<u>-</u>	<u>-</u>	<u>8,437</u>
Total liabilities	<u>83,714</u>	<u>6,895</u>	<u>-</u>	<u>90,609</u>
NET ASSETS				
Invested in capital assets	2,458,303	1,658,196	14,344	4,130,843
Unrestricted net assets	<u>1,854,816</u>	<u>172,457</u>	<u>3,387</u>	<u>2,030,660</u>
Total net assets	<u>\$ 4,313,119</u>	<u>\$ 1,830,653</u>	<u>\$ 17,731</u>	<u>\$ 6,161,503</u>

CITY OF VICTORIA, TEXAS

ALL NONMAJOR ENTERPRISE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

For the year ended September 30, 2008

	Community Center	700 Main Center	Education & Government Channel	Total Nonmajor Enterprise Funds
OPERATING REVENUES				
Charges for services	\$ 224,297	\$ 247,701	\$ 8,799	\$ 480,797
OPERATING EXPENSES				
Personnel	233,503	-	-	233,503
Materials and supplies	63,488	1,941	1,268	66,697
Maintenance	21,784	14,132	-	35,916
Heat, lights and power	77,567	70,192	-	147,759
Miscellaneous services	51,648	17,696	-	69,344
Contractual services	2,801	-	-	2,801
Depreciation	112,374	74,318	1,819	188,511
Total operating expenses	<u>563,165</u>	<u>178,279</u>	<u>3,087</u>	<u>744,531</u>
Operating income (loss) before nonoperating revenues (expenses) and contributions and transfers	(338,868)	69,422	5,712	(263,734)
NONOPERATING REVENUES (EXPENSES)				
Investment income	38,070	8,156	19	46,245
Loss on disposition of capital assets	(140,149)	-	-	(140,149)
Net nonoperating revenues (expenses)	<u>(102,079)</u>	<u>8,156</u>	<u>19</u>	<u>(93,904)</u>
Income before contributions and transfers	(440,947)	77,578	5,731	(357,638)
Contributions and transfers				
Transfers in	837,791	-	12,000	849,791
Transfers out	(19,800)	(21,617)	-	(41,417)
Total contributions and transfers	<u>817,991</u>	<u>(21,617)</u>	<u>12,000</u>	<u>808,374</u>
Change in net assets	377,044	55,961	17,731	450,736
Total net assets at beginning of year	<u>3,936,075</u>	<u>1,774,692</u>	<u>-</u>	<u>5,710,767</u>
Total net assets at end of year	<u>\$ 4,313,119</u>	<u>\$ 1,830,653</u>	<u>\$ 17,731</u>	<u>\$ 6,161,503</u>

CITY OF VICTORIA, TEXAS
ALL NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the year ended September 30, 2008

	Community Center	700 Main Center	Education & Government Channel	Total Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 226,497	\$ 248,099	\$ 8,799	\$ 483,395
Cash paid to suppliers for goods and services	(200,405)	(107,187)	(1,268)	(308,860)
Cash paid to employees for services	(229,242)	-	-	(229,242)
Net cash provided (used) by operating activities	<u>(203,150)</u>	<u>140,912</u>	<u>7,531</u>	<u>(54,707)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Increase (decrease) in customer deposits	3,350	-	-	3,350
Borrowings from other funds	(138,385)	-	-	(138,385)
Transfers in from other funds	837,791	-	12,000	849,791
Transfers out to other funds	(19,800)	(21,617)	-	(41,417)
Net cash provided (used) by noncapital financing activities	<u>682,956</u>	<u>(21,617)</u>	<u>12,000</u>	<u>673,339</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(86,411)	(303,524)	(16,163)	(406,098)
Net cash provided (used) by capital and related financing activities	<u>(86,411)</u>	<u>(303,524)</u>	<u>(16,163)</u>	<u>(406,098)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	38,070	8,156	19	46,245
Net cash provided (used) by investing activities	<u>38,070</u>	<u>8,156</u>	<u>19</u>	<u>46,245</u>
Net increase (decrease) in cash and cash equivalents	431,465	(176,073)	3,387	258,779
Cash and cash equivalents at beginning of year	<u>1,274,297</u>	<u>353,904</u>	<u>-</u>	<u>1,628,201</u>
Cash and cash equivalents at end of year	<u>\$1,705,762</u>	<u>\$ 177,831</u>	<u>\$ 3,387</u>	<u>\$ 1,886,980</u>

CITY OF VICTORIA, TEXAS
ALL NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the year ended September 30, 2008

	<u>Community Center</u>	<u>700 Main Center</u>	<u>Education & Government Channel</u>	<u>Total Nonmajor Enterprise Funds</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ (338,868)	\$ 69,422	\$ 5,712	\$ (263,734)
Adjustments to reconcile operating income to net cash provided (used) by operating activities				
Depreciation	112,374	74,318	1,819	188,511
Changes in assets and liabilities				
(Increase) decrease in other receivables	2,200	398	-	2,598
Increase (decrease) in accounts payable	16,883	(3,226)	-	13,657
Increase (decrease) in accrued expenses	4,622	-	-	4,622
Increase (decrease) in compensated absences	<u>(361)</u>	<u>-</u>	<u>-</u>	<u>(361)</u>
Total adjustments	<u>135,718</u>	<u>71,490</u>	<u>1,819</u>	<u>209,027</u>
Net cash provided (used) by operating activities	<u>\$ (203,150)</u>	<u>\$ 140,912</u>	<u>\$ 7,531</u>	<u>\$ (54,707)</u>



WATER AND WASTEWATER FUND

CITY OF VICTORIA, TEXAS
MAJOR ENTERPRISE FUND
WATER AND WASTEWATER FUND
BALANCE SHEET
September 30, 2008
With comparative totals for September 30, 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 6,005,445	\$ 7,760,990
Receivables (net)		
Accounts	1,664,058	1,565,974
Other	11,498	121,337
Returned checks	3,838	2,645
Restricted assets		
Cash and cash equivalents	4,497,587	6,405,579
Investments	<u>1,981,427</u>	<u>-</u>
Total current assets	<u>14,163,853</u>	<u>15,856,525</u>
Noncurrent assets		
Capital assets		
Buildings	35,472,426	35,426,044
Water and wastewater distribution system	98,876,022	95,776,177
Improvements other than buildings	664,587	664,587
Machinery and equipment	<u>1,920,507</u>	<u>1,653,164</u>
Total capital assets	136,933,542	133,519,972
Less accumulated depreciation	<u>50,115,490</u>	<u>46,604,018</u>
Subtotal	86,818,052	86,915,954
Land and water rights	2,864,955	1,845,124
Construction in progress	<u>3,371,405</u>	<u>3,119,062</u>
Net capital assets	<u>93,054,412</u>	<u>91,880,140</u>
Other assets		
Bond issue costs (net)	977,348	1,047,298
Special deposit with Guadalupe-Blanco River Authority	<u>82,673</u>	<u>82,673</u>
Total other assets	<u>1,060,021</u>	<u>1,129,971</u>
Total noncurrent assets	<u>94,114,433</u>	<u>93,010,111</u>
Total assets	<u>108,278,286</u>	<u>108,866,636</u>

CITY OF VICTORIA, TEXAS
MAJOR ENTERPRISE FUND
WATER AND WASTEWATER FUND
BALANCE SHEET
September 30, 2008
With comparative totals for September 30, 2007

	<u>2008</u>	<u>2007</u>
LIABILITIES		
Current liabilities		
Accounts payable	\$ 760,119	\$ 289,241
Accrued expenses	229,012	190,796
Accrued compensated absences	1,258	11,870
Due to other funds	48,376	55,556
Accrued interest payable	992,383	976,461
Current portion of waterworks and sewer system revenue bonds	<u>3,400,000</u>	<u>3,385,000</u>
Total current liabilities	<u>5,431,148</u>	<u>4,908,924</u>
Noncurrent liabilities		
Waterworks and sewer system revenue bonds (net of current portion)	63,575,000	66,975,000
Deferred financing costs (net of amortization)	795,319	845,572
Rebatable arbitrage earnings	136	6,564
Accrued compensated absences	<u>136,976</u>	<u>127,107</u>
Total noncurrent liabilities	<u>64,507,431</u>	<u>67,954,243</u>
Total liabilities	<u>69,938,579</u>	<u>72,863,167</u>
NET ASSETS		
Invested in capital assets, net of related debt	32,492,688	28,135,506
Unrestricted net assets	<u>5,847,019</u>	<u>7,867,963</u>
Total net assets	<u>\$ 38,339,707</u>	<u>\$ 36,003,469</u>

CITY OF VICTORIA, TEXAS*MAJOR ENTERPRISE FUND**WATER AND WASTEWATER FUND**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**For the year ended September 30, 2008**With comparative totals for the year ended September 30, 2007*

	<u>2008</u>	<u>2007</u>
OPERATING REVENUES		
Water sales	\$ 11,074,396	\$ 9,592,483
Sewer service	9,645,432	9,246,940
Tap and connection fees	246,478	258,319
Miscellaneous	<u>31,105</u>	<u>49,878</u>
Total operating revenues	<u>20,997,411</u>	<u>19,147,620</u>
OPERATING EXPENSES		
Personnel	3,639,038	3,513,237
Materials and supplies	1,189,388	1,126,290
Maintenance	929,934	637,504
Heat, lights, and power	1,018,484	785,248
Miscellaneous services	1,481,490	1,144,992
Contractual services	3,671,984	3,822,890
Computer services	128,208	115,424
Bad debts expense	136,074	119,096
Depreciation	<u>3,513,948</u>	<u>3,360,452</u>
Total operating expenses	<u>15,708,548</u>	<u>14,625,133</u>
Operating income (loss) before nonoperating revenues (expenses) and contributions and transfers	5,288,863	4,522,487
NONOPERATING REVENUES (EXPENSES)		
Investment income	379,524	418,784
Interest and fiscal charges	(2,995,607)	(3,283,897)
Loss on disposition of capital assets	<u>(11,093)</u>	<u>(930)</u>
Net nonoperating revenues (expenses)	<u>(2,627,176)</u>	<u>(2,866,043)</u>
Income before contributions and transfers	2,661,687	1,656,444
Contributions and transfers		
Capital contributions	1,800,876	758,183
Transfers out	<u>(2,126,325)</u>	<u>(6,010,140)</u>
Total contributions and transfers	<u>(325,449)</u>	<u>(5,251,957)</u>
Change in net assets	2,336,238	(3,595,513)
Total net assets at beginning of year	<u>36,003,469</u>	<u>39,598,982</u>
Total net assets at end of year	<u>\$ 38,339,707</u>	<u>\$ 36,003,469</u>

CITY OF VICTORIA, TEXAS

MAJOR ENTERPRISE FUND

WATER AND WASTEWATER FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2008

With comparative totals for the year ended September 30, 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 20,871,899	\$ 19,086,255
Cash paid to suppliers for goods and services	(7,927,266)	(7,874,561)
Cash paid to employees for services	<u>(3,601,565)</u>	<u>(3,498,392)</u>
Net cash provided (used) by operating activities	<u>9,343,068</u>	<u>7,713,302</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Repayments to other funds	(7,180)	(16,473)
Transfers out to other funds	<u>(2,126,325)</u>	<u>(6,010,140)</u>
Net cash provided (used) by noncapital financing activities	<u>(2,133,505)</u>	<u>(6,026,613)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(2,919,782)	(2,028,482)
Proceeds from issuance of revenue bonds	-	18,360,000
Principal paid on revenue bonds	(3,385,000)	(10,985,000)
Interest paid on revenue bonds	<u>(2,955,863)</u>	<u>(2,669,475)</u>
Net cash provided (used) by capital and related financing activities	<u>(9,260,645)</u>	<u>2,677,043</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	3,318,573	1,500,000
Purchase of investments	(5,300,000)	(1,500,000)
Rebatable arbitrage payments	(4,125)	(2,200)
Investment income	<u>373,097</u>	<u>418,784</u>
Net cash provided (used) by investing activities	<u>(1,612,455)</u>	<u>416,584</u>
Net increase (decrease) in cash and cash equivalents	(3,663,537)	4,780,316
Cash and cash equivalents at beginning of year	<u>14,166,569</u>	<u>9,386,253</u>
Cash and cash equivalents at end of year	<u>\$ 10,503,032</u>	<u>\$ 14,166,569</u>

CITY OF VICTORIA, TEXAS

MAJOR ENTERPRISE FUND

WATER AND WASTEWATER FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2008

With comparative totals for the year ended September 30, 2007

	<u>2008</u>	<u>2007</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 5,288,863	\$ 4,522,487
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	3,513,948	3,360,452
Bad debts expense	136,074	119,096
Changes in assets and liabilities		
(Increase) decrease in accounts receivable	(234,158)	(80,041)
(Increase) decrease in other receivables	109,839	16,739
(Increase) decrease in returned checks	(1,193)	1,937
Increase (decrease) in accounts payable	492,222	(242,213)
Increase (decrease) in accrued expenses	38,216	(856)
Increase (decrease) in compensated absences	(743)	15,701
Total adjustments	<u>4,054,205</u>	<u>3,190,815</u>
Net cash provided (used) by operating activities	<u>\$ 9,343,068</u>	<u>\$ 7,713,302</u>

COMMUNITY CENTER FUND

CITY OF VICTORIA, TEXAS
NONMAJOR ENTERPRISE FUND
COMMUNITY CENTER FUND
BALANCE SHEET
September 30, 2008
With comparative totals for September 30, 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 949,610	\$ 850,428
Receivables (net)		
Other	-	2,200
Due from other funds	232,110	91,433
Returned checks	658	658
Restricted assets		
Cash and cash equivalents	<u>756,152</u>	<u>423,869</u>
Total current assets	<u>1,938,530</u>	<u>1,368,588</u>
Noncurrent assets		
Capital assets		
Buildings	3,449,961	3,572,356
Infrastructure	288,581	288,581
Machinery and equipment	<u>107,395</u>	<u>79,517</u>
Total capital assets	3,845,937	3,940,454
Less accumulated depreciation	<u>1,562,794</u>	<u>1,491,199</u>
Subtotal	2,283,143	2,449,255
Land	<u>175,160</u>	<u>175,160</u>
Net capital assets	<u>2,458,303</u>	<u>2,624,415</u>
Total noncurrent assets	<u>2,458,303</u>	<u>2,624,415</u>
Total assets	<u>4,396,833</u>	<u>3,993,003</u>
LIABILITIES		
Current liabilities		
Accounts payable	18,763	1,880
Accrued expenses	15,401	10,779
Accrued compensated absences	77	758
Due to other funds	8,051	5,759
Customer deposits	<u>32,985</u>	<u>29,635</u>
Total current liabilities	<u>75,277</u>	<u>48,811</u>
Noncurrent liabilities		
Accrued compensated absences	<u>8,437</u>	<u>8,117</u>
Total liabilities	<u>83,714</u>	<u>56,928</u>
NET ASSETS		
Invested in capital assets	2,458,303	2,624,415
Unrestricted net assets	<u>1,854,816</u>	<u>1,311,660</u>
Total net assets	<u>\$ 4,313,119</u>	<u>\$ 3,936,075</u>

CITY OF VICTORIA, TEXAS
NONMAJOR ENTERPRISE FUND
COMMUNITY CENTER FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
For the year ended September 30, 2008
With comparative totals for the year ended September 30, 2007

	2008	2007
OPERATING REVENUES		
Rental fees	\$ 222,372	\$ 207,030
Miscellaneous	1,925	7,642
Total operating revenues	<u>224,297</u>	<u>214,672</u>
OPERATING EXPENSES		
Personnel	233,503	204,230
Materials and supplies	63,488	32,452
Maintenance	21,784	36,000
Heat, lights, and power	77,567	56,319
Miscellaneous services	51,648	38,716
Contractual services	2,801	7,043
Depreciation	112,374	106,081
Total operating expenses	<u>563,165</u>	<u>480,841</u>
Operating income (loss) before nonoperating revenues (expenses) and contributions and transfers	(338,868)	(266,169)
NONOPERATING REVENUES (EXPENSES)		
Investment income	38,070	51,402
Loss on disposition of capital assets	(140,149)	(24,723)
Net nonoperating revenues (expenses)	<u>(102,079)</u>	<u>26,679</u>
Income (loss) before contributions and transfers	(440,947)	(239,490)
Contributions and transfers		
Capital contributions	-	15,845
Transfers in	837,791	564,188
Transfers out	(19,800)	(15,580)
Total contributions and transfers	<u>817,991</u>	<u>564,453</u>
Change in net assets	377,044	324,963
Total net assets at beginning of year	<u>3,936,075</u>	<u>3,611,112</u>
Total net assets at end of year	<u>\$ 4,313,119</u>	<u>\$ 3,936,075</u>

CITY OF VICTORIA, TEXAS
NONMAJOR ENTERPRISE FUND
COMMUNITY CENTER FUND
STATEMENT OF CASH FLOWS
For the year ended September 30, 2008
With comparative totals for the year ended September 30, 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 226,497	\$ 213,411
Cash paid to suppliers for goods and services	(200,405)	(174,615)
Cash paid to employees for services	<u>(229,242)</u>	<u>(200,459)</u>
Net cash provided (used) by operating activities	<u>(203,150)</u>	<u>(161,663)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Increase (decrease) in customer deposits	3,350	950
Borrowings from (to) other funds	(138,385)	65,572
Transfers in from other funds	837,791	564,188
Transfers out to other funds	<u>(19,800)</u>	<u>(15,580)</u>
Net cash provided (used) by noncapital financing activities	<u>682,956</u>	<u>615,130</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	<u>(86,411)</u>	<u>(139,449)</u>
Net cash provided (used) by capital and related financing activities	<u>(86,411)</u>	<u>(139,449)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	<u>38,070</u>	<u>51,402</u>
Net cash provided (used) by investing activities	<u>38,070</u>	<u>51,402</u>
Net increase (decrease) in cash and cash equivalents	431,465	365,420
Cash and cash equivalents at beginning of year	<u>1,274,297</u>	<u>908,877</u>
Cash and cash equivalents at end of year	<u>\$ 1,705,762</u>	<u>\$ 1,274,297</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (338,868)	\$ (266,169)
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	112,374	106,081
Changes in assets and liabilities		
(Increase) decrease in other receivables	2,200	(1,261)
Increase (decrease) in accounts payable	16,883	(4,085)
Increase (decrease) in accrued expenses	4,622	228
Increase (decrease) in compensated absences	<u>(361)</u>	<u>3,543</u>
Total adjustments	<u>135,718</u>	<u>104,506</u>
Net cash provided (used) by operating activities	<u>\$ (203,150)</u>	<u>\$ (161,663)</u>

700 MAIN CENTER FUND

CITY OF VICTORIA, TEXAS
NONMAJOR ENTERPRISE FUND
700 MAIN CENTER FUND
BALANCE SHEET
September 30, 2008
With comparative totals for September 30, 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 177,831	\$ 353,904
Receivables (net)		
Other	<u>1,521</u>	<u>1,919</u>
Total current assets	<u>179,352</u>	<u>355,823</u>
Noncurrent assets		
Capital assets		
Buildings	2,222,668	1,923,676
Improvements other than buildings	78,216	78,216
Machinery and equipment	<u>114,957</u>	<u>110,425</u>
Total capital assets	2,415,841	2,112,317
Less accumulated depreciation	<u>982,243</u>	<u>907,925</u>
Subtotal	1,433,598	1,204,392
Land	<u>224,598</u>	<u>224,598</u>
Net capital assets	<u>1,658,196</u>	<u>1,428,990</u>
Total assets	<u>1,837,548</u>	<u>1,784,813</u>
LIABILITIES		
Current liabilities		
Accounts payable	<u>6,895</u>	<u>10,121</u>
NET ASSETS		
Invested in capital assets	1,658,196	1,428,990
Unrestricted net assets	<u>172,457</u>	<u>345,702</u>
Total net assets	<u>\$ 1,830,653</u>	<u>\$ 1,774,692</u>

CITY OF VICTORIA, TEXAS

NONMAJOR ENTERPRISE FUND

700 MAIN CENTER FUND

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

For the year ended September 30, 2008

With comparative totals for the year ended September 30, 2007

	<u>2008</u>	<u>2007</u>
OPERATING REVENUES		
Rental fees	\$ 247,701	\$ 131,983
OPERATING EXPENSES		
Materials and supplies	1,941	1,379
Maintenance	14,132	10,130
Heat, lights, and power	70,192	57,674
Miscellaneous services	17,696	26,332
Depreciation	<u>74,318</u>	<u>67,964</u>
Total operating expenses	<u>178,279</u>	<u>163,479</u>
Operating income (loss) before nonoperating revenues (expenses) and transfers	69,422	(31,496)
NONOPERATING REVENUES		
Investment income	8,156	18,127
Loss on disposition of capital assets	<u>-</u>	<u>(56,632)</u>
Net nonoperating revenues (expenses)	<u>8,156</u>	<u>(38,505)</u>
Income (loss) before transfers	77,578	(70,001)
Transfers		
Transfers out	<u>(21,617)</u>	<u>(21,617)</u>
Total transfers	<u>(21,617)</u>	<u>(21,617)</u>
Change in net assets	55,961	(91,618)
Total net assets at beginning of year	<u>1,774,692</u>	<u>1,866,310</u>
Total net assets at end of year	<u>\$ 1,830,653</u>	<u>\$ 1,774,692</u>

CITY OF VICTORIA, TEXAS
NONMAJOR ENTERPRISE FUND
700 MAIN CENTER FUND
STATEMENT OF CASH FLOWS
For the year ended September 30, 2008
With comparative totals for the year ended September 30, 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 248,099	\$ 132,601
Cash paid to suppliers for goods and services	<u>(107,187)</u>	<u>(92,979)</u>
Net cash provided (used) by operating activities	<u>140,912</u>	<u>39,622</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers out to other funds	<u>(21,617)</u>	<u>(21,617)</u>
Net cash provided (used) by noncapital financing activities	<u>(21,617)</u>	<u>(21,617)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	<u>(303,524)</u>	<u>(30,295)</u>
Net cash provided (used) by capital and related financing activities	<u>(303,524)</u>	<u>(30,295)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	<u>8,156</u>	<u>18,127</u>
Net cash provided (used) by investing activities	<u>8,156</u>	<u>18,127</u>
Net increase (decrease) in cash and cash equivalents	(176,073)	5,837
Cash and cash equivalents at beginning of year	<u>353,904</u>	<u>348,067</u>
Cash and cash equivalents at end of year	<u>\$ 177,831</u>	<u>\$ 353,904</u>

CITY OF VICTORIA, TEXAS
NONMAJOR ENTERPRISE FUND
700 MAIN CENTER FUND
STATEMENT OF CASH FLOWS
For the year ended September 30, 2008
With comparative totals for the year ended September 30, 2007

	<u>2008</u>	<u>2007</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 69,422	\$ (31,496)
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	74,318	67,964
Changes in assets and liabilities		
(Increase) decrease in other receivables	398	618
Increase (decrease) in accounts payable	<u>(3,226)</u>	<u>2,536</u>
Total adjustments	<u>71,490</u>	<u>71,118</u>
Net cash provided (used) by operating activities	<u>\$ 140,912</u>	<u>\$ 39,622</u>



ENVIRONMENTAL SERVICES FUND

CITY OF VICTORIA, TEXAS
MAJOR ENTERPRISE FUND
ENVIRONMENTAL SERVICES FUND
BALANCE SHEET
September 30, 2008
With comparative totals for September 30, 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,312,770	\$ 659,554
Receivables (net)		
Accounts	175,381	174,947
Other	60,963	228,737
Restricted assets		
Cash and cash equivalents	3,973,235	3,605,990
Investments	<u>3,007,292</u>	<u>1,834,053</u>
Total current assets	<u>8,529,641</u>	<u>6,503,281</u>
Noncurrent assets		
Capital assets		
Buildings	120,012	130,533
Infrastructure	124,287	129,516
Improvements other than buildings	561,623	561,623
Machinery and equipment	<u>531,278</u>	<u>91,841</u>
Total capital assets	1,337,200	913,513
Less accumulated depreciation	<u>803,356</u>	<u>772,864</u>
Subtotal	533,844	140,649
Land	<u>799,931</u>	<u>799,931</u>
Net capital assets	<u>1,333,775</u>	<u>940,580</u>
Total noncurrent assets	<u>1,333,775</u>	<u>940,580</u>
Total assets	<u>9,863,416</u>	<u>7,443,861</u>
LIABILITIES		
Current liabilities		
Accounts payable	116,010	138,463
Accrued expenses	115,011	85,871
Accrued compensated absences	455	4,320
Due to other governments	93,707	90,372
Due to other funds	<u>703,217</u>	<u>62,222</u>
Total current liabilities	<u>1,028,400</u>	<u>381,248</u>
Noncurrent liabilities		
Accrued compensated absences	49,604	46,264
Estimated landfill closure and postclosure care cost	<u>2,771,868</u>	<u>2,671,551</u>
Total noncurrent liabilities	<u>2,821,472</u>	<u>2,717,815</u>
Total liabilities	<u>3,849,872</u>	<u>3,099,063</u>
NET ASSETS		
Invested in capital assets	1,333,775	940,580
Unrestricted net assets	<u>4,679,769</u>	<u>3,404,218</u>
Total net assets	<u>\$ 6,013,544</u>	<u>\$ 4,344,798</u>

CITY OF VICTORIA, TEXAS*MAJOR ENTERPRISE FUND**ENVIRONMENTAL SERVICES FUND**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**For the year ended September 30, 2008**With comparative totals for the year ended September 30, 2007*

	<u>2008</u>	<u>2007</u>
OPERATING REVENUES		
Garbage fees	\$ 3,217,522	\$ 3,184,836
Landfill closure	1,472,912	566,735
Methane gas sales	10,342	567,503
Miscellaneous	<u>2,025,450</u>	<u>86,517</u>
Total operating revenues	<u>6,726,226</u>	<u>4,405,591</u>
OPERATING EXPENSES		
Personnel	1,691,102	1,459,604
Materials and supplies	218,427	244,072
Maintenance	2,135	4,672
Heat, lights and power	16,112	12,902
Miscellaneous services	1,754,077	382,991
Contractual services	316,988	564,224
Computer services	30,103	30,106
Monitoring costs	23,580	15,881
Tipping fees	779,055	1,026,375
Landfill closure and postclosure care cost	100,317	113,345
Bad debts expense	21,259	19,184
Depreciation	<u>55,190</u>	<u>37,393</u>
Total operating expenses	<u>5,008,345</u>	<u>3,910,749</u>
Operating income (loss) before nonoperating revenues (expenses) and transfers	1,717,881	494,842
NONOPERATING REVENUES (EXPENSES)		
Investment income	322,834	324,502
Loss on disposition of capital assets	<u>(15,669)</u>	<u>-</u>
Net nonoperating revenues (expenses)	<u>307,165</u>	<u>324,502</u>
Income before transfers	2,025,046	819,344
Transfers		
Transfers out	<u>(356,300)</u>	<u>(807,698)</u>
Total transfers	<u>(356,300)</u>	<u>(807,698)</u>
Change in net assets	1,668,746	11,646
Total net assets at beginning of year	<u>4,344,798</u>	<u>4,333,152</u>
Total net assets at end of year	<u>\$ 6,013,544</u>	<u>\$ 4,344,798</u>

CITY OF VICTORIA, TEXAS

MAJOR ENTERPRISE FUND

ENVIRONMENTAL SERVICES FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2008

With comparative totals for the year ended September 30, 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 6,872,307	\$ 4,265,395
Cash paid to suppliers for goods and services	(3,159,595)	(2,357,962)
Cash paid to employees for services	<u>(1,662,487)</u>	<u>(1,442,371)</u>
Net cash provided (used) by operating activities	<u>2,050,225</u>	<u>465,062</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Borrowings from other funds	640,995	19,486
Transfers out to other funds	<u>(356,300)</u>	<u>(807,698)</u>
Net cash provided (used) by noncapital financing activities	<u>284,695</u>	<u>(788,212)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	<u>(464,052)</u>	<u>(13,545)</u>
Net cash provided (used) by capital and related financing activities	<u>(464,052)</u>	<u>(13,545)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	11,226,759	9,599,621
Purchase of investments	(12,400,000)	(11,433,674)
Investment income	<u>322,834</u>	<u>324,502</u>
Net cash provided (used) by investing activities	<u>(850,407)</u>	<u>(1,509,551)</u>
Net increase (decrease) in cash and cash equivalents	1,020,461	(1,846,246)
Cash and cash equivalents at beginning of year	<u>4,265,544</u>	<u>6,111,790</u>
Cash and cash equivalents at end of year	<u>\$ 5,286,005</u>	<u>\$ 4,265,544</u>

CITY OF VICTORIA, TEXAS

MAJOR ENTERPRISE FUND

ENVIRONMENTAL SERVICES FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2008

With comparative totals for the year ended September 30, 2007

	<u>2008</u>	<u>2007</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 1,717,881	\$ 494,842
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	55,190	37,393
Bad debts expense	21,259	19,184
Changes in assets and liabilities		
(Increase) decrease in accounts receivable	(21,693)	(19,817)
(Increase) decrease in other receivables	167,774	(120,379)
Increase (decrease) in accounts payable	(22,453)	(89,812)
Increase (decrease) in due to other governments	3,335	13,073
Increase (decrease) in accrued expenses	29,140	14,097
Increase (decrease) in compensated absences	(525)	3,136
Increase (decrease) in landfill closure and postclosure care cost	<u>100,317</u>	<u>113,345</u>
Total adjustments	<u>332,344</u>	<u>(29,780)</u>
Net cash provided (used) by operating activities	<u>\$ 2,050,225</u>	<u>\$ 465,062</u>



EDUCATION & GOVERNMENT CHANNEL FUND

CITY OF VICTORIA, TEXAS
NONMAJOR ENTERPRISE FUND
EDUCATION & GOVERNMENT CHANNEL FUND
BALANCE SHEET
September 30, 2008

	<u>2008</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ <u>3,387</u>
Total current assets	<u>3,387</u>
Noncurrent assets	
Capital assets	
Machinery and equipment	<u>16,163</u>
Total capital assets	16,163
Less: Accumulated depreciation	<u>1,819</u>
Net capital assets	<u>14,344</u>
Total assets	<u>17,731</u>
LIABILITIES	<u>-</u>
NET ASSETS	
Invested in capital assets	14,344
Unrestricted net assets	<u>3,387</u>
Total net assets	<u>\$ 17,731</u>

CITY OF VICTORIA, TEXAS

NONMAJOR ENTERPRISE FUND

EDUCATION & GOVERNMENT CHANNEL FUND

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

For the year ended September 30, 2008

	<u>2008</u>
OPERATING REVENUES	
Miscellaneous	<u>\$ 8,799</u>
OPERATING EXPENSES	
Materials and supplies	1,268
Depreciation	<u>1,819</u>
Total operating expenses	<u>3,087</u>
Operating income (loss) before nonoperating revenues (expenses) and transfers	5,712
NONOPERATING REVENUES	
Investment income	<u>19</u>
Net nonoperating revenues (expenses)	<u>19</u>
Income (loss) before transfers	5,731
Transfers	
Transfer in	<u>12,000</u>
Total transfers	<u>12,000</u>
Change in net assets	17,731
Total net assets at beginning of year	<u>-</u>
Total net assets at end of year	<u>\$ 17,731</u>

CITY OF VICTORIA, TEXAS
NONMAJOR ENTERPRISE FUND
EDUCATION & GOVERNMENT CHANNEL FUND
STATEMENT OF CASH FLOWS
For the year ended September 30, 2008

	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 8,799
Cash paid to suppliers for goods and services	<u>(1,268)</u>
Net cash provided (used) by operating activities	<u>7,531</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers in from other funds	<u>12,000</u>
Net cash provided (used) by noncapital financing activities	<u>12,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	<u>(16,163)</u>
Net cash provided (used) by capital and related financing activities	<u>(16,163)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	<u>19</u>
Net cash provided (used) by investing activities	<u>19</u>
Net increase (decrease) in cash and cash equivalents	3,387
Cash and cash equivalents at beginning of year	<u>-</u>
Cash and cash equivalents at end of year	<u>\$ 3,387</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	\$ 5,712
Adjustments to reconcile operating income to net cash provided (used) by operating activities	
Depreciation	<u>1,819</u>
Total adjustments	<u>1,819</u>
Net cash provided (used) by operating activities	<u>\$ 7,531</u>

INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for financing of goods or services provided by one department or agency of a government to other departments or agencies on a cost reimbursement basis. The City maintains eight Internal Service Funds: Vehicle and Equipment Services, Information Technology, Communications, Purchasing, Safety Management, Workers' Compensation, Print Shop, and Employee Health Plan.

Vehicle and Equipment Services Fund (V.E.S.) - The V.E.S. fund is responsible for two main functions: 1) To account for the cost of operating a central maintenance facility for all City-owned automotive equipment. The department also maintains equipment which the Internal Service Fund does not own, i.e., non-automotive equipment owned by other City departments and automotive equipment owned by outside agencies. For those maintenance activities, the Internal Service Fund makes direct charges for parts and labor to the entities involved. 2) To account for the administration of the Vehicle and Equipment Services Division. All automotive equipment is owned by this department of the Internal Service Fund and rented to the user departments. In addition, this department maintains stocks of fuel and parts with which to service the City's fleet and related communications and emergency equipment. The costs of parts, labor, vehicle insurance and garage overhead are recovered from user departments through the use of monthly vehicle equipment charges. In addition, the V.E.S. Fund operates a motor pool of vehicles and equipment which it rents, on an as-needed basis, to City departments. Fiscal year 2003 was the first year for service center operations to be contracted out to an outside vendor.

Information Technology Fund - This fund has one operating department whose responsibility is to provide centralized electronic data processing services to all City departments. The services include system design and programming. This department was set up as a separate fund so that its total costs could be apportioned to the many user departments from several funds.

Communications Fund - This fund is responsible for accounting for the cost of operating a central maintenance facility for all City-owned communications and emergency equipment.

Purchasing Fund - The purpose of this fund is to account for the costs of operating a central purchasing department and a central warehouse. The actual cost of goods is billed to user departments along with an added purchasing overhead charge to defray operating expenses, thereby making the department a self-supporting entity.

Safety Management Fund - This fund was set up to account for all risk type expenses and revenues. Insurance premiums, deductible expenses, non-insured claims and costs are all recorded in this fund, as well as prorated contributions from all operating funds.

Workers' Compensation Fund - The City established an Internal Service Fund called Workers' Compensation Fund in the fiscal year 1990 to account for and finance its uninsured risk of loss. Under this program the Workers' Compensation Fund provides coverage for up to a maximum of \$350,000 for each workers' compensation claim. Any excess over the maximum self-insured amount would be covered by the City's compensation insurance.

Print Shop Fund - The purpose of this fund is to account for the cost of operating a central print shop for City as well as County of Victoria departments. The department provides central reproduction services to City and County departments on a billable basis. This department also processes incoming and outgoing mail and maintains inventory for office supplies to be used by City and County departments.

Employee Health Plan Fund - The Employee Health Plan Fund was created to provide accounting for transactions of a self-insured health insurance plan for City employees, employee dependents, and retirees. The City pays a portion of the premium for City employees and retirees, and employees pay the premium if they wish to cover dependents. Payments by the various City funds, employees, and retirees (for retiree dependent coverage) are revenues of the fund. Payments are made from the fund to a third party administrator for services, to an insurance company for specific stop loss insurance and life insurance, and to providers of medical services.

CITY OF VICTORIA, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
September 30, 2008

	<u>V.E.S.</u>	<u>Information Technology</u>	<u>Communications</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 498,838	\$ 244,412	\$ 131,187
Receivables (net)			
Other	172,281	-	20,772
Due from other funds	725,083	-	-
Inventory	131,150	-	-
Restricted assets			
Cash and cash equivalents	-	-	-
Total current assets	<u>1,527,352</u>	<u>244,412</u>	<u>151,959</u>
Noncurrent assets			
Capital assets			
Land and other assets not being depreciated	134,007	-	39,168
Buildings, improvements, and equipment (net)	<u>5,881,070</u>	<u>248,718</u>	<u>2,316,763</u>
Total noncurrent assets	<u>6,015,077</u>	<u>248,718</u>	<u>2,355,931</u>
Total assets	<u>7,542,429</u>	<u>493,130</u>	<u>2,507,890</u>
LIABILITIES			
Current liabilities			
Accounts payable	741,977	9,541	4,028
Accrued expenses	6,547	44,449	3,943
Accrued compensated absences	5,073	30,692	3,344
Due to other funds	377	251	928
Claims payable	-	-	-
Total current liabilities	<u>753,974</u>	<u>84,933</u>	<u>12,243</u>
Total liabilities	<u>753,974</u>	<u>84,933</u>	<u>12,243</u>
NET ASSETS			
Invested in capital assets	6,015,077	248,718	2,355,931
Unrestricted net assets	<u>773,378</u>	<u>159,479</u>	<u>139,716</u>
Total net assets	<u>\$ 6,788,455</u>	<u>\$ 408,197</u>	<u>\$ 2,495,647</u>

<u>Purchasing</u>	<u>Safety Management</u>	<u>Workers' Compensation</u>	<u>Print Shop</u>	<u>Employee Health Plan</u>	<u>Total</u>
\$ 276,130	\$ 176,006	\$ 1,132,633	\$ 42,229	\$ 3,972,545	\$ 6,473,980
66	-	-	1,868	51,676	246,663
-	-	-	-	303,424	1,028,507
231,719	-	-	21,280	-	384,149
-	-	23,000	-	-	23,000
<u>507,915</u>	<u>176,006</u>	<u>1,155,633</u>	<u>65,377</u>	<u>4,327,645</u>	<u>8,156,299</u>
-	-	-	-	-	173,175
<u>66,778</u>	<u>18,392</u>	<u>-</u>	<u>13,239</u>	<u>-</u>	<u>8,544,960</u>
<u>66,778</u>	<u>18,392</u>	<u>-</u>	<u>13,239</u>	<u>-</u>	<u>8,718,135</u>
<u>574,693</u>	<u>194,398</u>	<u>1,155,633</u>	<u>78,616</u>	<u>4,327,645</u>	<u>16,874,434</u>
6,705	16,085	27,283	8	10,517	816,144
13,521	6,710	-	5,688	-	80,858
13,354	-	-	3,841	-	56,304
188	1,666	-	94	-	3,504
-	-	151,785	-	508,075	659,860
<u>33,768</u>	<u>24,461</u>	<u>179,068</u>	<u>9,631</u>	<u>518,592</u>	<u>1,616,670</u>
<u>33,768</u>	<u>24,461</u>	<u>179,068</u>	<u>9,631</u>	<u>518,592</u>	<u>1,616,670</u>
66,778	18,392	-	13,239	-	8,718,135
<u>474,147</u>	<u>151,545</u>	<u>976,565</u>	<u>55,746</u>	<u>3,809,053</u>	<u>6,539,629</u>
<u>\$ 540,925</u>	<u>\$ 169,937</u>	<u>\$ 976,565</u>	<u>\$ 68,985</u>	<u>\$ 3,809,053</u>	<u>\$ 15,257,764</u>

CITY OF VICTORIA, TEXAS**INTERNAL SERVICE FUNDS****COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET ASSETS**

For the year ended September 30, 2008

	<u>V.E.S.</u>	<u>Information Technology</u>	<u>Communications</u>
OPERATING REVENUES			
Charges for services	\$ 5,600,932	\$ 937,297	\$ 339,454
Miscellaneous	<u>10,379</u>	<u>4,432</u>	<u>-</u>
Total operating revenues	<u>5,611,311</u>	<u>941,729</u>	<u>339,454</u>
OPERATING EXPENSES			
Personnel	108,707	667,097	133,010
Materials and supplies	1,584,450	15,770	40,507
Maintenance	15,413	52,555	22,090
Heat, lights, and power	21,127	-	-
Reinsurance premiums	-	-	-
Miscellaneous services	405,722	114,274	36,027
Contractual services	768,972	-	-
Computer services	-	-	10,915
Court costs, judgments, and damages	-	-	-
Claims expense	-	-	-
Wellness program	-	-	-
Depreciation	<u>1,053,263</u>	<u>83,117</u>	<u>195,809</u>
Total operating expenses	<u>3,957,654</u>	<u>932,813</u>	<u>438,358</u>
Operating income (loss) before nonoperating revenues (expenses)	1,653,657	8,916	(98,904)
NONOPERATING REVENUES (EXPENSES)			
Investment income	13,209	6,567	3,569
Loss on disposition of capital assets	<u>(48,014)</u>	<u>(150)</u>	<u>-</u>
Net nonoperating revenues (expenses)	<u>(34,805)</u>	<u>6,417</u>	<u>3,569</u>
Change in net assets	1,618,852	15,333	(95,335)
Total net assets at beginning of year	<u>5,169,603</u>	<u>392,864</u>	<u>2,590,982</u>
Total net assets at end of year	<u>\$ 6,788,455</u>	<u>\$ 408,197</u>	<u>\$ 2,495,647</u>

<u>Purchasing</u>	<u>Safety Management</u>	<u>Workers' Compensation</u>	<u>Print Shop</u>	<u>Employee Health Plan</u>	<u>Total</u>
\$ 355,142	\$ 512,525	\$ 619,680	\$ 110,667	\$ 5,553,206	\$ 14,028,903
-	80,971	-	-	18,093	113,875
<u>355,142</u>	<u>593,496</u>	<u>619,680</u>	<u>110,667</u>	<u>5,571,299</u>	<u>14,142,778</u>
215,506	93,262	-	91,006	-	1,308,588
11,592	6,256	-	9,384	-	1,667,959
2,002	-	-	6,663	-	98,723
4,756	-	-	-	-	25,883
-	418,544	-	-	264,897	683,441
13,269	19,927	-	20,963	82	610,264
1,560	6,047	11,032	-	256,869	1,044,480
27,701	10,915	-	5,325	-	54,856
-	16,312	-	-	-	16,312
-	-	276,084	-	3,561,021	3,837,105
-	-	-	-	16,753	16,753
<u>8,668</u>	<u>3,085</u>	<u>-</u>	<u>3,700</u>	<u>-</u>	<u>1,347,642</u>
<u>285,054</u>	<u>574,348</u>	<u>287,116</u>	<u>137,041</u>	<u>4,099,622</u>	<u>10,712,006</u>
70,088	19,148	332,564	(26,374)	1,471,677	3,430,772
2,965	4,318	26,213	869	103,045	160,755
-	-	-	-	-	(48,164)
<u>2,965</u>	<u>4,318</u>	<u>26,213</u>	<u>869</u>	<u>103,045</u>	<u>112,591</u>
73,053	23,466	358,777	(25,505)	1,574,722	3,543,363
<u>467,872</u>	<u>146,471</u>	<u>617,788</u>	<u>94,490</u>	<u>2,234,331</u>	<u>11,714,401</u>
<u>\$ 540,925</u>	<u>\$ 169,937</u>	<u>\$ 976,565</u>	<u>\$ 68,985</u>	<u>\$ 3,809,053</u>	<u>\$ 15,257,764</u>

CITY OF VICTORIA, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the year ended September 30, 2008

	<u>V.E.S.</u>	<u>Information Technology</u>	<u>Communications</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from other funds	\$ 4,815,096	\$ 942,103	\$ 340,012
Cash paid to suppliers for goods and services	(2,223,162)	(194,417)	(106,033)
Cash paid to employees for services	<u>(107,382)</u>	<u>(655,326)</u>	<u>(134,062)</u>
Net cash provided (used) by operating activities	<u>2,484,552</u>	<u>92,360</u>	<u>99,917</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Borrowings from other funds	-	-	583
Repayments to other funds	<u>(610)</u>	<u>(730)</u>	<u>-</u>
Net cash provided (used) by noncapital financing activities	<u>(610)</u>	<u>(730)</u>	<u>583</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	<u>(2,659,460)</u>	<u>(102,597)</u>	<u>(74,684)</u>
Net cash provided (used) by capital and related financing activities	<u>(2,659,460)</u>	<u>(102,597)</u>	<u>(74,684)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	<u>13,209</u>	<u>6,567</u>	<u>3,569</u>
Net cash provided (used) by investing activities	<u>13,209</u>	<u>6,567</u>	<u>3,569</u>
Net increase (decrease) in cash and cash equivalents	(162,309)	(4,400)	29,385
Cash and cash equivalents at beginning of year	<u>661,147</u>	<u>248,812</u>	<u>101,802</u>
Cash and cash equivalents at end of year	<u><u>\$ 498,838</u></u>	<u><u>\$ 244,412</u></u>	<u><u>\$ 131,187</u></u>

<u>Purchasing</u>	<u>Safety Management</u>	<u>Workers' Compensation</u>	<u>Print Shop</u>	<u>Employee Health Plan</u>	<u>Total</u>
\$ 434,537	\$ 594,122	\$ 620,512	\$ 115,263	\$ 5,580,640	\$ 13,442,285
(54,226)	(462,997)	(306,959)	(35,889)	(3,934,713)	(7,318,396)
<u>(213,626)</u>	<u>(90,172)</u>	<u>-</u>	<u>(91,187)</u>	<u>-</u>	<u>(1,291,755)</u>
<u>166,685</u>	<u>40,953</u>	<u>313,553</u>	<u>(11,813)</u>	<u>1,645,927</u>	<u>4,832,134</u>
-	1,407	-	-	-	1,990
<u>(243)</u>	<u>-</u>	<u>-</u>	<u>(243)</u>	<u>-</u>	<u>(1,826)</u>
<u>(243)</u>	<u>1,407</u>	<u>-</u>	<u>(243)</u>	<u>-</u>	<u>164</u>
<u>(3,751)</u>	<u>(13,377)</u>	<u>-</u>	<u>(1,858)</u>	<u>-</u>	<u>(2,855,727)</u>
<u>(3,751)</u>	<u>(13,377)</u>	<u>-</u>	<u>(1,858)</u>	<u>-</u>	<u>(2,855,727)</u>
<u>2,965</u>	<u>4,318</u>	<u>26,213</u>	<u>869</u>	<u>103,045</u>	<u>160,755</u>
<u>2,965</u>	<u>4,318</u>	<u>26,213</u>	<u>869</u>	<u>103,045</u>	<u>160,755</u>
165,656	33,301	339,766	(13,045)	1,748,972	2,137,326
<u>110,474</u>	<u>142,705</u>	<u>815,867</u>	<u>55,274</u>	<u>2,223,573</u>	<u>4,359,654</u>
<u>\$ 276,130</u>	<u>\$ 176,006</u>	<u>\$ 1,155,633</u>	<u>\$ 42,229</u>	<u>\$ 3,972,545</u>	<u>\$ 6,496,980</u>

(continued)

CITY OF VICTORIA, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the year ended September 30, 2008

	<u>V.E.S.</u>	<u>Information Technology</u>	<u>Communications</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 1,653,657	\$ 8,916	\$ (98,904)
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation	1,053,263	83,117	195,809
Changes in assets and liabilities			
(Increase) decrease in other receivables	(71,132)	374	558
(Increase) decrease in due from other funds	(725,083)	-	-
(Increase) decrease in inventory	(40,009)	-	-
Increase (decrease) in accounts payable	612,531	(11,818)	3,506
Increase (decrease) in accrued expenses	1,089	7,950	(1,099)
Increase (decrease) in compensated absences	236	3,821	47
Increase (decrease) in claims payable	-	-	-
Total adjustments	<u>830,895</u>	<u>83,444</u>	<u>198,821</u>
Net cash provided (used) by operating activities	<u>\$ 2,484,552</u>	<u>\$ 92,360</u>	<u>\$ 99,917</u>

<u>Purchasing</u>	<u>Safety Management</u>	<u>Workers' Compensation</u>	<u>Print Shop</u>	<u>Employee Health Plan</u>	<u>Total</u>
\$ 70,088	\$ 19,148	\$ 332,564	\$ (26,374)	\$ 1,471,677	\$ 3,430,772
8,668	3,085	-	3,700	-	1,347,642
627	626	832	1,947	(3,497)	(69,665)
-	-	-	2,649	12,838	(709,596)
78,768	-	-	8,112	-	46,871
6,654	15,004	18,454	(1,666)	9,092	651,757
1,782	4,375	-	761	-	14,858
98	(1,285)	-	(942)	-	1,975
-	-	(38,297)	-	155,817	117,520
<u>96,597</u>	<u>21,805</u>	<u>(19,011)</u>	<u>14,561</u>	<u>174,250</u>	<u>1,401,362</u>
\$ <u>166,685</u>	\$ <u>40,953</u>	\$ <u>313,553</u>	\$ <u>(11,813)</u>	\$ <u>1,645,927</u>	\$ <u>4,832,134</u>



VEHICLE AND EQUIPMENT SERVICES FUND (V.E.S.)

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

V.E.S. FUND

BALANCE SHEET

September 30, 2008

With comparative totals for September 30, 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 498,838	\$ 661,147
Receivables		
Other	172,281	101,149
Due from other funds	725,083	-
Inventory	<u>131,150</u>	<u>91,141</u>
Total current assets	<u>1,527,352</u>	<u>853,437</u>
Noncurrent assets		
Capital assets		
Buildings	358,640	345,291
Infrastructure	93,179	93,179
Improvements other than buildings	10,659	10,659
Machinery and equipment	<u>13,756,611</u>	<u>11,658,273</u>
Total capital assets	14,219,089	12,107,402
Less accumulated depreciation	<u>8,338,019</u>	<u>7,784,515</u>
Subtotal	5,881,070	4,322,887
Land	<u>134,007</u>	<u>134,007</u>
Net capital assets	<u>6,015,077</u>	<u>4,456,894</u>
Total assets	<u>7,542,429</u>	<u>5,310,331</u>
LIABILITIES		
Current liabilities		
Accounts payable	741,977	129,446
Accrued expenses	6,547	5,458
Accrued compensated absences	5,073	4,837
Due to other funds	<u>377</u>	<u>987</u>
Total liabilities	<u>753,974</u>	<u>140,728</u>
NET ASSETS		
Invested in capital assets	6,015,077	4,456,894
Unrestricted net assets	<u>773,378</u>	<u>712,709</u>
Total net assets	<u>\$ 6,788,455</u>	<u>\$ 5,169,603</u>

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

V.E.S. FUND

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

For the year ended September 30, 2008

With comparative totals for the year ended September 30, 2007

	<u>2008</u>	<u>2007</u>
OPERATING REVENUES		
Charges for services	\$ 5,600,932	\$ 3,521,863
Miscellaneous	<u>10,379</u>	<u>477</u>
Total operating revenues	<u>5,611,311</u>	<u>3,522,340</u>
OPERATING EXPENSES		
Personnel	108,707	104,240
Materials and supplies	1,584,450	1,019,258
Maintenance	15,413	5,718
Heat, lights, and power	21,127	17,525
Miscellaneous services	405,722	329,062
Contractual services	768,972	719,261
Depreciation	<u>1,053,263</u>	<u>1,080,420</u>
Total operating expenses	<u>3,957,654</u>	<u>3,275,484</u>
Operating income (loss) before nonoperating revenues (expenses)	1,653,657	246,856
NONOPERATING REVENUES (EXPENSES)		
Investment income	13,209	23,314
Loss on disposition of capital assets	<u>(48,014)</u>	<u>(56,772)</u>
Net nonoperating revenues (expenses)	<u>(34,805)</u>	<u>(33,458)</u>
Change in net assets	1,618,852	213,398
Total net assets at beginning of year	<u>5,169,603</u>	<u>4,956,205</u>
Total net assets at end of year	<u>\$ 6,788,455</u>	<u>\$ 5,169,603</u>

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

V.E.S. FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2008

With comparative totals for the year ended September 30, 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from other funds	\$ 4,815,096	\$ 3,472,631
Cash paid to suppliers for goods and services	(2,223,162)	(2,057,372)
Cash paid to employees for services	(107,382)	(103,842)
Net cash provided (used) by operating activities	<u>2,484,552</u>	<u>1,311,417</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Repayments to other funds	(610)	(552)
Net cash provided (used) by noncapital financing activities	<u>(610)</u>	<u>(552)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(2,659,460)	(1,180,780)
Net cash provided (used) by capital and related financing activities	<u>(2,659,460)</u>	<u>(1,180,780)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	13,209	23,314
Net increase (decrease) in cash and cash equivalents	(162,309)	153,399
Cash and cash equivalents at beginning of year	661,147	507,748
Cash and cash equivalents at end of year	<u>\$ 498,838</u>	<u>\$ 661,147</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 1,653,657	\$ 246,856
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	1,053,263	1,080,420
Changes in assets and liabilities		
(Increase) decrease in other receivables	(71,132)	(49,709)
(Increase) decrease in due from other funds	(725,083)	-
(Increase) decrease in inventory	(40,009)	(51,304)
Increase (decrease) in accounts payable	612,531	84,756
Increase (decrease) in accrued expenses	1,089	220
Increase (decrease) in compensated absences	236	178
Total adjustments	<u>830,895</u>	<u>1,064,561</u>
Net cash provided (used) by operating activities	<u>\$ 2,484,552</u>	<u>\$ 1,311,417</u>

INFORMATION TECHNOLOGY FUND

CITY OF VICTORIA, TEXAS
INTERNAL SERVICE FUND
INFORMATION TECHNOLOGY FUND
BALANCE SHEET
September 30, 2008
With comparative totals for September 30, 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 244,412	\$ 248,812
Receivables		
Other	<u>-</u>	<u>374</u>
Total current assets	<u>244,412</u>	<u>249,186</u>
Noncurrent assets		
Capital assets		
Machinery and equipment	<u>855,421</u>	<u>802,669</u>
Total capital assets	855,421	802,669
Less accumulated depreciation	<u>606,703</u>	<u>573,281</u>
Net capital assets	<u>248,718</u>	<u>229,388</u>
Total assets	<u>493,130</u>	<u>478,574</u>
LIABILITIES		
Current liabilities		
Accounts payable	9,541	21,359
Accrued expenses	44,449	36,499
Accrued compensated absences	30,692	26,871
Due to other funds	<u>251</u>	<u>981</u>
Total liabilities	<u>84,933</u>	<u>85,710</u>
NET ASSETS		
Invested in capital assets	248,718	229,388
Unrestricted net assets	<u>159,479</u>	<u>163,476</u>
Total net assets	<u>\$ 408,197</u>	<u>\$ 392,864</u>

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

INFORMATION TECHNOLOGY FUND

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

For the year ended September 30, 2008

With comparative totals for the year ended September 30, 2007

	<u>2008</u>	<u>2007</u>
OPERATING REVENUES		
Charges for services	\$ 937,297	\$ 843,870
Miscellaneous	<u>4,432</u>	<u>-</u>
Total operating revenues	<u>941,729</u>	<u>843,870</u>
OPERATING EXPENSES		
Personnel	667,097	632,845
Materials and supplies	15,770	15,611
Maintenance	52,555	45,273
Miscellaneous services	114,274	112,896
Depreciation	<u>83,117</u>	<u>87,751</u>
Total operating expenses	<u>932,813</u>	<u>894,376</u>
Operating income (loss) before nonoperating revenues (expenses)	8,916	(50,506)
NONOPERATING REVENUES (EXPENSES)		
Investment income	6,567	11,909
Loss on disposition of capital assets	<u>(150)</u>	<u>-</u>
Net nonoperating revenues (expenses)	<u>6,417</u>	<u>11,909</u>
Change in net assets	15,333	(38,597)
Total net assets at beginning of year	<u>392,864</u>	<u>431,461</u>
Total net assets at end of year	<u>\$ 408,197</u>	<u>\$ 392,864</u>

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

INFORMATION TECHNOLOGY FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2008

With comparative totals for the year ended September 30, 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from other funds	\$ 942,103	\$ 843,814
Cash paid to suppliers for goods and services	(194,417)	(162,145)
Cash paid to employees for services	<u>(655,326)</u>	<u>(630,004)</u>
Net cash provided (used) by operating activities	<u>92,360</u>	<u>51,665</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Repayments to other funds	<u>(730)</u>	<u>(1,975)</u>
Net cash provided (used) by noncapital financing activities	<u>(730)</u>	<u>(1,975)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	<u>(102,597)</u>	<u>(80,489)</u>
Net cash provided (used) by capital and related financing activities	<u>(102,597)</u>	<u>(80,489)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	<u>6,567</u>	<u>11,909</u>
Net cash provided (used) by investing activities	<u>6,567</u>	<u>11,909</u>
Net increase (decrease) in cash and cash equivalents	(4,400)	(18,890)
Cash and cash equivalents at beginning of year	<u>248,812</u>	<u>267,702</u>
Cash and cash equivalents at end of year	<u>\$ 244,412</u>	<u>\$ 248,812</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 8,916	\$ (50,506)
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	83,117	87,751
Changes in assets and liabilities		
(Increase) decrease in other receivables	374	(56)
Increase (decrease) in accounts payable	(11,818)	11,635
Increase (decrease) in accrued expenses	7,950	2,220
Increase (decrease) in compensated absences	<u>3,821</u>	<u>621</u>
Total adjustments	<u>83,444</u>	<u>102,171</u>
Net cash provided (used) by operating activities	<u>\$ 92,360</u>	<u>\$ 51,665</u>

COMMUNICATIONS FUND

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

COMMUNICATIONS FUND

BALANCE SHEET

September 30, 2008

With comparative totals for September 30, 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 131,187	\$ 101,802
Receivables		
Other	<u>20,772</u>	<u>21,330</u>
Total current assets	<u>151,959</u>	<u>123,132</u>
Noncurrent assets		
Capital assets		
Buildings	25,779	25,779
Infrastructure	2,501	2,501
Machinery and equipment	<u>3,810,061</u>	<u>3,735,377</u>
Total capital assets	3,838,341	3,763,657
Less accumulated depreciation	<u>1,521,578</u>	<u>1,325,769</u>
Subtotal	2,316,763	2,437,888
Land	<u>39,168</u>	<u>39,168</u>
Net capital assets	<u>2,355,931</u>	<u>2,477,056</u>
Total assets	<u>2,507,890</u>	<u>2,600,188</u>
LIABILITIES		
Current liabilities		
Accounts payable	4,028	522
Accrued expenses	3,943	5,042
Accrued compensated absences	3,344	3,297
Due to other funds	<u>928</u>	<u>345</u>
Total liabilities	<u>12,243</u>	<u>9,206</u>
NET ASSETS		
Invested in capital assets	2,355,931	2,477,056
Unrestricted net assets	<u>139,716</u>	<u>113,926</u>
Total net assets	<u>\$ 2,495,647</u>	<u>\$ 2,590,982</u>

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

COMMUNICATIONS FUND

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

For the year ended September 30, 2008

With comparative totals for the year ended September 30, 2007

	<u>2008</u>	<u>2007</u>
OPERATING REVENUES		
Charges for services	\$ 339,454	\$ 200,027
OPERATING EXPENSES		
Personnel	133,010	115,532
Materials and supplies	40,507	27,011
Maintenance	22,090	72,636
Miscellaneous services	36,027	38,575
Computer services	10,915	11,327
Depreciation	<u>195,809</u>	<u>192,728</u>
Total operating expenses	<u>438,358</u>	<u>457,809</u>
Operating income (loss) before nonoperating revenues (expenses)	(98,904)	(257,782)
NONOPERATING REVENUES (EXPENSES)		
Investment income	<u>3,569</u>	<u>5,317</u>
Net nonoperating revenues (expenses)	<u>3,569</u>	<u>5,317</u>
Change in net assets	(95,335)	(252,465)
Total net assets at beginning of year	<u>2,590,982</u>	<u>2,843,447</u>
Total net assets at end of year	<u>\$ 2,495,647</u>	<u>\$ 2,590,982</u>

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

COMMUNICATIONS FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2008

With comparative totals for the year ended September 30, 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from other funds	\$ 340,012	\$ 200,189
Cash paid to suppliers for goods and services	(106,033)	(153,415)
Cash paid to employees for services	<u>(134,062)</u>	<u>(112,934)</u>
Net cash provided (used) by operating activities	<u>99,917</u>	<u>(66,160)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Borrowings from other funds	583	-
Repayments to other funds	<u>-</u>	<u>(443)</u>
Net cash provided (used) by noncapital financing activities	<u>583</u>	<u>(443)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	<u>(74,684)</u>	<u>(8,185)</u>
Net cash provided (used) by capital and related financing activities	<u>(74,684)</u>	<u>(8,185)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	<u>3,569</u>	<u>5,317</u>
Net cash provided (used) by investing activities	<u>3,569</u>	<u>5,317</u>
Net increase (decrease) in cash and cash equivalents	29,385	(69,471)
Cash and cash equivalents at beginning of year	<u>101,802</u>	<u>171,273</u>
Cash and cash equivalents at end of year	<u>\$ 131,187</u>	<u>\$ 101,802</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (98,904)	\$ (257,782)
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	195,809	192,728
Changes in assets and liabilities		
(Increase) decrease in other receivables	558	162
Increase (decrease) in accounts payable	3,506	(3,866)
Increase (decrease) in accrued expenses	(1,099)	2,409
Increase (decrease) in compensated absences	<u>47</u>	<u>189</u>
Total adjustments	<u>198,821</u>	<u>191,622</u>
Net cash provided (used) by operating activities	<u>\$ 99,917</u>	<u>\$ (66,160)</u>

PURCHASING FUND

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

PURCHASING FUND

BALANCE SHEET

September 30, 2008

With comparative totals for September 30, 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 276,130	\$ 110,474
Receivables		
Other	66	693
Inventory	<u>231,719</u>	<u>310,487</u>
Total current assets	<u>507,915</u>	<u>421,654</u>
Noncurrent assets		
Capital assets		
Buildings	109,342	109,342
Infrastructure	7,827	7,827
Improvements other than buildings	11,121	11,121
Machinery and equipment	<u>35,389</u>	<u>31,638</u>
Total capital assets	163,679	159,928
Less accumulated depreciation	<u>96,901</u>	<u>88,233</u>
Net capital assets	<u>66,778</u>	<u>71,695</u>
Total assets	<u>574,693</u>	<u>493,349</u>
LIABILITIES		
Current liabilities		
Accounts payable	6,705	51
Accrued expenses	13,521	11,739
Accrued compensated absences	13,354	13,256
Due to other funds	<u>188</u>	<u>431</u>
Total liabilities	<u>33,768</u>	<u>25,477</u>
NET ASSETS		
Invested in capital assets	66,778	71,695
Unrestricted net assets	<u>474,147</u>	<u>396,177</u>
Total net assets	<u>\$ 540,925</u>	<u>\$ 467,872</u>

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

PURCHASING FUND

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

For the year ended September 30, 2008

With comparative totals for the year ended September 30, 2007

	<u>2008</u>	<u>2007</u>
OPERATING REVENUES		
Charges for services	\$ 355,142	\$ 274,187
OPERATING EXPENSES		
Personnel	215,506	209,745
Materials and supplies	11,592	5,193
Maintenance	2,002	1,461
Heat, lights, and power	4,756	4,052
Miscellaneous services	13,269	13,848
Contractual services	1,560	3,250
Computer services	27,701	26,439
Depreciation	8,668	9,089
Total operating expenses	<u>285,054</u>	<u>273,077</u>
Operating income (loss) before nonoperating revenues (expenses)	70,088	1,110
NONOPERATING REVENUES (EXPENSES)		
Investment income	<u>2,965</u>	<u>3,698</u>
Net nonoperating revenues (expenses)	<u>2,965</u>	<u>3,698</u>
Change in net assets	73,053	4,808
Total net assets at beginning of year	<u>467,872</u>	<u>463,064</u>
Total net assets at end of year	<u>\$ 540,925</u>	<u>\$ 467,872</u>

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

PURCHASING FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2008

With comparative totals for the year ended September 30, 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from other funds	\$ 434,537	\$ 264,926
Cash paid to suppliers for goods and services	(54,226)	(38,016)
Cash paid to employees for services	<u>(213,626)</u>	<u>(208,856)</u>
Net cash provided (used) by operating activities	<u>166,685</u>	<u>18,054</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Repayments to other funds	<u>(243)</u>	<u>(2,841)</u>
Net cash provided (used) by noncapital financing activities	<u>(243)</u>	<u>(2,841)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	<u>(3,751)</u>	<u>-</u>
Net cash provided (used) by capital and related financing activities	<u>(3,751)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	<u>2,965</u>	<u>3,698</u>
Net cash provided (used) by investing activities	<u>2,965</u>	<u>3,698</u>
Net increase (decrease) in cash and cash equivalents	165,656	18,911
Cash and cash equivalents at beginning of year	<u>110,474</u>	<u>91,563</u>
Cash and cash equivalents at end of year	<u>\$ 276,130</u>	<u>\$ 110,474</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 70,088	\$ 1,110
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	8,668	9,089
Changes in assets and liabilities		
(Increase) decrease in other receivables	627	(391)
(Increase) decrease in inventory	78,768	8,870
Increase (decrease) in accounts payable	6,654	(1,513)
Increase (decrease) in accrued expenses	1,782	332
Increase (decrease) in compensated absences	<u>98</u>	<u>557</u>
Total adjustments	<u>96,597</u>	<u>16,944</u>
Net cash provided (used) by operating activities	<u>\$ 166,685</u>	<u>\$ 18,054</u>

SAFETY MANAGEMENT FUND

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

SAFETY MANAGEMENT FUND

BALANCE SHEET

September 30, 2008

With comparative totals for September 30, 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 176,006	\$ 142,705
Receivables		
Other	<u>-</u>	<u>626</u>
Total current assets	<u>176,006</u>	<u>143,331</u>
Noncurrent assets		
Capital assets		
Machinery and equipment	27,216	13,839
Less accumulated depreciation	<u>8,824</u>	<u>5,739</u>
Net capital assets	<u>18,392</u>	<u>8,100</u>
Total assets	<u>194,398</u>	<u>151,431</u>
LIABILITIES		
Current liabilities		
Accounts payable	16,085	1,081
Accrued expenses	6,710	2,335
Accrued compensated absences	-	1,285
Due to other funds	<u>1,666</u>	<u>259</u>
Total liabilities	<u>24,461</u>	<u>4,960</u>
NET ASSETS		
Invested in capital assets	18,392	8,100
Unrestricted net assets	<u>151,545</u>	<u>138,371</u>
Total net assets	<u>\$ 169,937</u>	<u>\$ 146,471</u>

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

SAFETY MANAGEMENT FUND

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

For the year ended September 30, 2008

With comparative totals for the year ended September 30, 2007

	<u>2008</u>	<u>2007</u>
OPERATING REVENUES		
Charges for services	\$ 512,525	\$ 512,525
Miscellaneous	<u>80,971</u>	<u>102,137</u>
Total operating revenues	<u>593,496</u>	<u>614,662</u>
OPERATING EXPENSES		
Personnel	93,262	99,437
Materials and supplies	6,256	3,273
Reinsurance premiums	418,544	397,573
Miscellaneous services	19,927	18,575
Contractual services	6,047	20,893
Computer services	10,915	11,327
Court costs, judgments, and damages	16,312	3,000
Depreciation	<u>3,085</u>	<u>1,952</u>
Total operating expenses	<u>574,348</u>	<u>556,030</u>
Operating income (loss) before nonoperating revenues (expenses)	19,148	58,632
NONOPERATING REVENUES (EXPENSES)		
Investment income	4,318	7,526
Loss on disposition of capital assets	<u>-</u>	<u>(181)</u>
Net nonoperating revenues (expenses)	<u>4,318</u>	<u>7,345</u>
Change in net assets	23,466	65,977
Total net assets at beginning of year	<u>146,471</u>	<u>80,494</u>
Total net assets at end of year	<u><u>\$ 169,937</u></u>	<u><u>\$ 146,471</u></u>

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

SAFETY MANAGEMENT FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2008

With comparative totals for the year ended September 30, 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from other funds	\$ 594,122	\$ 614,239
Cash paid to suppliers for goods and services	(462,997)	(453,801)
Cash paid to employees for services	<u>(90,172)</u>	<u>(101,982)</u>
Net cash provided (used) by operating activities	<u>40,953</u>	<u>58,456</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Borrowings from other funds	<u>1,407</u>	<u>204</u>
Net cash provided (used) by noncapital financing activities	<u>1,407</u>	<u>204</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	<u>(13,377)</u>	<u>(1,950)</u>
Net cash provided (used) by capital and related financing activities	<u>(13,377)</u>	<u>(1,950)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	<u>4,318</u>	<u>7,526</u>
Net cash provided (used) by investing activities	<u>4,318</u>	<u>7,526</u>
Net increase (decrease) in cash and cash equivalents	33,301	64,236
Cash and cash equivalents at beginning of year	<u>142,705</u>	<u>78,469</u>
Cash and cash equivalents at end of year	<u>\$ 176,006</u>	<u>\$ 142,705</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 19,148	\$ 58,632
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	3,085	1,952
Changes in assets and liabilities		
(Increase) decrease in other receivables	626	(423)
Increase (decrease) in accounts payable	15,004	840
Increase (decrease) in accrued expenses	4,375	(3,247)
Increase (decrease) in compensated absences	<u>(1,285)</u>	<u>702</u>
Total adjustments	<u>21,805</u>	<u>(176)</u>
Net cash provided (used) by operating activities	<u>\$ 40,953</u>	<u>\$ 58,456</u>

WORKERS' COMPENSATION FUND

CITY OF VICTORIA, TEXAS
INTERNAL SERVICE FUND
WORKERS' COMPENSATION FUND
BALANCE SHEET
September 30, 2008
With comparative totals for September 30, 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,132,633	\$ 748,597
Receivables		
Other	-	832
Restricted assets		
Cash and cash equivalents	<u>23,000</u>	<u>67,270</u>
Total assets	<u>1,155,633</u>	<u>816,699</u>
LIABILITIES		
Current liabilities		
Accounts payable	27,283	8,829
Claims payable	<u>151,785</u>	<u>190,082</u>
Total liabilities	<u>179,068</u>	<u>198,911</u>
NET ASSETS		
Unrestricted net assets	<u>976,565</u>	<u>617,788</u>
Total net assets	<u>\$ 976,565</u>	<u>\$ 617,788</u>

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

WORKERS' COMPENSATION FUND

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

For the year ended September 30, 2008

With comparative totals for the year ended September 30, 2007

	<u>2008</u>	<u>2007</u>
OPERATING REVENUES		
Charges for services	\$ 619,680	\$ 445,239
OPERATING EXPENSES		
Contractual services	11,032	31,942
Claims expense	<u>276,084</u>	<u>210,149</u>
Total operating expenses	<u>287,116</u>	<u>242,091</u>
Operating income (loss) before nonoperating revenues (expenses)	332,564	203,148
NONOPERATING REVENUES (EXPENSES)		
Investment income	<u>26,213</u>	<u>33,947</u>
Change in net assets	358,777	237,095
Total net assets at beginning of year	<u>617,788</u>	<u>380,693</u>
Total net assets at end of year	<u>\$ 976,565</u>	<u>\$ 617,788</u>

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

WORKERS' COMPENSATION FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2008

With comparative totals for the year ended September 30, 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from other funds	\$ 620,512	\$ 444,930
Cash paid to suppliers for goods and services	<u>(306,959)</u>	<u>(302,313)</u>
Net cash provided (used) by operating activities	<u>313,553</u>	<u>142,617</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	<u>26,213</u>	<u>33,947</u>
Net cash provided (used) by investing activities	<u>26,213</u>	<u>33,947</u>
Net increase (decrease) in cash and cash equivalents	339,766	176,564
Cash and cash equivalents at beginning of year	<u>815,867</u>	<u>639,303</u>
Cash and cash equivalents at end of year	<u>\$ 1,155,633</u>	<u>\$ 815,867</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 332,564	\$ 203,148
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Changes in assets and liabilities		
(Increase) decrease in other receivables	832	(309)
Increase (decrease) in accounts payable	18,454	7,602
Increase (decrease) in claims payable	<u>(38,297)</u>	<u>(67,824)</u>
Total adjustments	<u>(19,011)</u>	<u>(60,531)</u>
Net cash provided (used) by operating activities	<u>\$ 313,553</u>	<u>\$ 142,617</u>

PRINT SHOP FUND

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

PRINT SHOP FUND

BALANCE SHEET

September 30, 2008

With comparative totals for September 30, 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 42,229	\$ 55,274
Receivables		
Other	1,868	3,815
Due from other funds	-	2,649
Inventory	<u>21,280</u>	<u>29,392</u>
Total current assets	<u>65,377</u>	<u>91,130</u>
Noncurrent assets		
Capital assets		
Machinery and equipment	74,965	73,107
Less accumulated depreciation	<u>61,726</u>	<u>58,026</u>
Net capital assets	<u>13,239</u>	<u>15,081</u>
Total assets	<u>78,616</u>	<u>106,211</u>
LIABILITIES		
Current liabilities		
Accounts payable	8	1,674
Accrued expenses	5,688	4,927
Accrued compensated absences	3,841	4,783
Due to other funds	<u>94</u>	<u>337</u>
Total liabilities	<u>9,631</u>	<u>11,721</u>
NET ASSETS		
Invested in capital assets	13,239	15,081
Unrestricted net assets	<u>55,746</u>	<u>79,409</u>
Total net assets	<u>\$ 68,985</u>	<u>\$ 94,490</u>

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

PRINT SHOP FUND

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

For the year ended September 30, 2008

With comparative totals for the year ended September 30, 2007

	<u>2008</u>	<u>2007</u>
OPERATING REVENUES		
Charges for services	\$ 110,667	\$ 115,851
OPERATING EXPENSES		
Personnel	91,006	90,390
Materials and supplies	9,384	5,848
Maintenance	6,663	5,532
Miscellaneous services	20,963	10,109
Computer services	5,325	6,293
Depreciation	<u>3,700</u>	<u>4,607</u>
Total operating expenses	<u>137,041</u>	<u>122,779</u>
Operating income (loss) before nonoperating revenues (expenses)	(26,374)	(6,928)
NONOPERATING REVENUES (EXPENSES)		
Investment income	<u>869</u>	<u>2,282</u>
Change in net assets	(25,505)	(4,646)
Total net assets at beginning of year	<u>94,490</u>	<u>99,136</u>
Total net assets at end of year	<u>\$ 68,985</u>	<u>\$ 94,490</u>

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

PRINT SHOP FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2008

With comparative totals for the year ended September 30, 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from other funds	\$ 115,263	\$ 111,361
Cash paid to suppliers for goods and services	(35,889)	(37,440)
Cash paid to employees for services	(91,187)	(89,504)
Net cash provided (used) by operating activities	<u>(11,813)</u>	<u>(15,583)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Repayments to other funds	(243)	(184)
Net cash provided (used) by noncapital financing activities	<u>(243)</u>	<u>(184)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(1,858)	(12,890)
Net cash provided (used) by capital and related financing activities	<u>(1,858)</u>	<u>(12,890)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	869	2,282
Net cash provided (used) by investing activities	<u>869</u>	<u>2,282</u>
Net increase (decrease) in cash and cash equivalents	(13,045)	(26,375)
Cash and cash equivalents at beginning of year	55,274	81,649
Cash and cash equivalents at end of year	<u>\$ 42,229</u>	<u>\$ 55,274</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (26,374)	\$ (6,928)
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	3,700	4,607
Changes in assets and liabilities		
(Increase) decrease in other receivables	1,947	(1,841)
(Increase) decrease in due from other funds	2,649	(2,649)
(Increase) decrease in inventory	8,112	(9,422)
Increase (decrease) in accounts payable	(1,666)	(236)
Increase (decrease) in accrued expenses	761	243
Increase (decrease) in compensated absences	(942)	643
Total adjustments	<u>14,561</u>	<u>(8,655)</u>
Net cash provided (used) by operating activities	<u>\$ (11,813)</u>	<u>\$ (15,583)</u>

EMPLOYEE HEALTH PLAN FUND

CITY OF VICTORIA, TEXAS
INTERNAL SERVICE FUND
EMPLOYEE HEALTH PLAN FUND
BALANCE SHEET
September 30, 2008
With comparative totals for September 30, 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 3,972,545	\$ 2,223,573
Receivables		
Other	51,676	48,179
Due from other funds	<u>303,424</u>	<u>316,262</u>
Total assets	<u>4,327,645</u>	<u>2,588,014</u>
LIABILITIES		
Current liabilities		
Accounts payable	10,517	1,425
Claims payable	<u>508,075</u>	<u>352,258</u>
Total liabilities	<u>518,592</u>	<u>353,683</u>
NET ASSETS		
Unrestricted net assets	<u>3,809,053</u>	<u>2,234,331</u>
Total net assets	<u>\$ 3,809,053</u>	<u>\$ 2,234,331</u>

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

EMPLOYEE HEALTH PLAN FUND

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

For the year ended September 30, 2008

With comparative totals for year ended September 30, 2007

	<u>2008</u>	<u>2007</u>
OPERATING REVENUES		
Charges for services	\$ 5,553,206	\$ 5,148,473
Miscellaneous	<u>18,093</u>	<u>26,261</u>
Total operating revenues	<u>5,571,299</u>	<u>5,174,734</u>
OPERATING EXPENSES		
Reinsurance premiums	264,897	296,216
Miscellaneous services	82	250
Contractual services	256,869	257,130
Claims expense	3,561,021	3,737,880
Wellness program	<u>16,753</u>	<u>20,965</u>
Total operating expenses	<u>4,099,622</u>	<u>4,312,441</u>
Operating income (loss) before nonoperating revenues (expenses)	1,471,677	862,293
NONOPERATING REVENUES (EXPENSES)		
Investment income	<u>103,045</u>	<u>78,206</u>
Net nonoperating revenues (expenses)	<u>103,045</u>	<u>78,206</u>
Change in net assets	1,574,722	940,499
Total net assets at beginning of year	<u>2,234,331</u>	<u>1,293,832</u>
Total net assets at end of year	<u>\$ 3,809,053</u>	<u>\$ 2,234,331</u>

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

EMPLOYEE HEALTH PLAN FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2008

With comparative totals for the year ended September 30, 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from other funds	\$ 5,580,640	\$ 5,336,369
Cash paid to suppliers for goods and services	<u>(3,934,713)</u>	<u>(4,211,349)</u>
Net cash provided (used) by operating activities	<u>1,645,927</u>	<u>1,125,020</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	<u>103,045</u>	<u>78,206</u>
Net cash provided (used) by investing activities	<u>103,045</u>	<u>78,206</u>
Net increase (decrease) in cash and cash equivalents	1,748,972	1,203,226
Cash and cash equivalents at beginning of year	<u>2,223,573</u>	<u>1,020,347</u>
Cash and cash equivalents at end of year	<u>\$ 3,972,545</u>	<u>\$ 2,223,573</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 1,471,677	\$ 862,293
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Changes in assets and liabilities		
(Increase) decrease in other receivables	(3,497)	128,334
(Increase) decrease in due from other funds	12,838	33,301
(Increase) decrease in prepaid expenses	-	25,927
Increase (decrease) in accounts payable	9,092	(191)
Increase (decrease) in claims payable	<u>155,817</u>	<u>75,356</u>
Total adjustments	<u>174,250</u>	<u>262,727</u>
Net cash provided (used) by operating activities	<u>\$ 1,645,927</u>	<u>\$ 1,125,020</u>

AGENCY FUND

Agency Funds are used to account for resources held for others in a custodial capacity and do not involve measurement of results of operations.

Agency Fund - To account for collection and payment of various trust funds such as refundable deposits and single check payments that need to be allocated to different funds.

CITY OF VICTORIA, TEXAS*STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**AGENCY FUND**For the year ended September 30, 2008*

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
AGENCY FUND				
Assets				
Cash and cash equivalents	\$ 178,874	\$ 228,678	\$ 36,306	\$ 371,246
Receivables (net)				
Other	<u>817</u>	<u>500</u>	<u>817</u>	<u>500</u>
Total assets	<u>\$ 179,691</u>	<u>\$ 229,178</u>	<u>\$ 37,123</u>	<u>\$ 371,746</u>
Liabilities				
Accounts payable	\$ 5,860	\$ 22,867	\$ 28,537	\$ 190
Due to other funds	10	-	10	-
Due to other agencies	<u>173,821</u>	<u>228,362</u>	<u>30,627</u>	<u>371,556</u>
Total liabilities	<u>\$ 179,691</u>	<u>\$ 251,229</u>	<u>\$ 59,174</u>	<u>\$ 371,746</u>

STATISTICAL SECTION

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

<u>Contents</u>	<u>Page</u>
Financial Trends	
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time	166
Revenue Capacity	
These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property taxes and water and sewer revenues	180
Debt Capacity	
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.....	192
Demographic and Economic Information	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments	200
Operating Information	
These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs	202

CITY OF VICTORIA, TEXAS
NET ASSETS BY COMPONENT (1)
Last six fiscal years

	Fiscal Year			
	2003	2004	2005	2006
Governmental activities				
Invested in capital assets, net of related debt	\$ 34,925,207	\$ 67,795,661	\$ 61,535,936	\$ 68,885,648
Restricted	566,347	896,865	1,270,596	1,173,690
Unrestricted	<u>42,481,342</u>	<u>14,383,907</u>	<u>23,093,045</u>	<u>23,686,971</u>
Total governmental activities net assets	<u>\$ 77,972,896</u>	<u>\$ 83,076,433</u>	<u>\$ 85,899,577</u>	<u>\$ 93,746,309</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ 29,682,614	\$ 29,224,195	\$ 29,115,974	\$ 33,504,794
Unrestricted	<u>16,915,487</u>	<u>16,612,003</u>	<u>16,655,572</u>	<u>15,904,762</u>
Total business-type activities net assets	<u>\$ 46,598,101</u>	<u>\$ 45,836,198</u>	<u>\$ 45,771,546</u>	<u>\$ 49,409,556</u>
Primary Government				
Invested in capital assets, net of related debt	\$ 64,607,821	\$ 97,019,856	\$ 90,651,910	\$ 102,390,442
Restricted	566,347	896,865	1,270,596	1,173,690
Unrestricted	<u>59,396,829</u>	<u>30,995,910</u>	<u>39,748,617</u>	<u>39,591,733</u>
Total primary government activities net assets	<u>\$ 124,570,997</u>	<u>\$ 128,912,631</u>	<u>\$ 131,671,123</u>	<u>\$ 143,155,865</u>

(1) Accrual basis of accounting

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

Fiscal Year	
2007	2008
\$ 81,674,543	\$ 82,236,177
1,696,525	1,463,456
<u>22,718,779</u>	<u>33,108,118</u>
<u>\$ 106,089,847</u>	<u>\$ 116,807,751</u>
\$ 33,129,491	\$ 37,957,306
<u>12,929,543</u>	<u>12,557,448</u>
<u>\$ 46,059,034</u>	<u>\$ 50,514,754</u>
\$ 114,804,034	\$ 120,193,483
1,696,525	1,463,456
<u>35,648,322</u>	<u>45,665,566</u>
<u>\$ 152,148,881</u>	<u>\$ 167,322,505</u>

CITY OF VICTORIA, TEXAS

CHANGES IN NET ASSETS (1)

Last six fiscal years

	Fiscal Year			
	2003	2004	2005	2006
Governmental activities				
Expenses				
General government	\$ 8,305,787	\$ 5,986,540	\$ 7,186,520	\$ 6,938,465
Public safety	18,600,974	19,459,798	20,714,077	21,069,293
Highways and streets	6,744,120	5,380,086	7,102,676	7,043,318
Culture and recreation	4,289,696	4,353,401	4,142,411	4,355,134
Interest on long-term debt	2,253,772	2,509,154	2,116,958	2,697,616
Total expenses	<u>40,194,349</u>	<u>37,688,979</u>	<u>41,262,642</u>	<u>42,103,826</u>
Program revenues				
Charges for services				
General government	1,428,327	1,547,062	1,481,442	1,561,043
Public safety	2,364,456	2,739,814	3,449,535	3,438,132
Highways and streets	14,908	8,893	-	-
Culture and recreation	1,010,925	990,143	1,096,961	1,116,400
Operating grants and contributions	2,303,448	1,011,868	1,646,050	1,484,178
Capital grants and contributions	2,142,336	2,360,407	1,372,520	3,949,167
Total program revenues	<u>9,264,400</u>	<u>8,658,187</u>	<u>9,046,508</u>	<u>11,548,920</u>
Total governmental activities net program (expense) revenue	(30,929,949)	(29,030,792)	(32,216,134)	(30,554,906)
General revenues and other changes in net assets				
Taxes				
Property taxes	14,880,659	14,812,104	15,598,891	16,031,334
Sales taxes	9,322,278	10,183,182	10,954,207	12,223,392
Franchise taxes	4,336,619	4,454,229	4,532,668	4,807,526
Other taxes	763,238	800,767	883,957	993,013
Unrestricted investment earnings	598,859	432,387	821,776	1,924,805
Gain (loss) on disposition of capital assets	145,660	(193,039)	(90,444)	(52,797)
Miscellaneous	508,201	495,876	577,513	707,809
Payments from component units	4,100,000	965,000	-	-
Transfers	2,842,541	2,459,814	2,223,481	2,284,100
Total general revenues and other changes in net assets	<u>37,498,055</u>	<u>34,410,320</u>	<u>35,502,049</u>	<u>38,919,182</u>
Total governmental activities change in net assets	<u>\$ 6,568,106</u>	<u>\$ 5,379,528</u>	<u>\$ 3,285,915</u>	<u>\$ 8,364,276</u>

(1) Accrual basis of accounting

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

Fiscal Year	
2007	2008
\$ 6,309,381	\$ 6,931,856
21,011,764	21,735,079
6,536,201	7,823,283
4,567,261	5,103,708
<u>3,045,176</u>	<u>3,292,118</u>
<u>41,469,783</u>	<u>44,886,044</u>
1,500,177	1,984,766
3,462,799	5,061,946
1,764	-
1,291,701	199,493
1,483,014	1,782,897
<u>205,606</u>	<u>4,000,000</u>
<u>7,945,061</u>	<u>13,029,102</u>
(33,524,722)	(31,856,942)
17,365,758	18,731,119
13,028,689	13,545,220
4,887,453	4,678,027
1,127,701	1,306,496
2,333,774	2,062,275
(153,537)	-
987,575	577,458
-	-
<u>6,290,847</u>	<u>1,674,251</u>
<u>45,868,260</u>	<u>42,574,846</u>
<u>\$ 12,343,538</u>	<u>\$ 10,717,904</u>

(continued)

CITY OF VICTORIA, TEXAS
CHANGES IN NET ASSETS (1)
Last six fiscal years

	Fiscal Year			
	2003	2004	2005	2006
Business-type activities				
Expenses				
Water/wastewater	\$ 15,994,172	\$ 16,088,822	\$ 16,490,646	\$ 17,110,109
Environmental services	3,273,698	3,494,557	3,905,166	3,878,901
Other	587,325	566,894	575,023	652,407
Total expenses	19,855,195	20,150,273	20,970,835	21,641,417
Program revenues				
Charges for services				
Water/wastewater	16,901,199	16,693,360	18,328,875	19,465,995
Environmental services	3,896,231	4,295,737	4,201,109	4,277,226
Other	425,254	326,391	320,235	338,111
Capital grants and contributions	2,724,564	430,569	214,564	2,722,436
Total program revenues	23,947,248	21,746,057	23,064,783	26,803,768
Total business-type activities net program (expense) revenue	4,092,053	1,595,784	2,093,948	5,162,351
General revenues and other changes in net assets				
Unrestricted investment earnings	423,519	343,789	436,387	713,215
Gain (loss) on disposition of capital assets	-	(241,662)	(371,506)	(41,675)
Miscellaneous	-	-	-	88,219
Transfers	(2,842,541)	(2,459,814)	(2,223,481)	(2,284,100)
Total general revenues and other changes in net assets	(2,419,022)	(2,357,687)	(2,158,600)	(1,524,341)
Total business-type activities change in net assets	<u>\$ 1,673,031</u>	<u>\$ (761,903)</u>	<u>\$ (64,652)</u>	<u>\$ 3,638,010</u>
Total primary government change in net assets	<u>\$ 8,241,137</u>	<u>\$ 4,617,625</u>	<u>\$ 3,221,263</u>	<u>\$ 12,002,286</u>

(1) Accrual basis of accounting

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

Fiscal Year	
<u>2007</u>	<u>2008</u>
\$ 17,796,972	\$ 18,715,248
3,910,749	5,024,014
<u>644,320</u>	<u>884,680</u>
<u>22,352,041</u>	<u>24,623,942</u>
19,097,742	20,997,411
4,319,074	6,726,226
346,655	480,797
<u>774,028</u>	<u>1,800,876</u>
<u>24,537,499</u>	<u>30,005,310</u>
2,185,458	5,381,368
812,815	748,603
(194,343)	-
136,395	-
<u>(6,290,847)</u>	<u>(1,674,251)</u>
<u>(5,535,980)</u>	<u>(925,648)</u>
<u>\$ (3,350,522)</u>	<u>\$ 4,455,720</u>
<u>\$ 8,993,016</u>	<u>\$ 15,173,624</u>

CITY OF VICTORIA, TEXAS

PROGRAM REVENUES BY FUNCTION/PROGRAM (1)

Last six fiscal years

Function/Program	Fiscal Year			
	2003	2004	2005	2006
Governmental activities				
General government	\$ 5,565,755	\$ 2,992,334	\$ 3,806,589	\$ 3,658,884
Public safety				
Police	1,393,556	1,697,990	2,006,081	1,964,931
Fire	335,851	409,220	477,883	443,096
Ambulance	839,731	1,023,178	1,403,857	1,499,431
Other	39,672	48,339	230,873	56,394
Streets and highways	14,908	1,446,763	-	2,794,733
Culture and recreation				
Parks	39,919	38,635	30,534	32,453
Library	934,674	904,620	1,006,914	1,027,126
Other	100,334	97,108	83,777	71,872
Subtotal governmental activities	<u>9,264,400</u>	<u>8,658,187</u>	<u>9,046,508</u>	<u>11,548,920</u>
Business-type activities				
Water/wastewater	19,625,763	17,123,929	18,543,439	22,188,431
Environmental services	3,896,231	4,295,737	4,201,109	4,277,226
Community center	182,934	153,872	151,915	169,040
700 main center	242,320	172,519	168,320	169,071
Education & government channel	-	-	-	-
Subtotal business-type activities	<u>23,947,248</u>	<u>21,746,057</u>	<u>23,064,783</u>	<u>26,803,768</u>
Total primary government	<u>\$ 33,211,648</u>	<u>\$ 30,404,244</u>	<u>\$ 32,111,291</u>	<u>\$ 38,352,688</u>

(1) Accrual basis of accounting

Fiscal Year	
<u>2007</u>	<u>2008</u>
\$ 2,599,379	\$ 3,088,504
1,819,087	1,802,820
338,684	2,125,551
1,450,870	1,448,287
232,401	339,975
161,801	4,000,000
33,906	136,490
1,183,038	86,475
<u>125,895</u>	<u>1,000</u>
<u>7,945,061</u>	<u>13,029,102</u>
19,855,925	22,798,287
4,319,074	6,726,226
230,517	224,297
131,983	247,701
-	8,799
<u>24,537,499</u>	<u>30,005,310</u>
<u>\$ 32,482,560</u>	<u>\$ 43,034,412</u>

CITY OF VICTORIA, TEXAS**FUND BALANCES, GOVERNMENTAL FUNDS (1)***Last six fiscal years*

	Fiscal Year			
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General Fund				
Reserved for encumbrances	\$ 1,630,480	\$ 3,101,695	\$ 2,325,502	\$ 1,957,344
Unreserved	<u>8,136,676</u>	<u>7,420,786</u>	<u>8,063,890</u>	<u>8,722,939</u>
Total general fund	<u>\$ 9,767,156</u>	<u>\$ 10,522,481</u>	<u>\$ 10,389,392</u>	<u>\$ 10,680,283</u>
All Other Governmental Funds				
Reserved				
Encumbrances	\$ 13,960,600	\$ 8,385,224	\$ 4,673,438	\$ 9,768,774
Unreserved, reported in				
Special revenue funds	420,172	376,491	501,201	617,155
Debt service fund	566,347	479,890	903,386	801,189
Capital project funds	<u>14,792,459</u>	<u>9,351,347</u>	<u>21,409,866</u>	<u>21,526,958</u>
Total all other governmental funds	<u>\$ 29,739,578</u>	<u>\$ 18,592,952</u>	<u>\$ 27,487,891</u>	<u>\$ 32,714,076</u>

(1) Modified accrual basis of accounting

Fiscal Year	
<u>2007</u>	<u>2008</u>
\$ 2,841,648	\$ 3,790,753
<u>12,041,754</u>	<u>11,055,775</u>
<u>\$ 14,883,402</u>	<u>\$ 14,846,528</u>

\$ 22,936,937	\$ 10,449,047
782,553	786,064
933,505	1,185,901
<u>2,858,366</u>	<u>11,722,400</u>
<u>\$ 27,511,361</u>	<u>\$ 24,143,412</u>

CITY OF VICTORIA, TEXAS

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (1)

Last six fiscal years

	Fiscal Year			
	2003	2004	2005	2006
Revenues				
Taxes	\$ 29,286,778	\$ 30,532,177	\$ 32,187,110	\$ 34,415,212
Licenses and permits	576,808	584,247	595,288	704,596
Intergovernmental	6,415,310	3,691,636	4,715,501	4,454,844
Charges for services	1,015,651	1,177,888	1,490,281	1,639,480
Fines and forfeitures	895,716	1,044,418	1,331,397	1,289,136
Investment income	590,233	424,915	790,078	1,855,480
Miscellaneous	586,900	278,659	261,771	3,164,484
Total revenues	<u>39,367,396</u>	<u>37,733,940</u>	<u>41,371,426</u>	<u>47,523,232</u>
Expenditures				
Current				
General government	8,826,837	6,050,675	6,796,494	6,883,983
Public safety	17,738,136	19,150,382	20,489,310	21,195,636
Highways and streets	4,046,523	3,824,406	5,586,168	5,506,925
Culture and recreation	4,058,421	4,290,112	4,413,818	4,872,862
Capital outlay	12,962,792	12,048,011	6,669,082	9,815,300
Debt service				
Principal retirement	2,850,000	2,850,000	3,090,000	3,200,000
Interest and fiscal charges	2,337,628	2,501,208	1,956,240	2,534,977
Bond issue costs	115,759	-	710,900	179,670
Total expenditures	<u>52,936,096</u>	<u>50,714,794</u>	<u>49,712,012</u>	<u>54,189,353</u>
Excess (deficiency) of revenues over expenditures	<u>(13,568,700)</u>	<u>(12,980,854)</u>	<u>(8,340,586)</u>	<u>(6,666,121)</u>
Other financing sources (uses)				
Bonds issued	11,507,400	-	36,640,240	9,880,000
Premium on issuance of bonds	-	-	-	119,097
Payment to escrow	(6,061,727)	-	(21,585,103)	-
Transfers in	5,006,517	3,058,090	2,989,580	5,488,240
Transfers out	(2,633,695)	(1,295,046)	(966,099)	(3,304,140)
Payment from component unit	4,100,000	1,000,000	-	-
Payment to component unit	-	(35,000)	-	-
Total other financing sources (uses)	<u>11,918,495</u>	<u>2,728,044</u>	<u>17,078,618</u>	<u>12,183,197</u>
Change in fund balances	<u>\$ (1,650,205)</u>	<u>\$ (10,252,810)</u>	<u>\$ 8,738,032</u>	<u>\$ 5,517,076</u>
Debt service as a percentage of noncapital expenditures	<u>14.42%</u>	<u>15.53%</u>	<u>14.75%</u>	<u>14.77%</u>

(1) Modified accrual basis of accounting

Fiscal Year	
2007	2008
\$ 36,551,459	\$ 38,384,785
727,532	787,190
3,325,215	4,411,652
1,697,048	1,764,291
1,413,887	1,254,294
2,436,372	1,852,377
757,739	4,559,666
<u>46,909,252</u>	<u>53,014,255</u>
5,634,109	6,162,416
21,705,108	25,752,199
4,882,077	4,961,785
4,825,620	5,952,544
11,154,436	18,826,980
3,150,000	3,325,000
2,824,445	3,117,121
23,900	185,803
<u>54,199,695</u>	<u>68,283,848</u>
(7,290,443)	(15,269,593)
-	9,995,000
-	195,519
-	-
6,902,090	2,641,257
(611,243)	(967,006)
-	-
-	-
<u>6,290,847</u>	<u>11,864,770</u>
<u>\$ (999,596)</u>	<u>\$ (3,404,823)</u>
<u>15.13%</u>	<u>14.85%</u>

CITY OF VICTORIA, TEXAS**TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS (1)***Last ten fiscal years*

<u>Fiscal Year</u>	<u>Ad Valorem</u>	<u>Penalty and Interest</u>	<u>Franchise</u>	<u>Sales</u>	<u>Occupancy</u>
1999	\$ 12,647,112	\$ 201,963	\$ 3,912,858	\$ 8,451,113	\$ 728,757
2000	13,256,288	231,830	3,986,528	9,007,198	732,725
2001	13,681,643	197,412	4,965,066	9,604,627	727,323
2002	14,000,987	211,322	4,933,693	9,500,798	686,601
2003	14,636,550	228,093	4,336,619	9,322,278	714,568
2004	14,850,753	243,246	4,454,229	10,183,182	729,176
2005	15,581,887	234,391	4,532,668	10,954,207	786,736
2006	16,150,778	240,503	4,807,526	12,223,392	917,643
2007	17,324,991	207,625	4,887,453	13,028,689	1,022,525
2008	18,675,263	223,400	4,678,027	13,545,220	1,197,299
Change 1999-2008	47.66%	10.61%	19.56%	60.28%	64.29%

(1) Modified accrual basis of accounting

NOTE: Property tax rates have remained stable because of growth in property tax values and the addition of new construction values.

Occupancy tax revenues have increased over the past year due mainly to the addition of new hotels within the City of Victoria.

<u>Other</u>	<u>Total</u>
\$ 46,196	\$ 25,987,999
46,697	27,261,266
40,898	29,216,969
39,272	29,372,673
48,670	29,286,778
71,591	30,532,177
97,221	32,187,110
75,370	34,415,212
80,176	36,551,459
65,576	38,384,785
41.95%	47.70%

CITY OF VICTORIA, TEXAS

ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

Last ten fiscal years

Fiscal Year	Tax Roll	Real Property			Personal Property	
		Residential Property	Commercial and Industrial Property	Rural-Underdeveloped Property	Business	Other
1999	1998	\$ 1,052,776,310	\$ 584,233,930	\$ 31,777,010	\$ 316,501,360	\$ 83,965,820
2000	1999	1,110,407,180	412,861,495	215,327,298	333,422,603	77,242,887
2001	2000	1,180,858,340	633,963,930	31,547,890	291,730,987	94,316,670
2002	2001	1,205,385,845	635,866,160	30,105,910	312,120,149	111,421,123
2003	2002	1,274,264,475	654,213,565	32,032,390	315,183,924	106,707,344
2004	2003	1,299,239,370	661,732,341	31,446,590	320,917,128	98,562,607
2005	2004	1,403,021,532	698,891,018	33,562,671	354,266,590	83,806,750
2006	2005	1,473,176,041	701,542,189	35,670,222	377,480,760	66,928,050
2007	2006	1,626,641,942	752,719,724	31,633,867	387,411,360	77,410,530
2008	2007	1,771,669,196	810,319,669	38,071,671	509,452,480	63,826,070

(1) Includes tax-exempt property

NOTE: Property in the City is reassessed annually. The City assesses property at 100 percent of actual taxable value for all types of real and personal property. Tax rates are per \$100 of assessed value.

SOURCE: Victoria County Appraisal District

<u>Less: Tax Exempt Real Property</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Actual Taxable Value</u>	<u>Assessed Value (1) as a Percentage of Actual Value</u>
\$ 242,665,010	\$ 1,826,589,420	\$ 0.700	\$ 1,826,589,420	100.00%
250,761,474	1,898,499,989	0.700	1,898,499,989	100.00%
268,662,659	1,963,755,158	0.700	1,963,755,158	100.00%
281,789,914	2,013,109,273	0.700	2,013,109,273	100.00%
291,231,642	2,091,170,056	0.700	2,091,170,056	100.00%
293,066,404	2,118,831,632	0.700	2,118,831,632	100.00%
306,623,216	2,266,925,345	0.690	2,266,925,345	100.00%
315,274,991	2,339,522,271	0.690	2,339,522,271	100.00%
369,367,159	2,506,450,264	0.690	2,506,450,264	100.00%
419,158,214	2,774,180,872	0.675	2,774,180,872	100.00%

CITY OF VICTORIA, TEXAS*DIRECT AND OVERLAPPING PROPERTY TAX RATES**PER \$100 OF ASSESSED VALUE**Last ten fiscal years*

Fiscal Year	City Direct Rates			Overlapping Rates		
	Debt Service	General Fund	Total	School District	Junior College	Navigation District
1999	\$ 0.2470	\$ 0.4530	\$ 0.7000	\$ 1.4850	\$ 0.1413	\$ 0.0123
2000	0.2360	0.4640	0.7000	1.4750	0.1394	0.0414
2001	0.2360	0.4640	0.7000	1.5285	0.1394	0.0414
2002	0.2400	0.4600	0.7000	1.5510	0.1394	0.0401
2003	0.2400	0.4600	0.7000	1.5535	0.1394	0.0401
2004	0.2400	0.4600	0.7000	1.5535	0.1491	0.0402
2005	0.2400	0.4500	0.6900	1.5535	0.1461	0.0386
2006	0.2358	0.4542	0.6900	1.5535	0.1416	0.0369
2007	0.2696	0.4204	0.6900	1.4285	0.1416	0.0335
2008	0.2672	0.4078	0.6750	1.2337	0.1445	0.0317

SOURCE: Victoria County Appraisal District

Overlapping Rates				
Victoria County	Road and Bridge	Ground Water District		Total
\$ 0.2810	\$ 0.0600	\$ -		\$ 1.9796
0.2810	0.0600	-		1.9968
0.2860	0.0550	-		2.0503
0.2860	0.0550	-		2.0715
0.3201	0.0400	-		2.0931
0.3536	0.0450	-		2.1414
0.3536	0.0450	-		2.1368
0.3486	0.0500	-		2.1306
0.3436	0.0550	0.0100		2.0122
0.3436	0.0550	0.0100		1.8185

CITY OF VICTORIA, TEXAS
PRINCIPAL PROPERTY TAXPAYERS
(UNAUDITED)
Current Year and Nine Years Ago

2008		
Taxpayer	Taxable Assessed Valuation	Percentage of Total City Taxable Assessed Valuation
Victoria WLE LLP	\$ 50,091,030	1.81%
AEP Texas Central Co.	28,660,240	1.03%
Wireline Division of STC	24,168,630	0.87%
Victoria Hospital, L.L.C.	23,354,120	0.84%
HEB Grocery Company	18,123,450	0.65%
HS Victoria, L.P.	17,663,970	0.64%
VRMC Limited Partnership	16,490,560	0.59%
Covalence Specialty Materials	21,551,750	0.78%
Covalence Specialty Materials Corp.	16,346,420	0.59%
H.E.B. Grocery Company, L.P.	14,369,240	0.52%
	<u>\$ 230,819,410</u>	<u>8.32%</u>

1999		
Taxpayer	Taxable Assessed Valuation	Percentage of Total City Taxable Assessed Valuation
Central Power & Light	\$ 43,227,310	2.37%
Carlisle Plastics, Inc.	24,909,500	1.36%
Southwestern Bell	22,832,450	1.25%
MRO Commercial, Inc.	20,800,000	1.14%
VRMX Limited Partnership	18,712,260	1.02%
Victoria Hospital, L.L.C.	18,527,670	1.01%
VTK, Ltd. (K-Mart)	10,116,860	0.55%
James Wayne	9,855,010	0.54%
First Victoria National Bank	9,735,590	0.53%
H.E.B. Grocery	9,413,370	0.52%
	<u>\$ 188,130,020</u>	<u>10.30%</u>

SOURCE: Victoria County Tax Assessor/Collector



CITY OF VICTORIA, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
Last ten fiscal years

<u>Fiscal Year</u>	<u>Taxes Levied for the Fiscal Year (Original Levy)</u>		<u>Total Adjusted Levy</u>	<u>Collections within the Fiscal Year of the Levy</u>	
		<u>Adjustments</u>		<u>Amount</u>	<u>Percentage of Levy</u>
1999	\$ 12,784,824	\$ (36,091)	\$ 12,748,733	\$ 11,971,634	93.90%
2000	13,289,500	(35,506)	13,253,994	12,967,855	97.84%
2001	13,746,286	(75,872)	13,670,414	13,420,122	98.17%
2002	14,091,765	(40,247)	14,051,518	13,724,698	97.67%
2003	14,638,190	(45,444)	14,592,746	14,308,999	98.06%
2004	14,831,821	(25,857)	14,805,964	14,489,718	97.86%
2005	15,641,785	344,883	15,986,668	15,301,130	95.71%
2006	16,142,704	(25,636)	16,117,068	15,844,174	98.31%
2007	17,294,507	34,601	17,329,108	17,050,006	98.39%
2008	18,725,721	(14,731)	18,710,990	18,369,725	98.18%

SOURCE: City of Victoria
Victoria County Tax Assessor/Collector

Collections in Subsequent Years	Total Collections to Date	
	Amount	Percentage of Levy
\$ 744,056	\$ 12,715,690	99.74%
250,752	13,218,607	99.73%
219,638	13,639,760	99.78%
293,304	14,018,002	99.76%
245,370	14,554,369	99.74%
257,566	14,747,284	99.60%
620,010	15,921,140	99.59%
189,819	16,033,993	99.48%
113,547	17,163,553	99.04%
-	18,369,725	98.18%

CITY OF VICTORIA, TEXAS**WATER PRODUCED AND CONSUMED AND WASTEWATER TREATED***Last ten fiscal years*

<u>Fiscal Year</u>	<u>Gallons of Water Produced</u>	<u>Gallons of Water Consumed</u>	<u>Gallons of Water Unbilled</u>	<u>Average Percent Unbilled</u>	<u>Gallons of Wastewater Treated</u>
1999	3,360,516,000	2,901,631,000	458,885,000	13.66%	2,672,236,000
2000	3,680,830,000	3,045,937,000	634,893,000	17.25%	2,921,523,000
2001	3,655,580,000	3,242,654,750	412,925,250	11.30%	2,589,916,000
2002	3,672,668,000	3,190,192,603	482,475,397	13.14%	2,805,547,000
2003	3,533,488,000	3,014,390,750	579,672,250	16.41%	2,494,045,000
2004	3,209,922,000	2,699,529,750	564,295,250	17.58%	2,999,733,000
2005	3,299,317,000	2,967,315,750	402,516,250	12.20%	2,565,875,000
2006	3,674,571,000	3,231,368,750	520,540,250	14.17%	2,361,357,000
2007	3,144,420,000	2,729,648,750	475,604,250	15.13%	3,216,476,000
2008	3,498,315,000	2,623,272,000	351,176,000	10.04%	2,495,788,000

NOTE: Water and sewer base rates shown are for 3/4" meters.
Water and sewer base rates shown are for 3,000 - 7,000 usage range.
Full detail of rate information can be found on schedule titled "Water and Sewer Rates".

SOURCE: City of Victoria Utilities Department

Total Direct Rate for 3/4" Meter			
Water		Sewer	
Base Rate	Usage Rate	Base Sewer	Usage Rate
\$ 12.93	\$ 1.45	\$ 14.27	\$ 1.60
12.93	1.45	15.55	1.74
12.93	1.45	16.95	1.90
12.93	1.45	18.48	2.07
12.93	1.45	18.48	2.07
12.93	1.45	18.48	2.07
14.43	1.52	18.48	2.07
14.43	1.52	18.48	2.07
15.01	1.52	19.16	2.07
16.73	1.57	21.03	2.07

CITY OF VICTORIA, TEXAS

WATER AND SEWER RATES

Last ten fiscal years

	Fiscal Year			
	1999	2000	2001	2002
Water Rates (per 2,000 gallons)				
Base Rate (meter size)				
¾"	\$ 12.93	\$ 12.93	\$ 12.93	\$ 12.93
1"	28.57	28.57	28.57	28.57
1½"	54.64	54.64	54.64	54.64
2"	85.87	85.87	85.87	85.87
3"	169.24	169.24	169.24	169.24
4"	263.19	263.19	263.19	263.19
6"	523.87	523.87	523.87	523.87
8"	1,232.15	1,232.15	1,232.15	1,232.15
10"	2,609.34	2,609.34	2,609.34	2,609.34
Water usage rate (1,000 gallons increments)				
3-7	1.45	1.45	1.45	1.45
8-18	1.60	1.60	1.60	1.60
>18	1.75	1.75	-	-
19-50	-	-	1.90	1.90
51-75	-	-	-	-
>51	-	-	2.05	2.05
76-100	-	-	-	-
>100	-	-	-	-
Sewer Rates (per 2,000 gallons)				
¾"	14.27	15.55	16.95	18.48
1"	35.61	38.81	42.30	46.11
1½"	71.20	77.61	84.59	92.20
2"	114.07	124.34	135.53	147.73
3"	228.14	248.67	271.05	295.44
4"	356.57	388.66	423.64	461.77
6"	713.13	777.31	847.27	923.52
8"	1,681.91	1,833.28	1,998.28	2,178.13
10"	3,565.63	3,886.54	4,236.33	4,617.60
Sewer usage rate (1,000 gallons increments)				
>2	1.60	1.74	1.90	2.07
3-7	-	-	-	-
8-18	-	-	-	-
19-50	-	-	-	-
51-75	-	-	-	-
76-100	-	-	-	-
>100,000	-	-	-	-

NOTES: Increases in water and sewer rates are approved by the City Council.

Sewer usage rates are computed by averaging the metered monthly water consumption during the computation period. The computation period consists of the last complete three-month period of December, January, and February that preceded the billing date. The sum of 2,000 gallons is deducted from the average monthly consumption in order to compute the adjusted average. The adjusted average is multiplied by 90% to compute the net billing average. The net billing average charge is computed and billed to each customer, in addition to the base charge in 1,000 gallon increments.

Fiscal Year						
2003	2004	2005	2006	2007	2008	
\$ 12.93	\$ 12.93	\$ 14.43	\$ 14.43	\$ 15.01	16.73	
28.57	28.57	36.08	36.08	37.53	41.84	
54.64	54.64	72.15	72.15	75.05	83.66	
85.87	85.87	115.44	115.44	120.08	133.86	
169.24	169.24	230.88	230.88	240.17	267.73	
263.19	263.19	360.75	360.75	375.25	418.31	
523.87	523.87	523.87	721.50	750.50	836.62	
1,232.15	1,232.15	1,232.15	2,308.80	2,401.60	2,677.17	
2,609.34	2,609.34	2,609.34	2,609.34	3,752.50	4,183.08	
1.45	1.45	1.52	1.52	1.52	1.57	
1.60	1.60	1.68	1.68	1.68	1.73	
-	-	-	-	-	-	
1.90	1.90	2.00	2.00	2.00	2.05	
-	-	2.25	2.25	2.25	2.30	
2.05	2.05	-	-	-	-	
-	-	2.40	2.40	2.40	2.45	
-	-	2.55	2.55	2.55	2.60	
18.48	18.48	18.48	18.48	19.16	21.03	
46.11	46.11	46.20	46.20	47.90	52.57	
92.20	92.20	92.40	92.40	95.80	105.14	
147.73	147.73	147.84	147.84	153.28	168.22	
295.44	295.44	295.68	295.68	306.56	336.44	
461.77	461.77	462.00	462.00	479.00	525.69	
923.52	923.52	923.52	924.00	958.00	1,051.37	
2,178.13	2,178.13	2,178.13	2,956.80	3,065.60	3,364.39	
4,617.60	4,617.60	4,617.60	4,617.60	4,790.00	5,256.86	
2.07	2.07	-	-	-	-	
-	-	2.07	2.07	2.07	2.12	
-	-	2.12	2.12	2.12	2.17	
-	-	2.17	2.17	2.17	2.22	
-	-	2.22	2.22	2.22	2.27	
-	-	2.37	2.37	2.37	2.42	
-	-	2.52	2.52	2.52	2.57	

CITY OF VICTORIA, TEXAS
TEN LARGEST WATER CUSTOMERS
(UNAUDITED)
Current Year and Nine Years Ago

2008			
<u>Customer</u>	<u>Type of Business</u>	<u>12-Month Water Consumption (In Thousands)</u>	<u>Percent of Total Billed</u>
Citizens Medical Center	Hospital	47,160	1.35%
Detar Hospital	Hospital	18,590	0.53%
VISD - Memorial Campus	School	17,620	0.50%
Sage Creek Apartments	Apartment Complex	13,270	0.38%
Victoria County Jail	County Jail	11,570	0.33%
Silvermine Apartments	Apartment Complex	11,380	0.33%
Autumn Park	Apartment Complex	11,330	0.32%
Creekstone Ranch Apart.	Apartment Complex	11,080	0.32%
Fox Run Apartments	Apartment Complex	10,630	0.30%
Twin Pines	Nursing Home	10,080	0.29%
1999			
<u>Customer</u>	<u>Type of Business</u>	<u>12-Month Water Consumption (In Thousands)</u>	<u>Percent of Total Billed</u>
Citizens Medical Center	Hospital	43,193	1.29%
Detar Hospital	Hospital	30,687	0.91%
Victoria County Judge	County Jail	14,837	0.44%
Victoria College	College	13,972	0.42%
Victoria Manor Apartments	Apartment Complex	10,162	0.30%
Franklin Realty Group	Apartment Complex	9,878	0.29%
Courtyard Apartments	Apartment Complex	9,372	0.28%
Twin Pines Nursing Home	Nursing Home	9,216	0.27%
DMC Building Company, Inc.	Construction	8,477	0.25%
Stratford Place Apartments	Apartment Complex	7,872	0.23%

SOURCE: City of Victoria Utility Billing Office

CITY OF VICTORIA, TEXAS**RATIOS OF OUTSTANDING DEBT BY TYPE***Last ten fiscal years*

Fiscal Year	Governmental Activities		Business-type Activities	Total Primary Government	Percentage of Personal Income	Per Capita
	Certificates of Obligation	General Obligation Bonds	Revenue Bonds			
1999	\$ 6,200,000	\$ 15,647,395	\$ 76,175,000	\$ 98,022,395	6.52%	\$ 1,584
2000	12,200,000	12,237,395	74,955,000	99,392,395	6.05%	1,606
2001	12,200,000	39,410,000	73,665,000	125,275,000	7.70%	2,067
2002	11,345,000	37,725,000	72,260,000	121,330,000	7.35%	2,002
2003	15,760,000	35,905,000	70,770,000	122,435,000	7.16%	1,988
2004	14,815,000	34,000,000	68,375,000	117,190,000	6.66%	1,903
2005	23,940,000	38,460,000	65,705,000	128,105,000	6.80%	2,085
2006	32,780,000	36,300,000	62,985,000	132,065,000	6.37%	2,132
2007	30,880,000	35,050,000	70,360,000	136,290,000	N/A	2,192
2008	38,880,000	33,720,000	66,975,000	139,575,000	N/A	2,232

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

N/A denotes information not available

SOURCE: City of Victoria

CITY OF VICTORIA, TEXAS**RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING***Last ten fiscal years*

<u>Fiscal Year</u>	<u>General Bonded Debt Outstanding</u>			<u>Debt Service Monies Available</u>	<u>Net Bonded Debt</u>
	<u>Certificates of Obligation</u>	<u>General Obligation Bonds</u>	<u>Total</u>		
1999	\$ 6,200,000	\$ 15,647,395	\$ 21,847,395	\$ 683,169	\$ 21,164,226
2000	12,200,000	12,237,395	24,437,395	472,637	23,964,758
2001	12,200,000	39,410,000	51,610,000	351,565	51,258,435
2002	11,345,000	37,725,000	49,070,000	384,275	48,685,725
2003	15,760,000	35,905,000	51,665,000	566,347	51,098,653
2004	14,815,000	34,000,000	48,815,000	479,890	48,335,110
2005	23,940,000	38,460,000	62,400,000	903,386	61,496,614
2006	32,780,000	36,300,000	69,080,000	801,189	68,278,811
2007	30,880,000	35,050,000	65,930,000	933,505	64,996,495
2008	38,880,000	33,720,000	72,600,000	1,185,901	71,414,099

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

SOURCE: City of Victoria

<u>Percentage of Actual Taxable Value of Property</u>	<u>Per Capita</u>
1.16%	\$ 342
1.26%	387
2.61%	846
2.42%	803
2.44%	830
2.28%	785
2.71%	1,001
2.92%	1,102
2.59%	1,045
2.57%	1,142



CITY OF VICTORIA, TEXAS**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT****(UNAUDITED)**

September 30, 2008

	<u>Gross Debt Outstanding</u>		<u>Percentage</u>	<u>Amount</u>
	<u>Date</u>	<u>Amount</u>	<u>To City</u>	<u>Applicable</u>
				<u>To City</u>
Direct Debt:				
City of Victoria	9/30/2008	<u>\$ 72,600,000</u>	100.00%	<u>\$ 72,600,000</u>
Overlapping Debt:				
Victoria County	9/30/2008	6,405,000	59.37%	3,802,649
Victoria County Junior College District	9/30/2008	16,900,000	59.37%	10,033,530
Victoria County Navigation District	9/30/2008	1,925,000	59.37%	1,142,873
Victoria Independent School District	9/30/2008	<u>183,046,396</u>	67.41%	<u>123,391,576</u>
Total Overlapping Debt		<u>208,276,396</u>		<u>138,370,627</u>
Total		<u>\$ 280,876,396</u>		<u>\$ 210,970,627</u>

NOTE: The percentage of overlapping debt applicable is estimated using taxable property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable value that is within the City's boundaries and dividing it by each government's total taxable value.

SOURCE: Municipal Advisory Council of Texas

CITY OF VICTORIA, TEXAS
LEGAL DEBT MARGIN INFORMATION
Last ten fiscal years

	Fiscal Year				
	1999	2000	2001	2002	2003
Debt limit	\$ 91,320,174	\$ 94,924,999	\$ 98,187,758	\$ 100,655,464	\$ 104,558,503
Total net debt applicable to limit	<u>21,164,226</u>	<u>23,964,758</u>	<u>51,258,435</u>	<u>48,685,725</u>	<u>51,098,653</u>
Legal debt margin	<u>\$ 70,155,948</u>	<u>\$ 70,960,241</u>	<u>\$ 46,929,323</u>	<u>\$ 51,969,739</u>	<u>\$ 53,459,850</u>
Total net debt applicable to the limit as a percentage of debt limit	23.18%	25.25%	52.20%	48.37%	48.87%

NOTE: Texas statutes do not prescribe a legal debt limit for cities; however, a practical debt limit is considered to be 5% of the assessed valuation.

Article XI, Section 5, of the Texas Constitution limits the maximum amount that a city can designate for debt service to \$2.50 per \$100 of assessed valuation. Under City Charter, a limitation on taxes levied for general municipal operating purposes and for the purpose of paying interest and providing a proper sinking fund for paying the outstanding bonds and other obligations of the City, issued for municipal purposes, and any such future bonds or obligations which may be authorized, may not exceed \$2.00 per \$100 assessed valuation. As a matter of policy, the Attorney General of Texas, in his statutorily required examination of legal proceedings had in the issuance of bonds of a city having a \$2.50 tax rate, will not approve the issuance of bonds where total debt service of all tax supported debt requires a tax rate of more than \$1.50 per \$100 assessed valuation after making allowance for 10% delinquency in collections.

Fiscal Year				
2004	2005	2006	2007	2008
\$ 105,941,582	\$ 113,346,267	\$ 116,976,114	\$ 125,322,513	\$ 138,709,044
<u>48,335,110</u>	<u>61,496,614</u>	<u>68,278,811</u>	<u>64,996,495</u>	<u>71,414,099</u>
<u>\$ 57,606,472</u>	<u>\$ 51,849,653</u>	<u>\$ 48,697,303</u>	<u>\$ 60,326,018</u>	<u>\$ 67,294,945</u>
45.62%	54.26%	58.37%	51.86%	51.48%

Legal Debt Margin Calculation for Fiscal Year 2008

Assessed value	\$ 2,774,180,872
Debt limit	138,709,044
Debt applicable to limit	
General obligation bonds	72,600,000
Less: Debt Service Fund Balance	<u>1,185,901</u>
Total amount of debt applicable to debt limit	<u>71,414,099</u>
Legal debt margin	<u>\$ 67,294,945</u>

CITY OF VICTORIA, TEXAS
PLEDGED-REVENUE COVERAGE
Last ten fiscal years

Fiscal Year	Water and Sewer Revenue Bonds			
	Gross Revenue	Direct Operating Expenses	Net Available Revenue	Priority Bonds Average Debt Service Requirements
1999	\$ 16,321,386	\$ 7,977,124	\$ 8,344,262	\$ 3,555,353
2000	18,734,251	7,760,599	10,973,652	3,563,749
2001	16,881,273	8,690,883	8,190,390	3,554,301
2002	17,170,303	8,759,751	8,410,552	3,543,840
2003	17,223,536	9,133,987	8,089,549	3,532,478
2004	16,951,318	8,252,721	8,698,597	3,519,859
2005	18,572,942	9,557,667	9,015,275	3,506,130
2006	19,847,663	10,623,839	9,223,824	3,444,582
2007	19,566,404	11,264,681	8,301,723	3,427,631
2008	21,376,935	12,194,600	9,182,335	3,343,662

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

"Gross Revenue" as used herein refers to all operating revenues, interest income, and miscellaneous revenue of the Water and Wastewater Fund.

"Direct Operating Expenses" is defined as all operating expenses of the Water and Wastewater Fund (which does not include capital outlays or interest expense) less depreciation and amortization and GBRA debt which is included in the contractual service expense account.

SOURCE: City of Victoria

Water and Sewer Revenue Bonds

Subordinate Bonds		
Average Debt		
Service	Priority Bonds	Subordinate Bonds
Requirements	Coverage	Coverage
\$ -	2.35	-
1,809,322	3.08	3.28
1,852,232	2.30	1.84
1,895,305	2.37	1.91
1,940,576	2.29	1.72
1,990,674	2.47	1.96
1,998,951	2.57	2.11
2,007,483	2.68	2.23
2,016,811	2.42	1.81
2,027,251	2.75	2.24

CITY OF VICTORIA, TEXAS

DEMOGRAPHIC AND ECONOMIC STATISTICS

(UNAUDITED)

Last ten fiscal years

<u>Fiscal Year</u>	<u>(1) Population</u>	<u>(2) Personal Income (000's)</u>	<u>(2) Per Capita Personal Income</u>	<u>(3) School Enrollment</u>	<u>(4) Unemployment Rate</u>
1999	61,882	\$ 1,503,863	\$ 24,302	14,612	4.7%
2000	61,882	1,643,040	26,551	14,476	4.0%
2001	60,603	1,626,367	26,836	14,401	4.1%
2002	60,603	1,650,713	27,238	14,523	5.7%
2003	61,579	1,709,926	27,768	14,419	6.1%
2004	61,579	1,760,722	28,593	14,100	5.7%
2005	61,454	1,884,635	30,667	14,025	4.9%
2006	61,952	2,071,781	33,442	13,864	4.3%
2007	62,169	N/A	N/A	13,752	3.5%
2008	62,530	N/A	N/A	13,610	3.6%

NOTES: The unemployment rates are a twelve - month average from October through September.
N/A denotes information not available

SOURCE: (1) Population figures for the years are estimates provided by the Planning Department
 (2) U.S. Department of Commerce, Bureau of Economic Analysis - Estimates based on Victoria County Area statistical data. Data for 2007 and 2008 is not yet available.
 (3) Victoria Independent School District as of October 1, 2008
 (4) U.S. Department of Labor

CITY OF VICTORIA, TEXAS**PRINCIPAL EMPLOYERS****(UNAUDITED)***Current Year and Nine Years Ago*

<u>Employer</u>	2008	
	<u>Employees</u>	<u>Percentage of Total Area Employment</u>
Victoria Independent School District	2,100	4.84%
Formosa Plastics	1,500	3.46%
Citizens Medical Center	1,382	3.18%
The Inteplast Group	1,200	2.76%
DeTar Helathcare System	1,014	2.34%
Dow - Seadrift Operations	700	1.61%
Calhoun Independent School District	654	1.51%
County of Victoria	620	1.43%
City of Victoria	609	1.40%
Invista	600	1.38%
	<u>10,379</u>	<u>23.91%</u>

<u>Employer</u>	1999	
	<u>Employees</u>	<u>Percentage of Total Area Employment</u>
Victoria Independent School District	2,250	5.44%
The Inteplast Group	1,800	4.35%
Formosa Plastics	1,646	3.98%
Koch-Invista (formerly DuPont)	1,151	2.78%
Dow-Seadrift Operations	1,047	2.53%
Alcoa	963	2.33%
Citizens Medical Center	904	2.19%
DeTar Healthcare System	650	1.57%
City of Victoria	603	1.46%
Calhoun Independent School District	590	1.43%
	<u>11,604</u>	<u>28.06%</u>

NOTE: Based on Victoria Metropolitan Statistical Area, which includes Victoria, Calhoun, Dewitt, Lavaca, Gonzales, Jackson and Goliad Counties.

SOURCE: Victoria Economic Development Corporation

CITY OF VICTORIA, TEXAS

FULL-TIME-EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM

Last ten fiscal years

Function/Program	Fiscal Year			
	1999	2000	2001	2002
General government				
City manager	10	10	10	10
Legal	4	4	4	4
Financial	7	7	7	7
Municipal court	6	6	6	7
Human resources	6	6	6	6
Planning	8	8	10	10
Building services	14	14	14	12
City secretary	3	3	3	3
Public safety				
Police	144	144	142	143
Fire	110	110	110	109
Inspections	11	12	12	14
Code enforcement	-	-	-	-
Traffic control	10	10	9	9
Highways and streets				
Engineering	15	15	14	14
Streets and drainage	36	36	36	34
Culture and recreation				
Parks and recreation	29	30	31	34
Public library	25	25	25	28
Water/wastewater	73	73	76	76
Community center	5	5	6	6
Environmental services	43	43	43	44
Vehicle and equipment services	23	22	21	20
Information technology	8	9	7	7
Communications	3	2	3	3
Purchasing	5	5	5	5
Safety management	2	2	2	2
Print shop	2	2	2	2
Total	602	603	604	609

NOTES: A full-time employee is scheduled to work 2,080 hours per year (including vacation and sick leave). Full-time-equivalent employment is calculated by dividing total labor hours by 2,080.

Beginning with fiscal year 2003 the service center operations was contracted out to a private company.

Fiscal year 2005 includes the addition of 5 additional police officers, 1 additional dispatcher and additional 3-man crew for the wastewater department.

Fiscal Year 2008 includes the addition of 10 fire department employees to staff the new fire station to be operational the latter part of 2008.

Fiscal Year					
<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
10	10	10	10	11	11
5.5	5.5	5.5	5.5	5.5	5.5
7	7	7	7	7	7
6.5	6.5	6.5	5.5	5.5	5.5
6	6	6	6	5	5
10	10	10	10	10	10
12	12	12	12	12	12
3	3	3	3	4	4
143	143	150	148	146	146
109	109	107	107	107	118
13	11	11	11	11	11
-	-	5	5	5	7
9	9	9	9	9	10
14	14	14	14	14	13
34	34	34	34	34	34
34	34	35	35	37	41
29	29	29	28	28	28
77	74	81	81	80	80
6	6	6	6	6	7
44	50	45	46	48	43
1	1	1	2	2	2
8	8	8	10	10	10
2	2	2	2	2	2
4	4	4	4	4	4
2	2	2	2	2	2
2	2	2	2	2	2
<u>591</u>	<u>592</u>	<u>605</u>	<u>605</u>	<u>607</u>	<u>620</u>

CITY OF VICTORIA, TEXAS

OPERATING INDICATORS BY FUNCTION/PROGRAM

Last ten fiscal years

Function/Program	Fiscal Year			
	1999	2000	2001	2002
General government				
Building permits issued	1,749	1,407	1,327	1,482
Building inspections conducted	15,863	10,536	10,813	10,756
Birth certificates registered	2,105	2,097	2,084	2,086
Death certificates registered	848	839	905	864
Birth certificates issued	5,529	5,688	6,287	6,364
Death certificates issued	6,259	6,284	6,662	6,551
Public safety				
Police				
Physical arrests	4,157	4,793	4,650	3,549
Parking violations	1,083	487	1,283	1,642
Traffic violations	10,708	13,700	14,117	13,317
Warrants issued	3,983	3,674	3,398	3,199
Fire				
Total Incidents	N/A	N/A	N/A	7,081
Fires	N/A	N/A	N/A	444
Rescue/Emergency Medical	N/A	N/A	N/A	5,193
Inspections	N/A	N/A	N/A	N/A
Streets and highways				
Street resurfacing (linear feet)	74,000	105,300	65,477	68,825
Culture and recreation				
Community center admissions				
Dome	118	124	117	103
Annex	178	175	161	195
Arena	40	39	35	36
Library				
Volumes in collection	129,013	129,013	126,795	133,390
Circulation	286,487	252,012	265,712	272,044
Gate Count	195,894	179,193	180,833	195,993
Water and wastewater				
Water				
Active water connections	20,185	20,513	20,586	20,856
Active sewer connections	18,997	19,230	19,515	19,597
Active garbage accounts	16,853	17,086	18,081	18,172
Average daily consumption (pumped) (in 000's)	9,192	10,435	9,954	10,240
Peak monthly consumption (in 000's)	313,645	421,931	419,968	347,861
Wastewater				
Average daily sewage treatment	7,321,195	8,004,173	7,095,660	7,686,430
Environmental services				
Refuse collection				
Refuse collected (tons per month)	N/A	N/A	N/A	N/A
Landfill tonnage accepted	126,816	128,562	149,477	137,954
Recyclables collected (tons per year)	N/A	N/A	N/A	N/A

NOTE: Fiscal year 2000 parking violation software was converted to a new system. Information from the prior system is not available.

N/A denotes information not available

SOURCE: Various City departments

Fiscal Year					
2003	2004	2005	2006	2007	2008
1,657	2,060	1,371	1,294	1,147	1,345
10,035	11,344	13,349	10,415	11,062	9,883
2,047	2,160	2,098	2,255	2,374	2,376
881	871	944	983	1,003	984
6,283	4,785	6,927	6,567	7,246	7,251
6,648	6,564	7,147	7,677	6,863	6,767
3,635	5,182	4,911	5,775	4,427	4,461
2,849	1,980	1,527	939	1,080	641
8,802	12,355	12,728	13,726	14,303	14,482
2,346	1,999	3,035	3,279	4,583	5,520
7,476	6,813	7,087	7,175	7,355	8,152
421	352	458	493	381	557
5,413	5,070	5,326	5,393	5,706	6,166
610	735	827	830	874	1,210
231,242	30,094	44,088	24,990	29,756	31,178
118	111	118	107	120	116
169	176	161	155	136	120
34	26	30	29	29	23
139,301	141,709	142,319	145,318	148,764	138,804
270,156	288,451	285,435	279,679	276,357	284,919
210,241	238,077	230,218	226,171	228,114	242,388
21,318	21,474	21,700	21,861	21,962	22,041
19,819	19,969	20,085	20,235	20,435	20,532
17,982	18,258	18,432	18,655	18,131	19,233
10,036	9,467	9,591	10,067	8,615	9,584
261,682	255,920	313,298	349,686	233,143	372,618
6,833,000	8,218,447	7,029,795	6,469,471	8,812,263	6,837,775
2,301	2,303	2,248	2,240	2,473	2,139
151,828	154,458	135,049	166,475	160,048	140,508
668.42	603.97	612.39	742.45	691.52	479.13

CITY OF VICTORIA, TEXAS

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

Last ten fiscal years

Function/Program	Fiscal Year			
	1999	2000	2001	2002
General government				
Buildings	3	3	3	3
Public safety				
Police				
Stations	1	1	1	1
Patrol units	28	30	30	30
Fire stations	4	4	4	4
Highways and streets				
Streets (miles)	301.13	301.13	301.13	303.77
Streetlights	3,815	3,815	3,815	6,055
Traffic signals	N/A	N/A	N/A	73
School zone flashers	N/A	N/A	N/A	58
Culture and recreation				
Acreage	750.0	750.0	750.0	750.0
Playgrounds	14	14	14	14
Baseball/softball diamonds	14	14	14	15
Community centers	1	1	1	1
Libraries	1	1	1	1
Water and wastewater				
Water				
Water mains (miles)	400.0	400.0	400.0	400.0
Wastewater				
Sanitary sewers (miles)	350.0	350.0	350.0	350.0
Storm sewers (miles)	438.0	438.0	438.6	440.6
Environmental services				
Refuse collection				
Collection trucks	15	15	15	16

NOTES: N/A denotes information not available

The increase in street lights between 2001 and 2002 is due to revised figures given to the City by CP&L as a result of deregulation.

SOURCE: Various City departments

Fiscal Year					
2003	2004	2005	2006	2007	2008
3	3	3	3	3	3
1	1	1	1	1	1
30	30	30	32	34	36
4	4	4	4	4	4
303.42	307.31	307.72	309.87	310.60	310.82
6,058	6,070	6,276	6367	6475	4359
74	74	74	76	76	76
58	58	58	58	58	58
750.0	750.0	750.0	750.0	748.0	748.0
14	14	14	14	14	15
15	15	15	15	27	27
1	1	1	1	1	1
1	1	1	1	1	1
345.0	355.0	356.6	361	361.5	361.5
327.0	335.0	336.4	337.2	337.6	337.6
444.3	447.3	449.9	450.9	451.2	451.2
16	16	16	16	17	17





CERTIFIED PUBLIC ACCOUNTANTS
101 S. MAIN, SUITE 400
VICTORIA, TEXAS 77901-8142

STEPHEN W. VAN MANEN, CPA
HAMILTON H. REDMON, CPA
DENNIS C. CIHAL, CPA
ERIC L. KUCERA, CPA
CLAYTON P. VAN PELT, CPA
ROBERT W. SCHAAR, CPA
MELISSA M. TERRY, CPA

VOICE: (361) 573-3255
FAX: (361) 573-9531

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Honorable Will Armstrong, Mayor
and Members of the City Council
City of Victoria, Texas

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Victoria, Texas (the "City") as of and for the year ended September 30, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 2, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

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

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

The Honorable Will Armstrong, Mayor
and Members of the City Council

Compliance and Other Matters

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

This report is intended solely for the information and use of the Mayor and members of City Council, management, and federal and state awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Harrison Waldrop + Wheeler, LLP.

March 2, 2009



CERTIFIED PUBLIC ACCOUNTANTS
101 S. MAIN, SUITE 400
VICTORIA, TEXAS 77901-8142

STEPHEN W. VAN MANEN, CPA
HAMILTON H. REDMON, CPA
DENNIS C. CIHAL, CPA
ERIC L. KUCERA, CPA
CLAYTON P. VAN PELT, CPA
ROBERT W. SCHAAR, CPA
MELISSA M. TERRY, CPA

VOICE: (361) 573-3255
FAX: (361) 573-9531

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO MAJOR PROGRAMS AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Honorable Will Armstrong, Mayor
and Members of the City Council
City of Victoria, Texas

Compliance

We have audited the compliance of the City of Victoria, Texas (the "City") with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended September 30, 2008. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2008.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

The Honorable Will Armstrong, Mayor
and Members of the City Council

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

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, which results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

This communication is intended solely for the information and use of the Mayor and members of City Council, management, and federal and state awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Harrison Waldrop + Wheeler, LLP.

March 2, 2009

CITY OF VICTORIA, TEXAS**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

For the year ended September 30, 2008

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Expenditures</u>
FEDERAL EXPENDITURES			
U.S. Department of Housing and Urban Development			
Community Development Block Grant	14.218	B-06-MC-48-0810	\$ <u>492,000</u>
U.S. Department of Transportation <i>Passed Through Texas Department of Transportation</i>			
Metropolitan Planning Program	20.205	50-8XXF0023	<u>222,247</u>
U.S. Department of Justice			
Bureau of Justice Assistance Grant	16.738	2006-DJ-BX-0104	11,000
Bulletproof Vest Partnership Program	16.607	N/A	<u>7,924</u>
Total U.S. Department of Justice			<u>18,924</u>
U.S. Department of Homeland Security <i>Passed through Texas Department of Public Safety's Division of Emergency Management</i>			
Law Enforcement Terrorism Prevention Program	97.074	2005 LETPP-75428	35,791
Public Assistance Grant	97.039	FEMA-3294-TX	95,794
Public Assistance Grant	97.039	FEMA-1709-DR 2007	10,036
Emergency Management Performance Grant	97.042	08TX-EMPG-0605	<u>41,464</u>
Total U.S. Department of Homeland Security			<u>183,085</u>
TOTAL FEDERAL EXPENDITURES			<u>916,256</u>
STATE EXPENDITURES			
Texas Department of Transportation <i>Passed Through Texas Automobile Theft Prevention Authority</i>			
Automobile Theft Grant	N/A	SA-T01-10070-09	6,349
Automobile Theft Grant	N/A	SA-T01-10070-08	<u>47,166</u>
Total Texas Department of Transportation			<u>53,515</u>
Texas Commission on Environmental Quality			
Near Nonattainment	N/A	582-6-70889	358,938
Near Nonattainment	N/A	582-8-86231	151,397
<i>Passed Through Golden Crescent Regional Planning Commission</i>			
Regional Solid Waste Grant	N/A	08-17-G02	<u>39,114</u>
Total Texas Commission on Environmental Quality			<u>549,449</u>

CITY OF VICTORIA, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

For the year ended September 30, 2008

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Expenditures</u>
STATE EXPENDITURES - (Continued)			
Law Enforcement Officers Standards and Education Training Grant	N/A	N/A	\$ <u>15,341</u>
Texas State Library and Archives Commission LoanStar Library Grant	N/A	442-08508	<u>23,472</u>
TOTAL STATE EXPENDITURES			<u>641,777</u>
TOTAL FEDERAL AND STATE EXPENDITURES			\$ <u>1,558,033</u>

See accompanying notes to schedule of expenditures of federal and state awards.

CITY OF VICTORIA, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

For the year ended September 30, 2008

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of the City and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

CITY OF VICTORIA, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended September 30, 2008

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported

Noncompliance material to financial statements noted?

yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

yes no

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Major Programs or Cluster</i>
14.218	Community Development Block Grant
N/A	Near Nonattainment

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? yes no

Section II - Financial Statement Findings

None noted

Section III - Federal Award Findings and Questioned Costs

None noted

CITY OF VICTORIA, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the year ended September 30, 2008

None were reported.

