



# Comprehensive Annual Financial Report

Year Ended September 30, 2009  
City of Victoria, Texas



**CITY OF VICTORIA, TEXAS**  
*COMPREHENSIVE ANNUAL FINANCIAL REPORT*  
*For the year ended September 30, 2009*

Prepared by the Finance Department  
City of Victoria, Texas



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## CITY OF VICTORIA

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

### FINANCE DEPARTMENT

700 Main Center, Suite 100

March 12, 2010

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, 2009, 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, with the exception of 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. Currently wastewater treatment service is provided under a long-term contract with the Guadalupe-Blanco River Authority; effective December 2010, the City will be taking over the operations of its Loop 175 wastewater treatment plant. 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 Development Services Department, Human Resources Department, and Information Technology Department. The Finance Department includes all accounting, budgeting, treasury, purchasing and other 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**

Currently, as you well know, the US economy is in a recession which has impacted all regions in the US. This economic impact will vary among states. The Dallas Fed reports that economic conditions in Texas remain weak, but stable; in addition, companies are not expecting conditions to improve in the near term. Consequently, employment levels remain stagnant and many firms are implementing hiring freezes. The unemployment rate in Victoria for October 2009 stood at just under 8%.

The Texas economy, the world's 12<sup>th</sup> largest, continues to fare better than most other States. With Texas' mix of industries and avoidance of the housing price bubble, Texas should have more resistance to, but not immunity from, recessionary conditions. Economists are predicting that Texas economy will be affected in Fiscal Year 2009 and Fiscal Year 2010 before regaining economic momentum. In light of this, it's fair to say that the City of Victoria will feel some impact, especially in its sales tax rebate growth and real estate values, which together make up approximately 64% of the General Fund revenues.

## **Economic Condition and Outlook - (Continued)**

Months after many economists declared the recession over, cities, including Victoria, are only now beginning to feel the full brunt of it. Recessions often take longer to trickle down to local governments; in part because it takes time for the sales and property tax revenue on which municipalities depend to catch up with a depressed economy. But the "sting" this time around is expected to be far more acute and long-lasting than in previous recessions

The City of Victoria, with a population of about 62,000, is located 30 miles inland from the Gulf Coast and roughly equidistant from Corpus Christi, Texas; San Antonio, Texas; and Houston, Texas which are all about 130 miles away. While the most important opportunities remain in the petrochemical industry and the manufacturing and industrial sectors, Victoria's economy is becoming a regional center for retail trade and health care. The City acts as a draw for a seven-county area with a population of nearly 200,000. Per capita effective buying income indicators are 94% and 87% of state and national levels, respectively. Per capita retail sales, however, are 147% and 141% of state and national levels, which is evidence of the City's role as a regional trade center.

Cities across the nation are facing major challenges as retail sales and associated sales tax revenue fall; housing prices and tax base values flat-line or decline; and jobless rates and foreclosures climb. City of Victoria's diverse economy has proven more stable than many, but our community is not immune to the current recession and challenges resulting from such.

Victoria's 2009 fiscal year, from October 1, 2008 through September 30, 2009, was very positive for our community and for our City organization. The Victoria economy is not growing as fast as in prior fiscal years but is relatively stable. For example:

1. Sales tax receipts for FY 2009 were up compared to the previous fiscal year's; however, in the latter part of Fiscal Year 2009, sales tax receipts started to decrease. In light of this, the FY 2010 budgeted sales tax receipts reflect only a slight increase of .42% or \$54,844. However, in the first quarter of Fiscal Year 2010, the City's sales tax receipts came in under budget. Anticipating this decline in sales tax revenue, management took action by putting certain vacant positions on "hold" and freezing certain budgeted maintenance & operating and capital outlay expenditures.
2. The certified appraised value for FY 2010 is \$3,202,108,213. This represents an increase of approximately \$111,507,720 or 3.61% over last year's certified appraised value of \$3,090,600,493. The increase consists of approximately \$50 million in new improvements and \$62 million in re-appraised property values.
3. Victoria's conservative financial management and excellent bond rating continue to save money for our citizens. During the past year, the City's revenue bond rating was upgraded from A+ to AA- from both the Fitch Rating Agency and Standard and Poor's Rating Service. In addition, during the latter part of FY 2009, the City's general bond rating was increased from A+ to AA- by Standard and Poor's Rating Service. AA- rating is high for a city the size of Victoria and is very rare.

The City began the 2009 fiscal year with a tax rate of \$0.65 per \$100 in property value, a decrease of \$0.025 from the prior year level of \$0.675 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 2009 and Into the Future:**

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

- Continued improvement to our infrastructure (Capital Improvement Program);
- Public safety;
- Street maintenance;
- Transportation;
- Housing initiatives;
- Environmental issues;
- Water and landfill issues;
- Pay program;
- Routine capital expenditures;
- Maintaining an adequate General Fund fund balance; and
- Maintaining an adequate City tax rate.

**Infrastructure** - Being a city that was founded over 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 plus in infrastructure improvements resulted in vast economic benefits in prior fiscal years; however, due to the current economy, the City has been experiencing a slower economic growth rate than in prior years. Our Permits and Inspections Department reports that year-to-date, new commercial and residential valuations are down from last year; our sales tax receipts have become strained. City's certified appraised tax roll came in just under 4%, which in the past the City enjoyed an average of 9% to 10% growth rate.

During these times of economic challenges, we should be frugal with City resources and protect City's fund balances/working capital reserves, but at the same time we should be open to the possibility of taking advantage of lower construction cost and helping our local economy.

During the past months, we have seen several capital improvement projects coming in under budget which resulted in funds being available for other capital improvement projects planned in upcoming fiscal years. In light of this, the City's Capital Improvement Program (CIP) will continue as planned without deleting any projects; however, we will continue to evaluate and revise the CIP each year.

As of 9/30/2009, the City's five year (FY 2009 thru FY 2013) \$104,444,041 Capital Improvement Program consists of the following:

• Street Improvement Projects	\$ 38,713,529
• Fire Station Improvement Projects	4,600,000
• Downtown Utility Replacement Projects	25,778,376
• Traffic Signal Projects	875,000
• Overpass Project	2,902,535
• Wastewater Treatment Projects	19,970,000
• Sidewalk and Traffic Improvement Projects	4,271,117
• Tuscany Project	233,000
• Community Park Project	1,000,000
• Radio Replacement Project	<u>6,100,484</u>
	<u>\$104,444,041</u>

## Major Initiatives - (Continued)

### **For Fiscal Year 2009 and Into the Future: - (Continued)**

**Infrastructure (continued)** - The CIP projects listed on the preceding page will practically have no impact on future budgets in reference to annual maintenance cost. The five year CIP projects will be funded with the following funding sources:

• General Fund	\$3,626,064 (1)	3.47%
• Water/Wastewater Fund	984,571 (1)	.94%
• 4B Sales Tax Development Corporation	26,133,903 (1)	25.02%
• Grants	2,037,458 (2)	1.95%
• Certificates of Obligation Bonds	35,195,322 (3)	33.70%
• Utility Revenue Bonds	<u>36,466,723 (4)</u>	34.92%
	<u>\$104,444,041</u>	

- (1) These sources of funding will not affect Council's policy of maintaining a minimum of two to three month reserve on all of its City's fund balances/working capital balances or reduce the services provided by these Funds.
- (2) Federal and State grants.
- (3) Certificates of Obligation Bonds debt service will be serviced within the current debt tax rate – i.e. the City has the capability to issue debt without increasing its FY 2010 debt tax rate.
- (4) Utility Revenue Bonds debt service will be serviced with utility rates that have been implemented or will be implemented in the future for the construction of a new wastewater treatment plan (FY 2012).

We are nowhere near close to completing all our infrastructure needs, with the above \$104 million in major improvement projects planned for the next five fiscal years (2009-2013). Frankly, there are many more projects on the list that need funding, but the money is not available at the present tax rate and we remain committed to retaining a low tax rate.

**Public Safety** - Public Safety Departments were the only departments that showed any increase in their 2010 budget. Police Department grew by \$1.6 million in order to fund four positions, address TMRS pension contributions, replacing computer hardware/software equipment, and remodeling investigation offices. The Fire Department Budget grew by \$1 million mainly due to the relocation cost associated to Fire Station No. 2.

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.

In reference to the City's Fire Department services, the City continues its efforts in planning for future services. The City completed a \$2.5 million 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 time north of Victoria. In complying with the re-zoning plan, Fire Station No.2 is currently in the process of being relocated at a cost of \$2 million. The relocation of Fire Station No. 2 will shorten the emergency response time within the central part of Victoria. The old Fire Station No. 2 building will be used as a fire department administration office. Lastly, during FY 2009, the City acquired land in the northern part of the City in order to construct of a new fire station (i.e. Fire Station No. 6) in the future.

Our Fire and Police Departments continue 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 emergencies, fire safety, and crime. Victoria benefits from this type of safety education.

## **Major Initiatives - (Continued)**

### **For Fiscal Year 2009 and Into the Future: - (Continued)**

**Street Maintenance** - City Council remains focused on funding Victoria's infrastructure needs while maintaining a low and moderate property value tax rate especially during these economic challenges. In light of this, the 2010 Street Department budget was submitted at the same funding level as the prior year.

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.

Smaller scales of city infrastructure improvements happen every day but are as important as large-scale projects (CIP). The 2010 budget once again put a priority in making sure the City's streets are maintained adequately. The FY 2010 budget includes approximately \$1,437,730 for streets, \$47,265 for sidewalk improvements, \$525,000 for street crack seal project, and \$1,040,791 million for utility line replacements, totaling a street and utility maintenance program of \$3,050,786.

**Transportation** - Victoria has its traffic problems, but it would be hard to call it a rush hour since true congestion is really more like 15 to 20 minutes and only at 8 am, noon and 5 pm. But even Victoria's worst day is nothing like you see in the major metropolitan areas of the state. Every year, Victoria works closely with Texas Department of Transportation (TXDOT) on improvements to state highways leading to Victoria.

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.

Currently, TXDOT has approximately \$12.4 million of infrastructure projects in progress which will improve Victoria's transportation system. Some of these projects are as follow:

<b>Hwy</b>	<b>Project Limits</b>	<b>Description</b>	<b>Work Begin</b>	<b>Estimated Cost</b>
US 59	Guadalupe Bridge US 59	Repair Bridge	FY '09 – '10	\$6,251,439
US 59	Guadalupe Bridge US 59	Repair Roadway	FY '09 – '10	\$2,516,034
US 87	US 59 to Red River Street	Resurface Roadway	FY '10	\$170,221
US 87	US 87 to Red River Street	Resurface Roadway	FY '10	\$1,811,053
US 87	US 87 @ Tropical Drive	Rebuild Roadway	FY '10	\$784,643
LP 463	LP 463 @ W. Mockingbird	Rebuild Roadway	FY '10	538,261
FM 1685	Lee Street to Bus 59	Resurface Roadway	FY '10	143,008
FM 1315	Bus 77 @ LP 463	Resurface Roadway	FY '10	175,341

What about public transportation? Victoria has another rising star and that is Victoria Transit. What began in 1999 as an "On-Call" or demand response system has quickly grown into a full service fixed route system. 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.

## **Major Initiatives - (Continued)**

### **For Fiscal Year 2009 and Into the Future: - (Continued)**

#### **Transportation (continued) -**

Let us not forget about the walkers, hikers, and bikers. In the last few years, the City realized that improvements need to be made to the other aspects of our transportation systems that not only offer an alternative mode of transportation but are also viewed as improvements to our quality of life. The City of Victoria has annually budgeted approximately \$100,000 for sidewalk improvements; however, due to the current economic issues, sidewalk budget (General Fund) for FY 2010 has been limited to \$47K. Fortunately, Victoria Sales Tax Development Corporation (4B) stepped up to the plate and funded a \$1.7 million hike and bike trail project located along the Lone Tree Creek Detention Basin. The Trail will provide an 8 to 10 foot multipurpose trail that will run along the east side of Lone Tree Creek from Airline to John Stockbauer. The trail will have pedestrian lighting, landscaping, benches, tables, off-site park facility, and water fountains.

**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. Due to the current housing economy, the City has put a hold on any housing initiative programs for FY 2010.

Homes in the Swan Crossing subdivision 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 through Community Development Block Grant is available to help with principal buy-down and closing cost.

Our Development Services 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 Development Services Department also earned kudos for acquiring a large grant to help assist the Victoria homeless population with unprecedented shelter and resources.

For Fiscal Year 2010, \$667,064 of Community Development Block Grant (CDBG) 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. In addition, the City has approximately \$1.1 million in prior year CDBG allocations still available for other housing or infrastructure improvements which are planned for FY 2010. The CDBG program is administered in-house through the Development Services Department.

**Environmental Issues** - Many quality of life issues come before us each year; one of them is city beautification. FY 2010 includes (1) continued funding for the "weedy lot & demolition" program; however, the level of funding was reduced by \$125,289 (General Fund program), (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, at the same level as last year, (4) partnering-up with private industry in order to create a composting program, and (5) our "*Air Victoria - Keep it Clean*" program (funded with Grants). In addition, the Fiscal Year 2010 Budget continues funding for an environmental education specialist to further promote City environmental programs at various schools and surrounding areas.

## **Major Initiatives - (Continued)**

### **For Fiscal Year 2009 and Into the Future: - (Continued)**

**Environmental Issues (continued)** - 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

The City will continue its E-Waste Day Program in the upcoming fiscal year. The level of funding will remain the same as last fiscal year.

Within its geographical area, City of Victoria strives to be a leader in implementing a successful recycling and composting program; however, these types of programs are costly. During FY 2009, the City performed a service cost analysis on its brush and bulky, yard waste, and recycling center collection services and concluded that the City cannot continue its current service of brush and bulky, yard waste, and recycling center collection without implementing a "fixed" fee for these services. The other option would have been to lower the current level of services the Citizens of Victoria are accustomed to. It is management and Council's belief that the Citizens of Victoria do not want to lower/change the current level of services, as a result, Council implemented a fee of \$2.50 per month for the above services. The City will continue to monitor its cost and find ways to reduce its service cost.

**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. This equates to approximately two times the City's average annual pumping rate. Additionally, the City has approximately a one year supply of surface water and shallow alluvial groundwater stored in a system of off-channel reservoirs. This water source provides a back-up supply to the City's primary Guadalupe River water source. All of this water is treated at the City's 25.2 million gallon per day surface water treatment plant.

Our water supply was strengthened even more when the City recently acquired approximately 7,006.7 acre feet/year of senior surface water rights. And, as an emergency supply, the City also maintains 10 of its original 15 water wells that can supply ground water from the Gulf Coast Aquifer at a rate of 18,000 acre feet/year. In order to properly maintain the groundwater system it is operated to supply about 10% of the system supply under normal operation.

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; however, in the current FY 2010 Budget no funds have been allocated to acquire any additional water rights.

Currently, 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. The new wastewater treatment plant will be on line by 2015. In addition, the City is in the process of taking over the operations of its Loop 175 wastewater treatment plant which is currently being operated by Guadalupe Blanco River Authority (GBRA) through a service contract. This operational change will save the City approximately \$700,000 in operational cost (GBRA charges a 15% administration fee for operating the Loop 175 Wastewater Treatment Plant). The cost savings will be applied towards the financing of the new 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.

## **Major Initiatives - (Continued)**

### **For Fiscal Year 2009 and Into the Future: - (Continued)**

**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 - 27 years remaining life, at an average annual garbage growth rate of approximately 2%. 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.

During FY 2009, the City partnered with Texas Land Management (TLM) to operate a composting site located adjacent to the City's landfill (City will collect a royalty on all TLM composting sales). This new composting program along with other recycling programs will help extend the life of the City's landfill while at the same time make Victoria a "greener" City.

During FY 2010, the City will be closing approximately 18 acres of landfill cells at an approximate cost of \$1.8 million. The funding for this project will come from the Closure & Post-Closure Fund which has been accumulating funds since its inception back in 1996. The closing of 18 acres of landfill cells will eventually reduce the City's Closure and Post-Closure Liability balance.

Lastly, City's landfill generates a large amount of methane gas which is currently being flared. While the flare system destroys the methane produced from the landfill, this potential energy source is not currently being recovered and put to beneficial use; and could be a new source of revenue for the City. As a result, during FY 2010, the City will be accepting proposals for converting landfill gas into energy. This process, from start to finish, should take approximately 18 months.

**Pay Program** – City of Victoria is a service based organization and our people are our number one "asset". What we are and the priority we place on our people doesn't change with the economy. However, personnel related expenditures are also our largest category of expenses and, as such, one of the most significant impacts that can be made to align our expenditures with our available resources is in this area. As a result, the FY 2010 pay program is than what has been done in past fiscal years. The pay program consists of a merit pay program with an average of 2% merit pay for all employees except fire fighters and police officers who will receive a \$1,500 across the board pay raise. All police captains, police lieutenants, fire captains, fire battalion chiefs, and fire marshal will receive \$2,000 across the board pay raise. The total pay program cost for all City Funds is \$736,681, \$363,000 less than last year.

**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 - i.e. one-time capital expenditure related to the City's Capital Improvement Program*). Fiscal Year 2009-2010 budgeted capital expenditures total \$9,255,220 of which \$5,265,394 are budgeted in General Fund, \$2,137,724 in Enterprise Funds, and \$1,852,102 in Internal Service Funds.

Included in the total capital expenditures are \$2,917,855 of one-time expenditures associated to the City's Capital Improvement Program (CIP) which are: (a) \$2,100,000 for the construction of Fire Station No. 2, (b) \$317,885 for the Downtown Traffic and Sidewalk Improvement Project, and (c) \$500,000 for the Lone Tree Community Park Project. If the one-time capital expenditures CIP are excluded, the revised FY 2010 budgeted capital expenditures is \$6,337,335 which is \$2,314,010 less than last year's total capital expenditures.

Fiscal Year 2010 budgeted 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.

## **Major Initiatives - (Continued)**

### **For Fiscal Year 2009 and Into the Future: - (Continued)**

**Maintaining Adequate Fund Balance** – In prior years, Council set a policy of maintaining the General Fund fund balance at 15% of budgeted expenditures (excluding one-time expenditures); however, in FY 2009, the minimum fund balance was increased to 18.5% of budgeted expenditures (excluding one-time expenditures) with a goal of achieving a 20% minimum fund balance. Due to the current economy, we are not able to increase the minimum fund balance amount, but we are able to maintain a 18.5% minimum fund balance, which equates to approximately 2.22 months of operating reserves, for FY 2010.

For Enterprise Funds, the policy is to maintain minimum working capital balance of 2.5 to 3 months of operating reserve with the exception for the Water/Wastewater Fund which is required to have a minimum working capital balance of 3 months operating reserves. All Enterprise Funds are in compliance.

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 1 to 2 months of minimum working capital balance reserve. All Internal Service Funds are in compliance.

**City Tax** – Despite the current economic challenges, the City is on sound financial footing. Due to our conservative financial management and prior years' growth in the local economy, City Council was able to lower the tax rate by 5¢, over five fiscal years; and, for FY 2010 the tax rate was lowered by another 0.5¢ which makes it a grand total tax reduction of 5.5¢.

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.

## **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, 2009.

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, 2012. Under this agreement, at the City's discretion, all excess funds above predetermined balances can be 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 under the Public Funds Investment Act. 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 2008-09, 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	\$2,545,467 (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	\$97,919,754 Combined Building and Contents \$500,000 Blanket Extra Expense \$97,919,754 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	\$4,048,188 per scheduled equipment (Replacement Cost) \$250 Deductible on Computer Equipment \$25,000 on Flood & Earthquake
Employee Benefits Liability	Included in Public Officials & Employee Liability \$5,000 Deductible per occurrence
Radio Towers	\$652,211 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, 2008. This was the twenty-sixth 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, 2008

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.



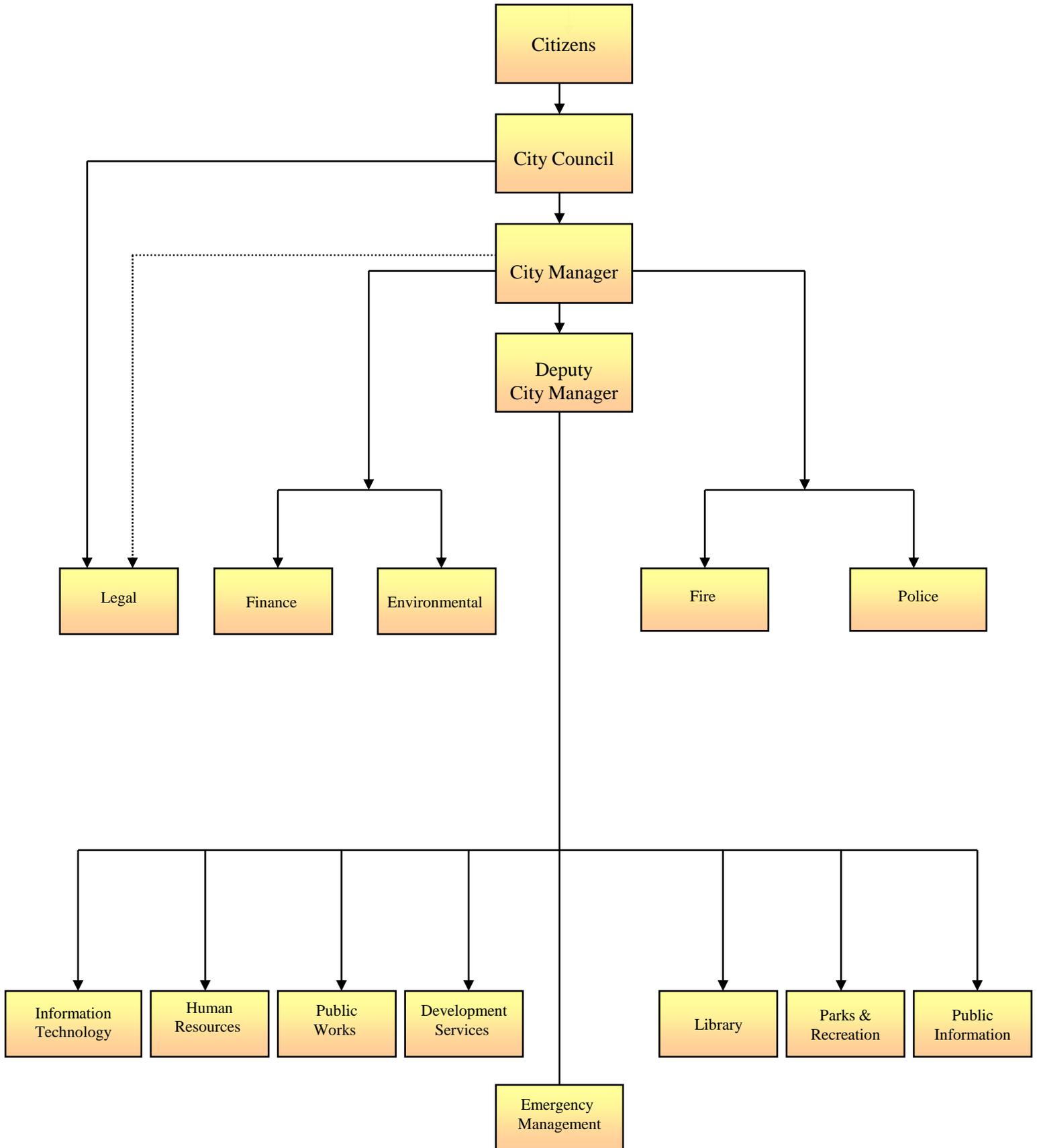
President

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)	5	May, 2010
Tom Halepaska	Mayor Pro-Tem, Superdistrict 6	5	May, 2010
Gabriel Soliz	Council Member, District 2	0	May, 2012
Denise Rangel	Council Member, District 1	0	May, 2012
Paul Polasek	Council Member, District 3	3	May, 2012
David Hagan	Council Member, District 4	3	May, 2012
Joe Truman	Council Member, Superdistrict 5	0	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	34	3
Charmelle Garrett	Deputy City Manager	19	3
Gilbert P. Reyna, Jr.	Director of Finance	14	13
Thomas Gwosdz	City Attorney	0	0
Danette Respondek	Director of Human Resources	5	3
Rick Henrichs	Director of Information Technology	29	11
John Kaminski	Director of Development Services	21	12
Bruce Ure	Police Chief	2	2
Vance L. Riley	Fire Chief	14	14
Doug Cochran	Director of Parks and Recreation	20	11
Dayna Williams-Capone	Director of Public Library	2	0
Lynn Short	Director of Public Works	17	6
Jerry G. James	Director of Environmental Services	7	7
O.C. Garza	Director of Communications	8	0





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

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## **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, 2009, 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, 2009, 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 17 and 65 through 66, 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 12, 2010, 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.



March 12, 2010

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, 2009. 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.

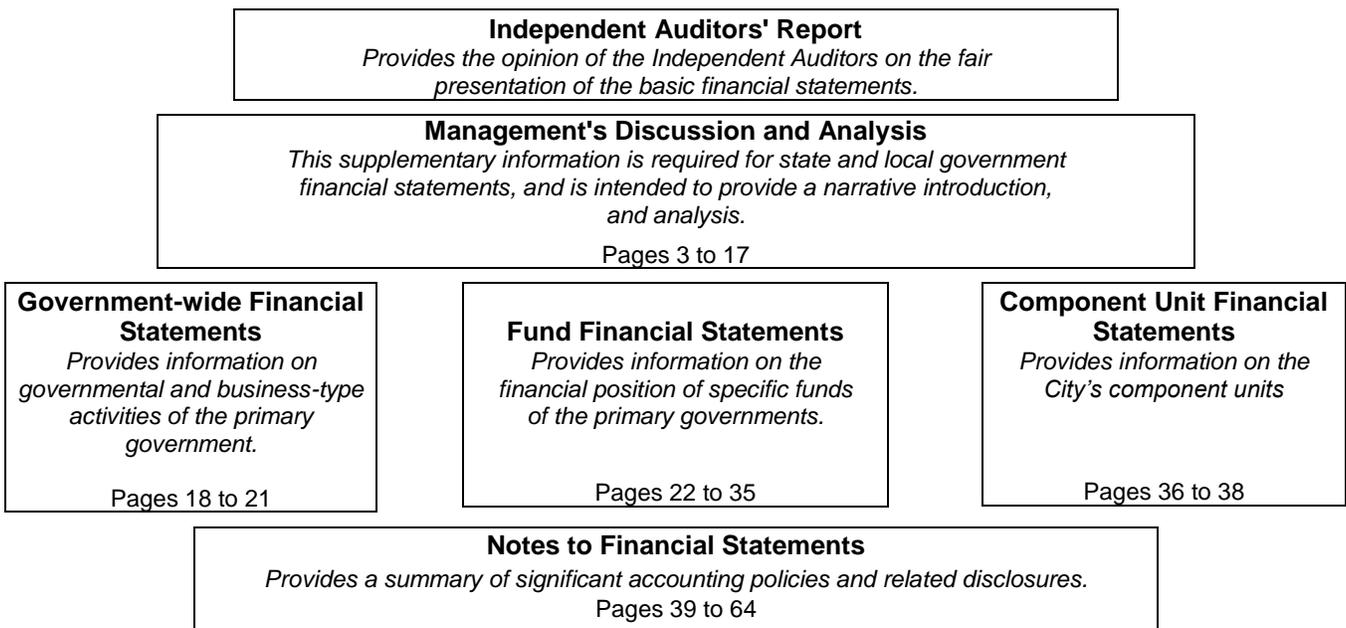
**FINANCIAL HIGHLIGHTS**

- The assets of the City exceeded its liabilities at the close of the fiscal year ended September 30, 2009, by \$184,750,501. Of this amount, \$42,439,011 of unrestricted net assets is available to meet the City's ongoing obligations to citizens and creditors (see pages 6 and 7 for further detail).
- At September 30, 2009, the City's governmental funds reported combined ending fund balances of \$31,558,267, a decrease of \$7,683,829 (19.58%) in comparison with prior year. The amount available for governmental discretion (unreserved fund balance) is \$27,401,038 (see page 11 for further detail).
- At September 30, 2009, unreserved fund balance for the General Fund was \$13,079,658 or 30.97% of total General Fund expenditures.
- The total cost of all City activities was \$70,650,426 for the fiscal year. Net cost of all activities was \$23,272,333.
- During the year, the City's general revenues exceeded net expenses of the primary government by \$17,175,840. This represents a 10.25% increase in net assets from the previous fiscal year as a result from operations.
- The City's outstanding long-term debt had a net decrease of \$622,668. During fiscal year 2009, the City issued \$6,555,000 in Utility System Revenue Bonds in order to acquire, construct, improve, enlarge or equip the City's combined waterworks and sewer system and pay the costs of issuance of the bonds.

**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**



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## 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 18 through 19.

#### **Statement of Activities**

The statement of activities presents information showing how the government's net assets changed during fiscal year 2009. 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 20 through 21.

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 22 and 23) and the governmental fund statement of revenues, expenditures, and changes in fund balances (pages 25 and 26) provide reconciliations to facilitate this comparison between governmental funds and governmental activities (page 24 and page 27).

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## **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, and Residential/Arterial 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 28 through 33).

#### ***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 34 through 35 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 39 through 64 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 65 through 66 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 67 through 167 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 \$184,750,501 at the close of the fiscal year ended September 30, 2009.

At the end of fiscal year 2009, 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	
	2009	As restated 2008	2009	2008	2009	As restated 2008
Current and other assets	\$ 48,862,523	\$ 57,552,723	\$ 28,602,293	\$ 25,115,140	\$ 77,464,816	\$ 82,920,019
Capital assets (net)	<u>156,716,292</u>	<u>140,457,456</u>	<u>101,970,989</u>	<u>98,519,030</u>	<u>258,687,281</u>	<u>238,976,486</u>
Total assets	<u>205,578,815</u>	<u>198,010,179</u>	<u>130,573,282</u>	<u>123,634,170</u>	<u>336,152,097</u>	<u>321,896,505</u>
Current and other liabilities	8,657,256	11,971,454	6,576,821	5,782,076	15,234,077	17,753,530
Noncurrent liabilities	<u>65,991,001</u>	<u>69,230,974</u>	<u>70,176,518</u>	<u>67,337,340</u>	<u>136,167,519</u>	<u>136,568,314</u>
Total liabilities	<u>74,648,257</u>	<u>81,202,428</u>	<u>76,753,339</u>	<u>73,119,416</u>	<u>151,401,596</u>	<u>154,321,844</u>
Net assets:						
Investment in capital assets, net of related debt	103,076,382	90,954,312	37,535,371	37,957,306	140,611,753	128,911,618
Restricted	1,699,737	1,838,427	-	-	1,699,737	1,838,427
Unrestricted	<u>26,154,439</u>	<u>24,267,168</u>	<u>16,284,572</u>	<u>12,557,448</u>	<u>42,439,011</u>	<u>36,824,616</u>
Total net assets	<u>\$ 130,930,558</u>	<u>\$ 117,059,907</u>	<u>\$ 53,819,943</u>	<u>\$ 50,514,754</u>	<u>\$ 184,750,501</u>	<u>\$ 167,574,661</u>

The largest portion of the City's fiscal year 2009 net assets (76.11% or \$140,611,753) 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 \$1,249,221 for debt service and \$450,516 for special programs related to culture and recreation. The remaining balance of \$42,439,011 may be used to meet the government's ongoing obligations to citizens and creditors; over all, the City's net assets increased by \$17,175,840, which consists of an increase of \$13,870,651 in governmental net assets and an increase of \$3,305,189 in business-type net assets.

**City of Victoria, Texas  
Changes in Net Assets**

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
<b>REVENUES</b>						
Program revenues:						
Charges for services	\$ 6,690,635	\$ 7,246,205	\$ 27,700,026	\$28,204,434	\$34,390,661	\$35,450,639
Operating grants and contributions	1,802,260	1,782,897	54,826	-	1,857,086	1,782,897
Capital grants and contributions	10,424,447	4,000,000	705,899	1,800,876	11,130,346	5,800,876
General revenues:						
Property taxes	19,676,691	18,731,119	-	-	19,676,691	18,731,119
Other taxes	18,831,263	19,529,743	-	-	18,831,263	19,529,743
Other	<u>1,673,809</u>	<u>2,639,733</u>	<u>266,410</u>	<u>748,603</u>	<u>1,940,219</u>	<u>3,388,336</u>
<b>Total revenues</b>	<u>59,099,105</u>	<u>53,929,697</u>	<u>28,727,161</u>	<u>30,753,913</u>	<u>87,826,266</u>	<u>84,683,610</u>
<b>EXPENSES</b>						
General government	7,644,809	6,931,856	-	-	7,644,809	6,931,856
Public safety	23,007,338	21,735,079	-	-	23,007,338	21,735,079
Highways and streets	7,914,392	7,823,283	-	-	7,914,392	7,823,283
Culture and recreation	5,127,406	5,103,708	-	-	5,127,406	5,103,708
Interest on long-term debt	3,200,423	3,292,118	-	-	3,200,423	3,292,118
Water/wastewater	-	-	19,175,705	18,715,248	19,175,705	18,715,248
Environmental services	-	-	3,790,348	5,024,014	3,790,348	5,024,014
Other	<u>-</u>	<u>-</u>	<u>790,005</u>	<u>884,680</u>	<u>790,005</u>	<u>884,680</u>
<b>Total expenses</b>	<u>46,894,368</u>	<u>44,886,044</u>	<u>23,756,058</u>	<u>24,623,942</u>	<u>70,650,426</u>	<u>69,509,986</u>
Change in net assets before transfers	12,204,737	9,043,653	4,971,103	6,129,971	17,175,840	15,173,624
Transfers	<u>1,665,914</u>	<u>1,674,251</u>	<u>( 1,665,914)</u>	<u>( 1,674,251)</u>	<u>-</u>	<u>-</u>
Change in net assets	13,870,651	10,717,904	3,305,189	4,455,720	17,175,840	15,173,624
<b>Net assets - 10/01/08, as restated</b>	<u>117,059,907</u>	<u>106,342,003</u>	<u>50,514,754</u>	<u>46,059,034</u>	<u>167,574,661</u>	<u>152,401,037</u>
<b>Net assets - 9/30/09</b>	<u>\$130,930,558</u>	<u>\$ 117,059,907</u>	<u>\$ 53,819,943</u>	<u>\$50,514,754</u>	<u>\$184,750,501</u>	<u>\$167,574,661</u>

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**GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)**

The over-all increase in net assets is \$17,175,840 of which \$13,870,651 is associated to the governmental activities and \$3,305,189 to the business type activities. The main reason for the increase in the governmental type activities is due to the following:

- City's FY 2009 taxable appraised values were 9.48% higher than last year's, due to re-appraisal of property and City's expansion in economic development growth.
- Sales tax revenue was 4% lower than last year's, due to continued down-turn in the national, state, and local economy (i.e. recession).
- Ambulance revenue, charges for services, came in \$273K higher than last fiscal year.
- As a result of the City's Capital Improvement Program (CIP), capital grants and contribution revenues came in \$6M higher than last year because of an increase in funding from the Sales Tax Development Corporation (4B). Sales Tax Development Corporation (4B) plays a major funding role in the City's CIP.
- Over all, the total income per governmental activities came in 29.5% higher than the total expenses for the governmental activities.
- Due to the economy, interest income came in lower than last fiscal year.
- Expenses for the governmental activities increased approximately 4% over last fiscal year due mainly to an increase in personnel cost and one-time expenses.

**Governmental Activities**

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**City of Victoria, Texas**

**2009 Expenses and Program Revenues - Governmental Activities**

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<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	\$ 7,644,809	16.30%	\$ 3,945,136	20.85%	(\$ 3,699,673)
Public safety	23,007,338	49.06%	4,199,733	22.20%	( 18,807,605)
Highways and streets	7,914,392	16.88%	10,424,447	55.11%	2,510,055
Culture and recreation	5,127,406	10.93%	348,026	1.84%	( 4,779,380)
Interest on long-term debt	<u>3,200,423</u>	6.83%	<u>-</u>	0.00%	<u>( 3,200,423)</u>
	<u>\$46,894,368</u>		<u>\$18,917,342</u>		<u>(\$ 27,977,026)</u>

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**GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)****Governmental Activities - (Continued)**

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<b>City of Victoria, Texas</b>				
<b>Revenue by Source - Governmental Activities</b>				
<b>Description</b>	<b>Revenues</b>		<b>Revenues</b>	
	<b>2009</b>	<b>% of Total</b>	<b>2008</b>	<b>% of Total</b>
Charges for services	\$ 6,690,635	11.01%	\$ 7,246,505	13.03%
Operating grants and contributions	1,802,260	2.97%	1,782,897	3.21%
Capital grants and contributions	10,424,447	17.16%	4,000,000	7.19%
Property taxes	19,676,691	32.38%	18,731,119	33.69%
Sales taxes	13,046,352	21.47%	13,545,220	24.36%
Franchise taxes	4,657,347	7.66%	4,678,027	8.41%
Other taxes	1,127,564	1.85%	1,306,496	2.35%
Unrestricted investment earnings	958,698	1.58%	2,062,275	3.71%
Miscellaneous	715,111	1.18%	577,458	1.04%
Transfers	<u>1,665,914</u>	2.74%	<u>1,674,251</u>	3.01%
<b>Total</b>	<u>\$ 60,765,019</u>		<u>\$ 55,603,948</u>	

**Business-type Activities**

Fiscal year 2009 business-type activities increased the City's net assets by \$3,305,189. This increase is mainly due to the following reasons:

- During FY 2008 and 2009, the City implemented water and wastewater rate increases.
- During FY 2009, 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.
- During prior fiscal years, the City has been implementing a new residential refuse collection system. The change in residential refuse collection involved moving from a twice a week collection, with rear-loader trucks, to a once a week collection, with fully-automated side-loader trucks and a cart collection system. As a result of implementing this new refuse collection system, the Environmental Services Fund is experiencing a positive cash flow.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)**

**Business-type Activities - (Continued)**

**City of Victoria, Texas  
2009 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	\$19,175,705	80.72%	\$23,595,866	75.98%	\$4,420,161
Environmental services	3,790,348	15.96%	4,245,528	22.42%	455,180
Other	<u>790,005</u>	3.32%	<u>619,357</u>	1.60%	( 170,648)
	<u>\$23,756,058</u>		<u>\$28,460,751</u>		<u>\$4,704,693</u>

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

<u>Description</u>	<u>Revenues</u>		<u>Revenues</u>	
	<u>2009</u>	<u>% of Total</u>	<u>2008</u>	<u>% of Total</u>
Charges for services	\$27,700,026	102.36%	\$28,204,434	96.99%
Operating grants and contributions	54,826	0.20%	-	0.00%
Capital grants and contributions	705,899	2.61%	1,800,876	6.19%
Unrestricted investment earnings	266,410	0.99%	748,603	2.58%
Transfers	( 1,665,914)	( 6.16%)	( 1,674,251)	( 5.76%)
<b>Total</b>	<u>\$27,061,247</u>		<u>\$29,079,662</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.

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

### Governmental Funds - (Continued)

As of the end of fiscal year 2009, the City's governmental funds reported combined ending fund balances of \$31,558,267, a decrease of \$7,683,829. 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 \$27,401,038 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 \$3,877,055 and for inventory in the amount of \$280,174.

The City's governmental funds combined fund balance of \$31,558,267 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 2009, unreserved fund balance of the General Fund was \$13,079,658 while total General Fund fund balance was \$15,367,569. 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 30.97% of the total General Fund expenditures, while total fund balance represents 36.39% of that same amount.

The City's General Fund fund balance was increased by \$268,885. Key factors in this net increase are as follows:

- Salvage and assets sales came in higher than expected.
- Ambulance fee revenue came in higher than expected.
- Personnel cost came in lower than expected.
- Traffic supplies and maintenance costs came in lower than expected.
- Land cost for Fire Station No. 6 came in lower than expected.
- Demolition costs of dilapidated houses came in lower than expected.
- Street reclaim and overlay project costs came in lower than expected.
- Drainage mowing maintenance costs came in lower than expected.
- Library building and improvement costs came in lower than expected.
- Transfer to the Construction Fund-Lone Tree Trail Project was lower than expected.

2. *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 2009, unreserved fund balance of the Residential/Arterial Capital Improvement Program Fund was \$11,705,284, while total Residential/Arterial Capital Improvement Program Fund fund balance was \$13,469,911. The difference between the unreserved fund balance and total fund balance is \$1,764,627 which is considered a reserved fund balance for outstanding construction contracts as of September 30, 2009.

The main reason for the decrease in the Residential/Arterial Capital Improvement Program Fund unreserved fund balance is due to a "spend-down" of prior years (1) bond proceeds, (2) Sales Tax Development (4B) contribution, and other governmental fund contributions for the capital improvement program.

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

### Governmental Funds - (Continued)

3. *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 2009, unreserved, undesignated fund balance of the Debt Service Fund was \$1,197,665. The main reason for the \$12K increase in the Debt Service Fund undesignated fund balance is due to ad valorem delinquent tax revenue coming in higher than expected.

### 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>2009 Unrestricted Net Assets</u>	<u>2008 Unrestricted Net Assets</u>
Water and Wastewater	\$ 9,783,067	\$ 5,847,019
Environmental Services	4,121,568	4,679,769
Other	<u>2,379,937</u>	<u>2,030,660</u>
Total	<u>\$16,284,572</u>	<u>\$12,557,448</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 \$5,314,366 and can be briefly summarized as follows:
  - Encumbrances carried over from prior fiscal year were \$3,903,699; and,
  - Budget amendments consisting of the following:
    - \$900,000 for the construction of relocating fire station No. 2,
    - \$100,000 for land acquisition for future fire station No. 6,
    - \$150,000 for Radio System Project,
    - \$15,000 for the Transit System Program,
    - \$25,000 for the Convention and Visitors Bureau Program,
    - \$10,000 for City pool repairs,
    - \$90,000 for Lowe Field improvements,
    - \$74,000 for outside attorney services, and
    - \$46,667 for other miscellaneous items.
- Of this increase, \$3,903,699 was funded out of the fiscal year 2008 reserve fund balance for encumbrances and the remaining \$1,410,667 came out of the fiscal year 2009 unreserved fund balance.

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## **GENERAL FUND BUDGETARY HIGHLIGHTS - (Continued)**

- For fiscal year 2009, the General Fund's revenues came in \$669,298 lower - compared to the final budget. The negative budget variance is due mainly to sales tax revenue, which came in \$590K lower than expected and interest income, which came in \$352K lower than expected.
- For fiscal year 2009, the General Fund's actual expenditures came in \$6,072,156 lower than the final budget. This positive variance is mainly due to:
  - Personnel cost came in lower than expected,
  - Street reclaim and overlay project costs came in lower than expected,
  - Land for future fire station No. 6 came in lower than expected,
  - As of September 30, 2009, the City had \$3,903,699 of outstanding purchase orders and contracts,
  - Transfer to Construction Fund-Lone Tree Trail Project came in lower than expected,
  - Traffic supplies and maintenance costs came in lower than expected,
  - Commercial equipment rental costs came in lower than expected,
  - Purchase costs of various vehicles came in lower than expected,
  - Professional services came in lower than expected,
  - Various building and improvement project costs came in lower than expected,
  - Demolition costs of dilapidated buildings came in lower than expected,
  - Drainage mowing costs came in lower than expected,
  - Economic development costs came in lower than expected,
  - Radio system project costs came in lower than expected,
  - Convention and Visitor Bureau Program came in lower than expected, and
  - Relocation of fire station No. 2 project was not contracted out until FY 2010.

## **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, 2009, amounts to \$258,687,281 (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 \$19,710,795 or 8.25% (a \$16,258,836 or 11.58% increase for governmental activities and \$3,451,959 or 3.50% increase for business-type activities).

**CAPITAL ASSET AND DEBT ADMINISTRATION - (Continued)**

**Capital Assets - (Continued)**

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 Governmental Activities	Deletions Governmental Activities	Additions Business-type Activities	Deletions Business-type Activities	Net Total
Land	\$ 113,421	\$ -	\$ 12,188	\$ -	\$ 125,609
Buildings	3,195,732	-	588,572	-	3,784,304
Other structure improvements	114,629	27,931	-	-	86,698
Infrastructure - streets, drainage, traffic, and sidewalks, etc.	52,338,747	-	-	-	52,338,747
Construction in progress	20,234,184	55,404,461	4,126,320	3,041,016	( 34,084,973)
Machinery, equipment, and vehicles	3,509,034	1,845,027	937,067	123,787	2,477,287
Water and wastewater distribution system	-	-	4,752,145	-	4,752,145
<b>Total</b>	<b><u>\$ 79,505,747</u></b>	<b><u>\$57,277,419</u></b>	<b><u>\$ 10,416,292</u></b>	<b><u>\$ 3,164,803</u></b>	29,479,817
					FY 2009 depreciation expense ( 11,523,631)
					FY 2009 accumulated depreciation deletions 1,754,609
					Primary government beginning capital assets balance <u>238,976,486</u>
					Primary government ending capital assets balance <u>\$258,687,281</u>

The following financial table represents the City's total capital assets as of September 30, 2009:

**City of Victoria, Texas  
Capital Assets  
(Net of Depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$ 3,841,610	\$ 3,728,189	\$ 4,076,832	\$ 4,064,644	\$ 7,918,442	\$ 7,792,833
Construction in progress	6,596,019	41,766,296	4,456,709	3,371,405	11,052,728	45,137,701
Machinery and equipment	12,421,017	11,664,816	1,735,238	1,172,151	14,156,255	12,836,967
Buildings	5,938,696	2,931,366	31,057,575	31,672,044	36,996,271	34,603,410
Improvements other than buildings	3,526,230	3,636,770	659,248	719,710	4,185,478	4,356,480
Infrastructure	124,392,720	76,730,019	249,157	259,797	124,641,877	76,989,816
Water and wastewater distribution system	-	-	59,736,230	57,259,279	59,736,230	57,259,279
<b>Total</b>	<b><u>\$156,716,292</u></b>	<b><u>\$140,457,456</u></b>	<b><u>\$101,970,989</u></b>	<b><u>\$98,519,030</u></b>	<b><u>\$258,687,281</u></b>	<b><u>\$238,976,486</u></b>

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

**CAPITAL ASSET AND DEBT ADMINISTRATION - (Continued)**

**Long-Term Debt**

At the end of fiscal year 2009, the City had total bonded debt outstanding of \$138,925,000. Of this amount, \$68,795,000 comprises debt backed by the full faith and credit of the government and \$70,130,000 secured solely by specific revenue sources (i.e., revenue bonds). In addition, the City had outstanding \$1,399,059 in compensated absences, \$2,877,064 in estimated landfill closure and post-closure care cost; \$1,607,798 in net bond premium (discount), \$1,778,264 in deferred financing costs, and \$132,812 in rebatable arbitrage as of September 30, 2009.

**City of Victoria, Texas**

**Outstanding Debt, Net Bond Premium (Discount), and Deferred Financing Costs**

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
General obligation bonds	\$ 32,225,000	\$ 33,720,000	\$ -	\$ -	\$ 32,225,000	\$ 33,720,000
Certificate of obligation bonds	36,570,000	38,880,000	-	-	36,570,000	38,880,000
Revenue bonds	-	-	70,130,000	66,975,000	70,130,000	66,975,000
Compensated absences	1,184,184	1,212,694	214,875	196,807	1,399,059	1,409,501
Rebatable arbitrage	132,812	219,654	-	136	132,812	219,790
Estimated landfill closure and post-closure care cost	-	-	2,877,064	2,771,868	2,877,064	2,771,868
Net bond premium (discount)	278,051	293,498	1,329,747	1,428,723	1,607,798	1,722,221
Deferred financing costs	( 1,193,583)	( 1,278,839)	( 584,681)	( 633,404)	( 1,778,264)	( 1,912,243)
Total	<u>\$ 69,196,464</u>	<u>\$ 73,047,007</u>	<u>\$ 73,967,005</u>	<u>\$ 70,739,130</u>	<u>\$ 143,163,469</u>	<u>\$ 143,786,137</u>

The City's debt had a net decrease of \$622,668 or 0.43%. The key factors to this net decrease are the following:

- Debt payments of \$3,805,000 in governmental activities bonds and \$3,400,000 in business-type activities bonds were made during fiscal year 2009,
- The City issued \$6,555,000 in revenue bonds in fiscal year 2009,
- Compensated absences liability decreased by \$10,442,
- Landfill closure/post-closure care cost was increased by the annual amortization cost of \$105,196,
- Rebatable arbitrage was decreased by \$86,978.

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

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## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Currently, as you well know, the US economy is experiencing one of the worst recessions in years, which is impacting all regions in the US. This economic impact will vary among states. The Dallas Fed reports that economic conditions in Texas remain weak, but stable; in addition, companies are not expecting conditions to improve in the near term. Consequently, employment levels will remain stagnant and many firms are implementing hiring freezes. The unemployment rate in Victoria for October 2009 stood at 7.7%, November 2009 it was 7.4%, and for December 2009 it was 7.7% compared to the US employment rate of 10%.

The Texas economy, the world's 12 largest, continues to fare better than most other States. With Texas' mix of industries and avoidance of the housing price bubble, Texas should have more resistance to, but not immunity from, recessionary conditions. Economists are predicting that Texas economy will be affected in FY 2010 before regaining economic momentum. In light of this, it is fair to say that the City of Victoria will feel some impact, especially in its sales tax rebates and growth in its ad valorem tax revenue. Sales tax rebates and ad valorem tax revenue make up approximately 64% of the General Fund revenues.

Months after many economists declared the recession over, cities, including Victoria, are only now beginning to feel the full brunt of it. Recessions often take longer to trickle down to local governments; in part because it takes time for the sales and property tax revenue on which municipalities depend to catch up with a depressed economy. But the "sting" this time around is expected to be far more acute and long-lasting than in previous recessions.

- As of the first quarter of FY 2010, sales tax revenues came in approximately \$832K under budget; and, year-end sales tax revenue projection is estimated to come in approximately \$2.2 million under budget, as of December 31, 2009. In anticipating this decline in sales tax revenue, management implemented a temporary cost reduction plan by putting certain vacant positions on "hold" and freezing certain budgeted maintenance & operating and capital outlay expenditures. As a result of management foresight, the General Fund fund balance, as of December 31, 2009, remains financially stable and is expected to end the year within budget.
- 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, 2008. The 2009-2010 total appraised value of all property in the City of Victoria, as rendered by the Victoria County Tax Appraisal District, is \$3,202,108,213; an increase over last year's tax roll of \$11,507,720 or 3.61%.

The 2009-2010 frozen appraised values (65 & over, disabled) is \$408,706,062, an increase over last year's frozen appraised values of \$33,466,032 or 8.92%.

The total appraised value (excluding frozen appraised values) for fiscal year 2010 is \$2,793,402,151.

- 1,345 building permits were issued in fiscal year 2009, approximately the same level that were issued in fiscal year 2008.
- Victoria, the second oldest incorporated city in Texas, celebrated its 178<sup>th</sup> 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.
- As of December 2009, the consumer price index stood at approximately 2.72% which compares favorably to national and state indices.

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

- The General Fund unreserved fund balance at September 30, 2009, came in \$6,873,756 above the minimum required unreserved fund balance of \$8,213,639. The City has a policy of maintaining a minimum unreserved fund balance of 18.5% of total expenditures. Most of the excess unreserved fund balance will be used during fiscal year 2010 on one-time/non-reoccurring expenditures and on capital improvement projects.
- The ad valorem tax rate for fiscal year 2010 was set at \$0.6450, a decrease of \$0.0050 from last year's tax rate of \$0.6500.
- Water and sewer rates were increased in fiscal year 2010. More detailed information on this subject can be found in the City's fiscal year 2010 budget.
- For FY 2010, the Environmental Services Fund implemented a new "fixed" monthly service fee for brush and bulky, yard waste, and recycling center collection services in the amount of \$2.50.
- The Environmental Services Fund will be implementing a methane gas extraction recycling program whereby it will take the landfill methane gas and convert it into a beneficial end-use; and, at the same time provide additional cash flow to the Environmental Services Fund.
- The City's next five fiscal years Capital Improvement Program Projects consist of approximately \$104.6 million; FY 2009 - \$23 million, FY 2010 - \$48 million, FY 2011 - \$4.8 million, FY 2012 - \$25 million, and FY 2013 - \$3.8 million. More detailed information on this subject can be found in the City's FY 2010 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, 2009

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 30,695,380	\$ 9,369,977	\$ 40,065,357	\$ 7,190,993
Investments	10,383,096	-	10,383,096	-
Receivables (net)	6,589,630	2,428,753	9,018,383	454,441
Internal balances	(86,806)	86,806	-	-
Inventory	366,725	123,913	490,638	-
Returned checks	15,574	6,003	21,577	-
Restricted assets				
Cash and cash equivalents	35,000	15,454,626	15,489,626	-
Investments	-	-	-	-
<b>Total current assets</b>	<b>47,998,599</b>	<b>27,470,078</b>	<b>75,468,677</b>	<b>7,645,434</b>
Noncurrent assets				
Capital assets				
Land and other assets not being depreciated	10,437,629	8,533,541	18,971,170	15,224,530
Buildings, improvements, and equipment (net)	146,278,663	93,437,448	239,716,111	269,241
Bond issue costs (net)	863,924	1,049,542	1,913,466	149,521
Deposits	-	82,673	82,673	-
<b>Total noncurrent assets</b>	<b>157,580,216</b>	<b>103,103,204</b>	<b>260,683,420</b>	<b>15,643,292</b>
<b>Total assets</b>	<b>205,578,815</b>	<b>130,573,282</b>	<b>336,152,097</b>	<b>23,288,726</b>

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	\$ 1,744,165	\$ 1,221,037	\$ 2,965,202	\$ 420,349
Accrued expenses	1,990,997	397,489	2,388,486	-
Due to other governments	92,753	92,573	185,326	-
Customer deposits	-	33,685	33,685	-
Claims payable	688,541	-	688,541	-
Unearned revenue	570,529	-	570,529	-
Accrued compensated absences	140,463	25,487	165,950	-
Accrued interest payable	364,808	1,041,550	1,406,358	119,863
Current portion of long-term obligations	<u>3,065,000</u>	<u>3,765,000</u>	<u>6,830,000</u>	<u>765,000</u>
Total current liabilities	<u>8,657,256</u>	<u>6,576,821</u>	<u>15,234,077</u>	<u>1,305,212</u>
Noncurrent liabilities				
Noncurrent portion of long-term obligations (net of deferred amounts)	64,814,468	67,110,066	131,924,534	6,515,273
Accrued compensated absences	1,043,721	189,388	1,233,109	-
Rebatable arbitrage	132,812	-	132,812	69,775
Estimated landfill closure and postclosure care cost	<u>-</u>	<u>2,877,064</u>	<u>2,877,064</u>	<u>-</u>
Total noncurrent liabilities	<u>65,991,001</u>	<u>70,176,518</u>	<u>136,167,519</u>	<u>6,585,048</u>
<b>Total liabilities</b>	<u>74,648,257</u>	<u>76,753,339</u>	<u>151,401,596</u>	<u>7,890,260</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	103,076,382	37,535,371	140,611,753	8,213,498
Restricted for:				
Debt service	1,249,221	-	1,249,221	-
Culture and recreation	450,516	-	450,516	-
Unrestricted net assets	<u>26,154,439</u>	<u>16,284,572</u>	<u>42,439,011</u>	<u>7,184,968</u>
<b>Total net assets</b>	<u>\$ 130,930,558</u>	<u>\$ 53,819,943</u>	<u>\$ 184,750,501</u>	<u>\$ 15,398,466</u>

The accompanying notes are an integral part of this statement.

**CITY OF VICTORIA, TEXAS**  
**STATEMENT OF ACTIVITIES**  
For the year ended September 30, 2009

Function/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental activities				
General government	\$ 7,644,809	\$ 2,559,383	\$ 1,385,753	\$ -
Public safety	23,007,338	3,830,282	369,451	-
Highways and streets	7,914,392	-	-	10,424,447
Culture and recreation	5,127,406	300,970	47,056	-
Interest on long-term debt	3,200,423	-	-	-
Total governmental activities	<u>46,894,368</u>	<u>6,690,635</u>	<u>1,802,260</u>	<u>10,424,447</u>
Business-type activities				
Water/wastewater	19,175,705	22,889,967	-	705,899
Environmental services	3,790,348	4,245,528	-	-
Other	790,005	564,531	54,826	-
Total business-type activities	<u>23,756,058</u>	<u>27,700,026</u>	<u>54,826</u>	<u>705,899</u>
Total primary government	<u>\$ 70,650,426</u>	<u>\$ 34,390,661</u>	<u>\$ 1,857,086</u>	<u>\$ 11,130,346</u>
<b>Component Units</b>	<u>\$ 11,819,110</u>	<u>\$ 26,800</u>	<u>\$ -</u>	<u>\$ -</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, as restated

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
\$ (3,699,673)	\$ -	\$ (3,699,673)	\$ -
(18,807,605)	-	(18,807,605)	-
2,510,055	-	2,510,055	-
(4,779,380)	-	(4,779,380)	-
(3,200,423)	-	(3,200,423)	-
<u>(27,977,026)</u>	<u>-</u>	<u>(27,977,026)</u>	<u>-</u>
-	4,420,161	4,420,161	-
-	455,180	455,180	-
-	(170,648)	(170,648)	-
-	<u>4,704,693</u>	<u>4,704,693</u>	-
<u>(27,977,026)</u>	<u>4,704,693</u>	<u>(23,272,333)</u>	-
-	-	-	<u>(11,792,310)</u>
12,762,182	-	12,762,182	-
6,914,509	-	6,914,509	-
13,046,352	-	13,046,352	6,523,176
4,657,347	-	4,657,347	-
1,127,564	-	1,127,564	-
958,698	266,410	1,225,108	147,976
715,111	-	715,111	11,200
1,665,914	(1,665,914)	-	-
<u>41,847,677</u>	<u>(1,399,504)</u>	<u>40,448,173</u>	<u>6,682,352</u>
13,870,651	3,305,189	17,175,840	(5,109,958)
<u>117,059,907</u>	<u>50,514,754</u>	<u>167,574,661</u>	<u>20,508,424</u>
<u>\$ 130,930,558</u>	<u>\$ 53,819,943</u>	<u>\$ 184,750,501</u>	<u>\$ 15,398,466</u>

**CITY OF VICTORIA, TEXAS**

*BALANCE SHEET*

*GOVERNMENTAL FUNDS*

*September 30, 2009*

	<u>General</u>	<u>Debt Service</u>	<u>Residential/Arterial Capital Improvement Program</u>
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 13,396,034	\$ 1,197,665	\$ 6,288,716
Investments	-	-	10,383,096
Receivables (net)	5,180,677	416,364	-
Due from other funds	2,833,406	-	-
Inventory	280,174	-	-
Returned checks	15,574	-	-
<b>Total assets</b>	<u>\$ 21,705,865</u>	<u>\$ 1,614,029</u>	<u>\$ 16,671,812</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable	\$ 434,896	\$ -	\$ 701,901
Accrued expenditures	1,905,022	-	-
Accrued compensated absences	22,228	-	-
Due to other governments	92,753	-	-
Due to other funds	602,416	-	2,500,000
Deferred revenue	3,280,981	416,364	-
<b>Total liabilities</b>	<u>6,338,296</u>	<u>416,364</u>	<u>3,201,901</u>
<b>Fund balances</b>			
Reserved for:			
Encumbrances	2,007,737	-	1,764,627
Inventory	280,174	-	-
Unreserved, undesignated reported in:			
General fund	13,079,658	-	-
Special revenue funds	-	-	-
Debt service fund	-	1,197,665	-
Capital project funds	-	-	11,705,284
<b>Total fund balances</b>	<u>15,367,569</u>	<u>1,197,665</u>	<u>13,469,911</u>
<b>Total liabilities and fund balances</b>	<u>\$ 21,705,865</u>	<u>\$ 1,614,029</u>	<u>\$ 16,671,812</u>

The accompanying notes are an integral part of this statement.

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Other Governmental Funds	Total Governmental Funds
\$ 2,022,308	\$ 22,904,723
-	10,383,096
743,884	6,340,925
137,762	2,971,168
-	280,174
-	15,574
<u>\$ 2,903,954</u>	<u>\$ 42,895,660</u>

\$ 309,336	\$ 1,446,133
-	1,905,022
-	22,228
-	92,753
500,967	3,603,383
570,529	4,267,874
<u>1,380,832</u>	<u>11,337,393</u>

104,691	3,877,055
-	280,174
-	13,079,658
753,475	753,475
-	1,197,665
664,956	12,370,240
<u>1,523,122</u>	<u>31,558,267</u>
<u>\$ 2,903,954</u>	<u>\$ 42,895,660</u>

**CITY OF VICTORIA, TEXAS**

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

September 30, 2009

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<b>Total governmental fund balances</b>		<b>\$ 31,558,267</b>
<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.		17,175,864
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.		1,476,968
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.		2,220,377
Capital assets used in governmental activities are reported as expenditures in governmental funds when purchased or constructed. The cost of these assets is \$239,786,622 and the accumulated depreciation is \$92,672,227.		147,114,395
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 \$427,177.		863,924
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	\$ (68,795,000)	
Bond premiums	(278,051)	
Deferred loss on refunding	1,193,583	
Accrued interest on the bonds	(364,808)	
Rebatable arbitrage	(132,812)	
Compensated absences	(1,102,149)	(69,479,237)
<b>Net assets of governmental activities</b>		<b><u>\$ 130,930,558</u></b>

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, 2009

	General	Debt Service	Residential/Arterial Capital Improvement Program
<b>REVENUES</b>			
Taxes	\$ 30,701,963	\$ 6,877,037	\$ -
Licenses and permits	654,842	-	-
Intergovernmental	2,194,626	-	-
Charges for services	2,020,751	-	-
Fines and forfeitures	962,712	-	-
Investment income	227,619	30,338	539,564
Miscellaneous	353,020	-	4,908,166
<b>Total revenues</b>	<u>37,115,533</u>	<u>6,907,375</u>	<u>5,447,730</u>
<b>EXPENDITURES</b>			
Current			
General government	5,582,512	-	-
Public safety	25,014,770	-	-
Highways and streets	6,319,245	-	-
Culture and recreation	5,312,990	-	-
Capital outlay	-	-	11,173,205
Debt service			
Principal retirement	-	3,805,000	-
Interest and fiscal charges	-	3,057,924	-
Paying agents' fees and issue costs	-	32,687	-
<b>Total expenditures</b>	<u>42,229,517</u>	<u>6,895,611</u>	<u>11,173,205</u>
Excess (deficiency) of revenues over expenditures	(5,113,984)	11,764	(5,725,475)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	5,543,664	-	-
Transfers out	(160,795)	-	(2,500,000)
<b>Total other financing sources (uses)</b>	<u>5,382,869</u>	<u>-</u>	<u>(2,500,000)</u>
Change in fund balances	268,885	11,764	(8,225,475)
Fund balances at beginning of year, as restated	<u>15,098,684</u>	<u>1,185,901</u>	<u>21,695,386</u>
<b>Fund balances at end of year</b>	<u>\$ 15,367,569</u>	<u>\$ 1,197,665</u>	<u>\$ 13,469,911</u>

The accompanying notes are an integral part of this statement.

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Other Governmental Funds	Total Governmental Funds
\$ 1,028,055	\$ 38,607,055
-	654,842
1,932,610	4,127,236
-	2,020,751
62,463	1,025,175
23,539	821,060
<u>5,318,900</u>	<u>10,580,086</u>
<u>8,365,567</u>	<u>57,836,205</u>
1,497,454	7,079,966
502,093	25,516,863
-	6,319,245
445,764	5,758,754
5,182,304	16,355,509
-	3,805,000
-	3,057,924
-	32,687
<u>7,627,615</u>	<u>67,925,948</u>
737,952	(10,089,743)
147,389	5,691,053
<u>(624,344)</u>	<u>(3,285,139)</u>
<u>(476,955)</u>	<u>2,405,914</u>
260,997	(7,683,829)
<u>1,262,125</u>	<u>39,242,096</u>
<u>\$ 1,523,122</u>	<u>\$ 31,558,267</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, 2009*

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**Total net change in fund balances - governmental funds** \$ (7,683,829)

*Amounts reported for governmental activities in the statement of activities are different because:*

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. 1,918,100

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 2008/2009 capital outlays is to increase net assets. 21,415,903

The net effect of various transactions involving capital assets (i.e., transfers, adjustments and dispositions) is to increase net assets. 37,661

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. (6,078,491)

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 3,805,000

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	\$ 111,391	
Other revenues	<u>315,400</u>	426,791

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:

Decrease in compensated absences	52,487	
Decrease in rebatable arbitrage	86,842	
Decrease in accrued interest	19,695	
Decrease in loss on bond refunding	(85,256)	
Decrease in bond premium	15,447	
Decrease in bond issue costs	<u>(59,699)</u>	<u>29,516</u>

**Change in net assets of governmental activities** \$ 13,870,651

The accompanying notes are an integral part of this statement.



**CITY OF VICTORIA, TEXAS**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
September 30, 2009

	Business-type Activities			Total	Governmental Activities Internal Service Funds
	Water and Wastewater	Environmental Services	Other Enterprise Funds		
<b>ASSETS</b>					
Current assets					
Cash and cash equivalents	\$ 7,316,005	\$ 897,979	\$ 1,155,993	\$ 9,369,977	\$ 7,790,657
Receivables (net)	1,957,749	470,990	14	2,428,753	248,705
Due from other funds	-	-	169,006	169,006	556,399
Inventory	123,913	-	-	123,913	86,551
Returned checks	5,191	-	812	6,003	-
Restricted assets					
Cash and cash equivalents	8,004,836	6,301,999	1,147,791	15,454,626	35,000
<b>Total current assets</b>	<b>17,407,694</b>	<b>7,670,968</b>	<b>2,473,616</b>	<b>27,552,278</b>	<b>8,717,312</b>
Noncurrent assets					
Capital assets					
Land and other assets not being depreciated	7,017,695	1,116,088	399,758	8,533,541	173,175
Buildings, improvements, and equipment (net)	88,499,412	1,116,832	3,821,204	93,437,448	9,428,722
Bond issue costs (net)	1,049,542	-	-	1,049,542	-
Deposits	82,673	-	-	82,673	-
<b>Total noncurrent assets</b>	<b>96,649,322</b>	<b>2,232,920</b>	<b>4,220,962</b>	<b>103,103,204</b>	<b>9,601,897</b>
<b>Total assets</b>	<b>114,057,016</b>	<b>9,903,888</b>	<b>6,694,578</b>	<b>130,655,482</b>	<b>18,319,209</b>
<b>LIABILITIES</b>					
Current liabilities					
Accounts payable	788,708	404,498	27,831	1,221,037	298,032
Accrued expenses	286,985	91,586	18,918	397,489	85,975
Accrued compensated absences	18,746	5,392	1,349	25,487	59,807
Due to other governments	-	92,573	-	92,573	-
Due to other funds	42,112	38,218	1,870	82,200	10,990
Customer deposits	-	-	33,685	33,685	-
Claims payable	-	-	-	-	688,541
Accrued interest payable	1,041,550	-	-	1,041,550	-
Current portion of revenue bonds	3,765,000	-	-	3,765,000	-
<b>Total current liabilities</b>	<b>5,943,101</b>	<b>632,267</b>	<b>83,653</b>	<b>6,659,021</b>	<b>1,143,345</b>
Noncurrent liabilities					
Revenue bonds (net)	67,110,066	-	-	67,110,066	-
Accrued compensated absences	139,293	40,069	10,026	189,388	-
Estimated landfill closure and postclosure care cost	-	2,877,064	-	2,877,064	-
<b>Total noncurrent liabilities</b>	<b>67,249,359</b>	<b>2,917,133</b>	<b>10,026</b>	<b>70,176,518</b>	<b>-</b>
<b>Total liabilities</b>	<b>73,192,460</b>	<b>3,549,400</b>	<b>93,679</b>	<b>76,835,539</b>	<b>1,143,345</b>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	31,081,489	2,232,920	4,220,962	37,535,371	9,601,897
Unrestricted net assets	9,783,067	4,121,568	2,379,937	16,284,572	7,573,967
<b>Total net assets</b>	<b>\$ 40,864,556</b>	<b>\$ 6,354,488</b>	<b>\$ 6,600,899</b>	<b>\$ 53,819,943</b>	<b>\$ 17,175,864</b>

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, 2009

	Business-type Activities			Total	Governmental Activities Internal Service Funds
	Water and Wastewater	Environmental Services	Other Enterprise Funds		
<b>OPERATING REVENUES</b>					
Charges for services	\$ 22,872,953	\$ 3,369,531	\$ 564,531	\$ 26,807,015	\$ 13,635,335
Miscellaneous	17,014	875,997	-	893,011	377,187
<b>Total operating revenues</b>	<u>22,889,967</u>	<u>4,245,528</u>	<u>564,531</u>	<u>27,700,026</u>	<u>14,012,522</u>
<b>OPERATING EXPENSES</b>					
Personnel	3,946,560	1,449,050	275,528	5,671,138	1,327,595
Materials and supplies	1,413,680	206,321	28,609	1,648,610	1,445,724
Maintenance	805,780	1,504	42,895	850,179	90,260
Heat, lights and power	1,119,656	16,865	143,537	1,280,058	23,093
Reinsurance premiums	-	-	-	-	652,013
Miscellaneous services	1,127,207	993,619	69,224	2,190,050	619,623
Contractual services	3,885,119	175,446	15,912	4,076,477	1,210,677
Computer services	166,816	39,168	-	205,984	71,376
Monitoring costs	-	40,837	-	40,837	-
Court costs, judgments and damages	-	-	-	-	2,110
Claims expense	-	-	-	-	4,154,372
Wellness program	-	-	-	-	57,507
Tipping fees	-	612,226	-	612,226	-
Landfill closure and postclosure care cost	-	105,196	-	105,196	-
Depreciation	3,545,914	150,116	213,981	3,910,011	1,535,129
<b>Total operating expenses</b>	<u>16,010,732</u>	<u>3,790,348</u>	<u>789,686</u>	<u>20,590,766</u>	<u>11,189,479</u>
Operating income (loss) before nonoperating revenues (expenses) and contributions and transfers	6,879,235	455,180	(225,155)	7,109,260	2,823,043
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Investment income	160,751	91,948	13,711	266,410	50,796
Interest and fiscal charges	(3,151,985)	-	-	(3,151,985)	-
Noncapital contributions	-	-	54,826	54,826	-
Gain (loss) on disposition of capital assets	(12,988)	-	(319)	(13,307)	(215,739)
Net nonoperating revenues (expenses)	<u>(3,004,222)</u>	<u>91,948</u>	<u>68,218</u>	<u>(2,844,056)</u>	<u>(164,943)</u>
Income before contributions and transfers	3,875,013	547,128	(156,937)	4,265,204	2,658,100
Contributions and transfers					
Capital contributions	705,899	-	-	705,899	-
Transfers in	119,100	150,116	637,750	906,966	-
Transfers out	(2,175,163)	(356,300)	(41,417)	(2,572,880)	(740,000)
Total contributions and transfers	<u>(1,350,164)</u>	<u>(206,184)</u>	<u>596,333</u>	<u>(960,015)</u>	<u>(740,000)</u>
Change in net assets	2,524,849	340,944	439,396	3,305,189	1,918,100
Total net assets at beginning 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>
<b>Total net assets at end of year</b>	<u>\$ 40,864,556</u>	<u>\$ 6,354,488</u>	<u>\$ 6,600,899</u>	<u>\$ 53,819,943</u>	<u>\$ 17,175,864</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, 2009

	Business-type Activities		
	Water and Wastewater	Environmental Services	Other Enterprise Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 22,606,421	\$ 4,010,882	\$ 565,884
Cash paid to suppliers for goods and services	(8,784,567)	(1,798,632)	(298,004)
Cash paid to employees for services	(3,868,782)	(1,477,073)	(269,150)
<b>Net cash provided (used) by operating activities</b>	<u>9,953,072</u>	<u>735,177</u>	<u>(1,270)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Increase (decrease) in customer deposits	-	-	700
Noncapital contributions	-	-	54,826
Borrowings from (to) other funds	(6,264)	(664,999)	56,923
Transfers in from other funds	119,100	150,116	637,750
Transfers out to other funds	(2,175,163)	(356,300)	(41,417)
<b>Net cash provided (used) by noncapital financing activities</b>	<u>(2,062,327)</u>	<u>(871,183)</u>	<u>708,782</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and construction of capital assets	(5,144,713)	(1,049,261)	(304,419)
Proceeds from issuance of revenue bonds	6,555,000	-	-
Principal paid on revenue bonds	(3,400,000)	-	-
Interest paid on revenue bonds	(3,218,940)	-	-
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(5,208,653)</u>	<u>(1,049,261)</u>	<u>(304,419)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sales and maturities of investments	11,181,427	6,407,292	-
Purchase of investments	(9,200,000)	(3,400,000)	-
Rebatable arbitrage payments	(6,325)	-	-
Investment income	160,615	91,948	13,711
<b>Net cash provided (used) by investing activities</b>	<u>2,135,717</u>	<u>3,099,240</u>	<u>13,711</u>
Net increase (decrease) in cash and cash equivalents	4,817,809	1,913,973	416,804
Cash and cash equivalents at beginning of year	<u>10,503,032</u>	<u>5,286,005</u>	<u>1,886,980</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 15,320,841</u>	<u>\$ 7,199,978</u>	<u>\$ 2,303,784</u>

The accompanying notes are an integral part of this statement.

<u>Total</u>	<u>Governmental Activities Internal Service Funds</u>
\$ 27,183,187	\$ 14,569,100
(10,881,203)	(8,615,354)
<u>(5,615,005)</u>	<u>(1,318,975)</u>
10,686,979	4,634,771
700	-
54,826	-
(614,340)	7,486
906,966	-
<u>(2,572,880)</u>	<u>(740,000)</u>
(2,224,728)	(732,514)
(6,498,393)	(2,624,376)
6,555,000	-
(3,400,000)	-
<u>(3,218,940)</u>	<u>-</u>
(6,562,333)	(2,624,376)
17,588,719	-
(12,600,000)	-
(6,325)	-
<u>266,274</u>	<u>50,796</u>
<u>5,248,668</u>	<u>50,796</u>
7,148,586	1,328,677
<u>17,676,017</u>	<u>6,496,980</u>
<u>\$ 24,824,603</u>	<u>\$ 7,825,657</u>

(continued)

**CITY OF VICTORIA, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the year ended September 30, 2009

	Business-type Activities		
	Water and Wastewater	Environmental Services	Other Enterprise Funds
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ 6,879,235	\$ 455,180	\$ (225,155)
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation	3,545,914	150,116	213,981
Changes in assets and liabilities			
(Increase) decrease in accounts receivable	(285,231)	(1,323)	-
(Increase) decrease in other receivables	3,038	(233,323)	1,507
(Increase) decrease in inventory	(123,913)	-	-
(Increase) decrease in returned checks	(1,353)	-	(154)
(Increase) decrease in due from other funds	-	-	-
Increase (decrease) in accounts payable	(142,396)	288,488	2,173
Increase (decrease) in accrued expenses	57,973	(23,425)	3,517
Increase (decrease) in compensated absences	19,805	(4,598)	2,861
Increase (decrease) in due to other governments	-	(1,134)	-
Increase (decrease) in claims payable	-	-	-
Increase (decrease) in landfill closure and postclosure care cost	-	105,196	-
Total adjustments	<u>3,073,837</u>	<u>279,997</u>	<u>223,885</u>
<b>Net cash provided (used) by operating activities</b>	<b><u>\$ 9,953,072</u></b>	<b><u>\$ 735,177</u></b>	<b><u>\$ (1,270)</u></b>
<b>Reconciliation of cash and cash equivalents</b>			
Unrestricted			
Cash and cash equivalents	\$ 7,316,005	\$ 897,979	\$ 1,155,993
Restricted			
Cash and cash equivalents	<u>8,004,836</u>	<u>6,301,999</u>	<u>1,147,791</u>
Total	<b><u>\$ 15,320,841</u></b>	<b><u>\$ 7,199,978</u></b>	<b><u>\$ 2,303,784</u></b>

The accompanying notes are an integral part of this statement.

<u>Total</u>	<u>Governmental Activities Internal Service Funds</u>
\$ 7,109,260	\$ 2,823,043
3,910,011	1,535,129
(286,554)	-
(228,778)	84,470
(123,913)	200,832
(1,507)	-
-	472,108
148,265	(518,112)
38,065	5,117
18,068	3,503
(1,134)	-
-	28,681
<u>105,196</u>	<u>-</u>
<u>3,577,719</u>	<u>1,811,728</u>
<u>\$ 10,686,979</u>	<u>\$ 4,634,771</u>
\$ 9,369,977	\$ 7,790,657
<u>15,454,626</u>	<u>35,000</u>
<u>\$ 24,824,603</u>	<u>\$ 7,825,657</u>

(concluded)

**CITY OF VICTORIA, TEXAS**  
*STATEMENT OF FIDUCIARY NET ASSETS*  
*FIDUCIARY FUNDS*  
*September 30, 2009*

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	Private Purpose Trust	Agency
<b>ASSETS</b>		
Cash and cash equivalents	\$ 19,614	\$ 342,082
<b>Total assets</b>	<u>19,614</u>	<u>342,082</u>
<b>LIABILITIES</b>		
Liabilities		
Accounts payable	-	576
Due to other agencies	-	341,506
<b>Total liabilities</b>	<u>-</u>	<u>342,082</u>
<b>NET ASSETS</b>		
Unrestricted net assets	<u>\$ 19,614</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, 2009*

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	<u>Private Purpose Trust</u>
<b>ADDITIONS</b>	
Miscellaneous	
Participants' contributions	\$ 141,853
<b>DEDUCTIONS</b>	
General government	
Participants' withdrawals	<u>131,913</u>
Changes in net assets	9,940
Net assets - beginning	<u>9,673</u>
<b>Net assets - ending</b>	<u>\$ 19,613</u>

The accompanying notes are an integral part of this statement.



**CITY OF VICTORIA, TEXAS**  
**STATEMENT OF NET ASSETS**  
**COMPONENT UNITS**  
*September 30, 2009*

	Sales Tax Development Corporation	Victoria Recreation	Total
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 7,171,626	\$ 19,367	\$ 7,190,993
Receivables (net)			
Sales taxes	449,541	-	449,541
Other	2,800	2,100	4,900
Total current assets	<u>7,623,967</u>	<u>21,467</u>	<u>7,645,434</u>
Noncurrent assets			
Capital assets			
Land and other assets not being depreciated	15,224,530	-	15,224,530
Buildings, improvements, and equipment (net)	-	269,241	269,241
Bond issue costs (net)	149,521	-	149,521
Total noncurrent assets	<u>15,374,051</u>	<u>269,241</u>	<u>15,643,292</u>
<b>Total assets</b>	<u>22,998,018</u>	<u>290,708</u>	<u>23,288,726</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	420,349	-	420,349
Accrued interest payable	119,863	-	119,863
Current portion of long-term obligations	765,000	-	765,000
Noncurrent liabilities			
Rebatable arbitrage	69,775	-	69,775
Noncurrent portion of long-term obligations	6,515,273	-	6,515,273
<b>Total liabilities</b>	<u>7,890,260</u>	<u>-</u>	<u>7,890,260</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	7,944,257	269,241	8,213,498
Unrestricted net assets	7,163,501	21,467	7,184,968
<b>Total net assets</b>	<u>\$ 15,107,758</u>	<u>\$ 290,708</u>	<u>\$ 15,398,466</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, 2009*

		Program Revenues		
Function/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Component Units</b>				
Sales Tax Development Corporation	\$ 11,766,133	\$ -	\$ -	\$ -
Victoria Recreation	<u>52,977</u>	<u>26,800</u>	<u>-</u>	<u>-</u>
Total component units	<u>\$ 11,819,110</u>	<u>\$ 26,800</u>	<u>\$ -</u>	<u>\$ -</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
\$ (11,766,133)	\$ -	\$ (11,766,133)
-	(26,177)	(26,177)
(11,766,133)	(26,177)	(11,792,310)
6,523,176	-	6,523,176
147,949	27	147,976
11,200	-	11,200
6,682,325	27	6,682,352
(5,083,808)	(26,150)	(5,109,958)
20,191,566	316,858	20,508,424
\$ 15,107,758	\$ 290,708	\$ 15,398,466



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**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.

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**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.

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**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, one of which has been reported as a major fund. 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.

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**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 \$1,410,667.

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**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, 2009, 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.

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**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 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.

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**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.

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**NOTE 2: DEPOSITS AND INVESTMENTS**

As of September 30, 2009, 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	\$ 19,260,610	56
Texas TERM Investment Pool	3,832,469	57
TexPool Prime Pool	24,498,845	38
Money Market Fund	10,009,077	43
U.S. Government Securities	<u>10,383,096</u>	140
Total	<u>\$ 67,984,097</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, 2009, are rated AAAM by Standard & Poor's.

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**NOTE 2: DEPOSITS AND INVESTMENTS - (Continued)**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.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy requires 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. During the fiscal year and at year-end, all deposits held in the depository bank were fully collateralized and therefore the City was not exposed to custodial credit risk.

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, 2009, and for the year then ended, the City was not exposed to any custodial credit risk.

**NOTE 3: RECEIVABLES**

Receivables at September 30, 2009 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	\$ -	\$ -	\$ 2,111,255	\$ 200,073	\$ -	\$ 2,311,328
Ad valorem taxes	1,332,130	438,278	-	-	-	1,770,408
Franchise taxes	661,520	-	-	-	-	661,520
Sales taxes	899,081	-	-	-	-	899,081
Weedy lots	1,474,529	-	-	-	-	1,474,529
Ambulance	3,256,919	-	-	-	-	3,256,919
Fines	1,094,504	-	-	-	-	1,094,504
Other	377,484	-	8,460	294,286	992,603	1,672,833
Total gross receivables	9,096,167	438,278	2,119,715	494,359	992,603	13,141,122
Less: allowances	3,915,490	21,914	161,966	23,369	-	4,122,739
Total net receivables	<u>\$ 5,180,677</u>	<u>\$ 416,364</u>	<u>\$ 1,957,749</u>	<u>\$ 470,990</u>	<u>\$ 992,603</u>	<u>\$ 9,018,383</u>

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**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	\$ 1,060,604	\$ -	\$ 1,060,604
Weedy lots	185,842	-	185,842
Ambulance	1,706,184	-	1,706,184
Fines	328,351	-	328,351
Debt Service Fund			
Ad valorem taxes receivable	416,364	-	416,364
Nonmajor Funds			
Grants	<u>-</u>	<u>570,529</u>	<u>570,529</u>
	<u>\$ 3,697,345</u>	<u>\$ 570,529</u>	<u>\$ 4,267,874</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, 2009, was \$0.65 per \$100, which means that the City has a tax margin of \$1.35 per \$100 and could raise up to \$40,901,403 on \$3,029,733,559 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, 2009, total assets were \$690,958, total liabilities were \$78,668, total fund net assets was \$612,290, total support and revenues were \$665,095 and total expenses were \$548,708. Excess revenues over expenses resulted in a net income of \$116,387. The amount contributed by the City for years ended September 30, 2009 and 2008, was \$162,500 and \$162,500, 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, 2009, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets, not being depreciated				
Land	\$ 3,728,189	\$ 113,421	\$ -	\$ 3,841,610
Construction in progress	41,766,296	20,234,184	55,404,461	6,596,019
Total capital assets not being depreciated	<u>45,494,485</u>	<u>20,347,605</u>	<u>55,404,461</u>	<u>10,437,629</u>
Capital assets, being depreciated				
Machinery and equipment	33,791,529	3,509,034	1,845,027	35,455,536
Buildings	6,400,687	3,195,732	-	9,596,419
Improvements other than buildings	5,785,518	114,629	27,931	5,872,216
Infrastructure	146,603,876	52,338,747	-	198,942,623
Total capital assets being depreciated	<u>192,581,610</u>	<u>59,158,142</u>	<u>1,872,958</u>	<u>249,866,794</u>
Less accumulated depreciation for				
Machinery and equipment	22,126,713	2,528,356	1,620,550	23,034,519
Buildings	3,469,321	188,402	-	3,657,723
Improvements other than buildings	2,148,748	220,816	23,578	2,345,986
Infrastructure	69,873,857	4,676,046	-	74,549,903
Total accumulated depreciation	<u>97,618,639</u>	<u>7,613,620</u>	<u>1,644,128</u>	<u>103,588,131</u>
Total capital assets being depreciated, net	<u>94,962,971</u>	<u>51,544,522</u>	<u>228,830</u>	<u>146,278,663</u>
Governmental activities capital assets, net	<u>\$140,457,456</u>	<u>\$ 71,892,127</u>	<u>\$55,633,291</u>	<u>\$156,716,292</u>
<b>Business-type activities</b>				
Capital assets, not being depreciated				
Land	\$ 4,064,644	\$ 12,188	\$ -	\$ 4,076,832
Construction in progress	3,371,405	4,126,320	3,041,016	4,456,709
Total capital assets not being depreciated	<u>7,436,049</u>	<u>4,138,508</u>	<u>3,041,016</u>	<u>8,533,541</u>
Capital assets, being depreciated				
Machinery and equipment	2,690,300	937,067	123,787	3,503,580
Buildings	41,265,067	588,572	-	41,853,639
Improvements other than buildings	1,304,426	-	-	1,304,426
Infrastructure	412,868	-	-	412,868
Water and wastewater distribution system	98,876,022	4,752,145	-	103,628,167
Total capital assets being depreciated	<u>144,548,683</u>	<u>6,277,784</u>	<u>123,787</u>	<u>150,702,680</u>
Less accumulated depreciation for				
Machinery and equipment	1,518,149	360,674	110,481	1,768,342
Buildings	9,593,023	1,203,041	-	10,796,064
Improvements other than buildings	584,716	60,462	-	645,178
Infrastructure	153,071	10,640	-	163,711
Water and wastewater distribution system	41,616,743	2,275,194	-	43,891,937
Total accumulated depreciation	<u>53,465,702</u>	<u>3,910,011</u>	<u>110,481</u>	<u>57,265,232</u>
Total capital assets being depreciated, net	<u>91,082,981</u>	<u>2,367,773</u>	<u>13,306</u>	<u>93,437,448</u>
Business-type activities capital assets, net	<u>\$ 98,519,030</u>	<u>\$ 6,506,281</u>	<u>\$ 3,054,322</u>	<u>\$101,970,989</u>

**NOTE 5: CAPITAL ASSETS - (Continued)**

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

**Governmental activities**

General government	\$ 446,513
Public safety	449,973
Highways and streets	4,681,226
Culture and recreation	500,779
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>1,535,129</u>

Total depreciation expense - governmental activities \$ 7,613,620

**Business-type activities**

Water/wastewater	3,545,914
Environmental services	150,116
Other	<u>213,981</u>

Total depreciation expense - business-type activities \$ 3,910,011

**Discretely Presented Component Units:**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Sales Tax Development Corporation</b>				
Capital assets, not being depreciated				
Land	\$ 3,527,059	\$ 1,310,000	\$ -	\$ 4,837,059
Construction in progress	<u>9,394,311</u>	<u>1,054,094</u>	<u>60,934</u>	<u>10,387,471</u>
Total capital assets not being depreciated	<u>12,921,370</u>	<u>2,364,094</u>	<u>60,934</u>	<u>15,224,530</u>
Sales Tax Development Corporation capital assets, net	<u>12,921,370</u>	<u>2,364,094</u>	<u>60,934</u>	<u>15,224,530</u>
<b>Victoria Recreation</b>				
Capital assets, being depreciated				
Machinery and equipment	64,271	-	16,498	47,773
Improvements other than buildings	<u>461,588</u>	<u>-</u>	<u>-</u>	<u>461,588</u>
Total capital assets being depreciated	<u>525,859</u>	<u>-</u>	<u>16,498</u>	<u>509,361</u>
Less accumulated depreciation for				
Machinery and equipment	58,686	4,930	16,498	47,118
Improvements other than buildings	<u>169,850</u>	<u>23,152</u>	<u>-</u>	<u>193,002</u>
Total accumulated depreciation	<u>228,536</u>	<u>28,082</u>	<u>16,498</u>	<u>240,120</u>
Total capital assets being depreciated, net	<u>297,323</u>	<u>(28,082)</u>	<u>-</u>	<u>269,241</u>
Victoria Recreation capital assets, net	<u>297,323</u>	<u>(28,082)</u>	<u>-</u>	<u>269,241</u>
Discretely presented component units capital assets, net	<u>\$ 13,218,693</u>	<u>\$ 2,336,012</u>	<u>\$ 60,934</u>	<u>\$ 15,493,771</u>

**NOTE 6: EMPLOYEES' RETIREMENT PLAN**

Plan Description

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

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

	<u>Plan Year 2008</u>	<u>Plan Year 2009</u>
Employee deposit rate	6.0%	6.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% repeating transfers	100% repeating transfers
Annuity increase (to retirees)	70% of CPI repeating	70% of CPI repeating

Contributions

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

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

<u>Contributions Required and Contributions Made</u>			
<u>Year End September 30</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2009	\$ 3,469,266	100%	\$ -
2008	3,032,138	100%	-
2007	2,832,675	100%	-

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

Contributions - (Continued)

The required contribution rates for fiscal year 2009 were determined as part of the December 31, 2006 and 2007 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2008, also follows:

	Actuarial Valuation Information		
	12/31/08	12/31/07	12/31/06
Actuarial cost method	projected unit credit	projected unit credit	unit credit
Amortization method	level percent of payroll	level percent of payroll	level percent of payroll
Amortization period in years	29 - closed	30 - closed	25 - open
Asset valuation method	amortized cost	amortized cost	amortized cost
Investment return	7.50%	7.00%	7.00%
Projected salary increases	varies by age and service	varies by age and service	varies by age and service
Inflation	3.00%	3.00%	3.00%
Cost of living adjustments	2.1%	2.1%	N/A

The schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

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)
12/31/08	\$45,617,283	\$88,874,185	\$43,256,902	51.33%	\$23,720,529	182.36%
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%

**NOTE 7: SUPPLEMENTAL DEATH BENEFIT PLAN**

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

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

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**NOTE 8: OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

Plan Description

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. The City elected to cap their contribution to the plan for existing retirees and long service employees and will no longer contribute to the cost for lesser service employees. Thus, the grandfathered group who will receive a City contribution is closed and, consequently, the liability will dwindle to zero.

Funding Policy

Retirees, retired as of 12/31/08 (not yet age 65) with 30 years or more of service and with Medicare coverage pay a monthly health premium of \$68, without Medicare, \$136; with 20 to 29 years of service and with Medicare coverage pay a monthly health premium of \$136, without Medicare, \$272; with less than 20 years of service and with Medicare coverage pay a monthly health premium of \$340, without Medicare \$680.

Retirees, retired after 1/01/09 (not yet age 65) with 30 years or more of service and with Medicare coverage pay a monthly health premium of \$68, without Medicare, \$136; with 10 to 19 years of service and with Medicare coverage pay a monthly health premium of \$136, without Medicare, \$272; with less than 10 years of service and with Medicare coverage pay a monthly health premium of \$340, without Medicare \$340.

Retirees, age 65 and older on the Medigap Plan, with 20 years or more of service pay a monthly health premium of \$48; with 10 to 19 years of service pay a monthly health premium of \$116; with less than 10 years of service pay a monthly health premium of \$320.

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 2009 and 2008 is as follows:

	<u>2009</u>	<u>2008</u>
Retirees	\$ 139	\$ 137
Active employees	621	620
Payments to Employee Health Plan Fund	5,908,984	5,553,206

**NOTE 8: OTHER POSTEMPLOYMENT BENEFITS (OPEB) - (Continued)**

Annual OPEB Expense

For 2009, the City's annual OPEB expense of \$597,000 was equal to the annual required contribution (ARC). The City's annual OPEB expense, the percent of annual OPEB expense contributed to the plan, and the net OPEB obligation for 2009 is as follows:

<u>Year End September 30</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2009	\$ 597,000	100%	\$ -

Funded Status and Funding Progress

<u>Schedule of Funding Progress</u>						
<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Un-funded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Annual Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
09/30/09	\$ -	\$ 10,148,000	\$10,148,000	0.00%	\$24,399,000	41.59%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the September 30, 2009 actuarial valuation, the projected unit credit cost method was used. The annual healthcare cost trend rate was estimated at 4%.

**NOTE 9: 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 \$150,000 of claims per participant annually; after this a reinsurance policy pays any remaining claims for the remainder of the year. The reinsurance premiums were \$236,833 and \$264,897 for the fiscal years ended September 30, 2009 and 2008, 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, 2009 and 2008, the City paid health claims of \$3,896,153 and \$3,561,021. The fund incurred a net income for the year of \$1,585,916 compared to a net income of \$1,574,722 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 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
Fiscal Year 2009	508,075	3,896,153	3,798,074	606,154

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.

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 \$82,387 and \$151,785, for the fiscal years 2008-2009 and 2007-2008, 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 (\$641,912) and \$358,777 in the fiscal years 2009 and 2008, 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 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
Fiscal Year 2009	151,785	258,219	327,617	82,387

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**NOTE 9: SELF-INSURANCE - (Continued)**

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 2009 and 2008, total contributions from the various City funds totaled \$512,525 and \$512,525, respectively. During the fiscal years 2009 and 2008, the City paid \$415,180 and \$418,544 in reinsurance premiums and \$2,110 and \$16,312 in legal fees and claims. In addition to this, the fund incurred a net income of \$85,605, compared to a net income of \$23,466 for the prior year. Full insurance coverage was in effect for the year ended September 30, 2009. 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 official 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 2009. Settlements of claims did not exceed insurance coverage for any of the past three fiscal years.

**NOTE 10: 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.

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**NOTE 11: LONG-TERM DEBT****A. Changes In Long-Term Liabilities**

Long-term liability activity for the year ended September 30, 2009, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Primary government</b>					
<b>Governmental activities</b>					
Bonds and certificates payable					
Certificates of obligation	\$ 38,880,000	\$ -	\$ 2,310,000	\$ 36,570,000	\$ 1,200,000
General obligation bonds	33,720,000	-	1,495,000	32,225,000	1,865,000
Less deferred amounts:					
Issuance premiums	293,498	-	15,447	278,051	-
Loss on refunding	<u>(1,278,839)</u>	<u>-</u>	<u>(85,256)</u>	<u>(1,193,583)</u>	<u>-</u>
Net bonds and certificates payable	71,614,659	-	3,735,191	67,879,468	3,065,000
Rebatable arbitrage	219,654	-	86,842	132,812	-
Compensated absences	<u>1,212,694</u>	<u>1,688,707</u>	<u>1,717,217</u>	<u>1,184,184</u>	<u>140,463</u>
Total governmental activity long-term liabilities	<u>\$ 73,047,007</u>	<u>\$ 1,688,707</u>	<u>\$ 5,539,250</u>	<u>\$ 69,196,464</u>	<u>\$ 3,205,463</u>
<b>Business-type activities</b>					
Bonds payable					
Revenue bonds	\$ 66,975,000	\$ 6,555,000	\$ 3,400,000	\$ 70,130,000	\$ 3,765,000
Less deferred amounts:					
Issuance premiums	1,428,723	-	98,976	1,329,747	-
Loss on refunding	<u>(633,404)</u>	<u>-</u>	<u>(48,723)</u>	<u>(584,681)</u>	<u>-</u>
Net bonds payable	67,770,319	6,555,000	3,450,253	70,875,066	3,765,000
Rebatable arbitrage	136	-	136	-	-
Estimated landfill closure and postclosure care cost	2,771,868	105,196	-	2,877,064	-
Compensated absences	<u>196,807</u>	<u>275,233</u>	<u>257,165</u>	<u>214,875</u>	<u>25,487</u>
Total business-type activity long-term liabilities	<u>\$ 70,739,130</u>	<u>\$ 6,935,429</u>	<u>\$ 3,707,554</u>	<u>\$ 73,967,005</u>	<u>\$ 3,790,487</u>
<b>Discretely presented component units</b>					
<b>Sales Tax Development Corporation</b>					
Bonds payable					
Revenue bonds	\$ 7,860,000	\$ -	\$ 735,000	\$ 7,125,000	\$ 765,000
Less deferred amounts:					
Issuance premiums	<u>176,689</u>	<u>-</u>	<u>21,417</u>	<u>155,272</u>	<u>-</u>
Net bonds payable	8,036,689	-	756,417	7,280,272	765,000
Rebatable arbitrage	<u>82,779</u>	<u>-</u>	<u>13,004</u>	<u>69,775</u>	<u>-</u>
Total discretely presented component units	<u>\$ 8,119,468</u>	<u>\$ -</u>	<u>\$ 769,421</u>	<u>\$ 7,350,047</u>	<u>\$ 765,000</u>

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**NOTE 11: LONG-TERM DEBT - (Continued)**

**B. General Obligation Certificates and Bonds - Primary Government**

Bonds and certificates payable at September 30, 2009, are comprised of the following individual issues:

\$15,000,000 2000 General Obligation Bonds due in one annual installment of \$650,000 on August 15, 2010, interest varying between 4.65% and 6.00%	\$ 650,000
\$15,000,000 2001 General Obligation Bonds due in annual installments ranging from \$675,000 to \$1,250,000 through August 15, 2023; interest varying between 3.70% and 5.375%	10,000,000
\$5,325,000 2003 Certificates of Obligation due in annual installments ranging from \$260,000 to \$415,000 through August 15, 2023; interest varying between 3.35% and 4.35%	4,595,000
\$9,915,000 2004 General Obligation Refunding Bonds due in annual installments ranging from \$425,000 to \$1,435,000 through August 15, 2021; interest varying between 1.70% and 4.35%	9,360,000
\$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%	12,215,000
\$14,120,000 2005 Certificates of Obligation due in annual installments ranging from \$560,000 to \$1,070,000 through August 15, 2026; interest varying between 3.00% and 5.00%	13,100,000
\$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%	9,150,000
\$9,995,000 2007 Certificates of Obligation due in annual installments ranging from \$440,000 to \$835,000 through August 15, 2027; interest varying between 4.00% and 4.50%	<u>9,725,000</u>
Total General Obligation Certificates and Bonds	<u>\$ 68,795,000</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 11: 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
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	4,055,000	2,372,520	6,427,520
2015-2019	22,895,000	9,217,555	32,112,555
2020-2024	22,015,000	4,220,933	26,235,933
2025-2027	5,920,000	463,119	6,383,119
Total	<u>\$ 68,795,000</u>	<u>\$ 27,187,482</u>	<u>\$ 95,982,482</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, \$59,807 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%	\$ 7,425,000
\$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%	19,415,000
\$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%	19,545,000
\$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%	17,190,000
\$6,555,000 2008 Utility System Revenue Bonds Series 2008 due in annual installments ranging from \$230,000 to \$505,000 through December 1, 2028; interest varying between 4.00% and \$5.00%	<u>6,555,000</u>
Total Revenue Bonds	<u>\$ 70,130,000</u>

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**NOTE 11: 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
2010	\$ 3,765,000	\$ 3,055,233	\$ 6,820,233
2011	3,955,000	2,904,801	6,859,801
2012	4,110,000	2,744,621	6,854,621
2013	4,280,000	2,572,240	6,852,240
2014	4,480,000	2,388,289	6,868,289
2014-2018	25,760,000	8,649,343	34,409,343
2019-2023	19,135,000	2,847,382	21,982,382
2024-2027	4,645,000	478,116	5,123,116
Total	<u>\$ 70,130,000</u>	<u>\$ 25,640,025</u>	<u>\$ 95,770,025</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, 2009.

**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%. \$ 7,125,000

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
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	905,000	164,050	1,069,050
2015-2017	2,955,000	254,575	3,209,575
Total	<u>\$ 7,125,000</u>	<u>\$ 1,429,063</u>	<u>\$ 8,554,063</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, 2009.

**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 12: 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, 2009, were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Residential/Arterial C.I.P.	\$ 2,500,000
	Nonmajor Governmental	333,406
Nonmajor Governmental	General	137,762
Nonmajor Business-type	General	1,445
	Nonmajor Governmental	167,561
Internal Service	General	463,209
	Water and Wastewater	42,112
	Environmental Services	38,218
	Nonmajor Business-type	1,870
	Other Internal Service	10,990
		<u>\$ 3,696,573</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>Water and Wastewater</u>	<u>Environmental Services</u>	<u>Nonmajor Business-type</u>	
General	\$ -	\$ 138,791	\$ -	\$ -	\$ 22,004	\$ 160,795
Residential/Arterial C.I.P.	2,500,000	-	-	-	-	2,500,000
Nonmajor Governmental	-	8,598	-	-	615,746	624,344
Water and Wastewater	2,175,163	-	-	-	-	2,175,163
Environmental Services	356,300	-	-	-	-	356,300
Nonmajor Business-type	41,417	-	-	-	-	41,417
Internal Service	470,784	-	119,100	150,116	-	740,000
	<u>\$ 5,543,664</u>	<u>\$ 147,389</u>	<u>\$ 119,100</u>	<u>\$ 150,116</u>	<u>\$ 637,750</u>	<u>\$ 6,598,019</u>

**NOTE 13: RELATED PARTY TRANSACTIONS**

During fiscal year 2009, the Sales Tax Development Corporation, a discretely presented component unit of the City, contributed to the City \$60,934 in capital assets for the fiscal year ended September 30, 2009. The contribution consisted of \$60,934 in Governmental Activities assets. The Sales Tax Development Corporation also contributed \$10,605,711 to the City's capital project funds and the Water and Sewer Fund during fiscal year 2009.

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**NOTE 14: 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, 2009, \$45,460,000 of bonds outstanding is considered defeased.

**NOTE 15: 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, 2009, 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 16: 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. The estimated remaining useful life of the landfill at September 30, 2009, is 21 years.

The estimated liability for landfill closure and postclosure care costs has a balance of \$2,877,064 and \$2,771,868 as of September 30, 2009 and 2008, determined by calculating the lapsed portion of the landfill's life. It is estimated that an additional \$2,103,918 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 (\$4,980,982) 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, 2009. 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, 2009, 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.

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**NOTE 17: 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 18: 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 \$6,178,750, total liabilities of \$4,174,918 and total equity of \$2,003,832 at August 31, 2009.

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, 2009, there was \$675,000 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 19: SUBSEQUENT EVENTS**

In October 2009, the City issued Certificates of Obligation, Series 2009A of \$3,325,000 and Certificates of Obligation, Taxable Series 2009B of \$23,005,000. The American Recovery and Reinvestment Act of 2009 authorized the City to issue taxable bonds known as "Build America Bonds" to finance capital expenditures for which it could otherwise issue tax-exempt bonds and to elect to receive a subsidy payment from the federal government equal to 35% of the amount of each interest payment on such taxable bonds. The proceeds from the obligations will be used to pay the City's contractual obligations incurred related to the following: Various public works projects, acquisition and installation of communication equipment for various City departments, construction and equip a fire station, and to pay the costs of issuance of the certificates. The Series 2009A Certificates are due in annual installments ranging from \$180,000 to \$755,000 through 2017 with interest varying from 2.00% to 3.50%. The Series 2009B Certificates are due in annual installments beginning in 2018 ranging from \$1,085,000 to \$12,430,000 through 2030 with interest varying from 4.449% to 6.124%.

**NOTE 20: ADJUSTMENTS TO AND RESTATEMENTS OF BEGINNING BALANCES**

The governmental activities financial statements for the fiscal year September 30, 2008 have been restated to properly reflect the inventory balance for fiscal year ending September 30, 2008. The result of the restatement was to increase the inventory and unrestricted net asset balances of the governmental activities by \$252,156. Similar adjustments were made to the General Fund financial statements. The General Fund's September 30, 2008 inventory and unreserved, undesignated fund balance was increased by \$252,156.

**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, 2009

With comparative totals for the year ended September 30, 2008

	2009			Variance Positive (Negative)	2008 Actual
	Original Budget	Final Budget	Actual		
<b>REVENUES</b>					
Taxes	\$ 31,204,037	\$ 31,204,037	\$ 30,701,963	\$ (502,074)	\$ 30,574,663
Licenses and permits	632,745	632,745	654,842	22,097	787,190
Intergovernmental	2,228,958	2,228,958	2,194,626	(34,332)	2,746,477
Charges for services	1,656,450	1,656,450	2,020,751	364,301	1,764,291
Fines and forfeitures	1,238,000	1,238,000	962,712	(275,288)	1,165,607
Investment income	580,000	580,000	227,619	(352,381)	551,130
Miscellaneous	244,641	244,641	353,020	108,379	476,685
<b>Total revenues</b>	<u>37,784,831</u>	<u>37,784,831</u>	<u>37,115,533</u>	<u>(669,298)</u>	<u>38,066,043</u>
<b>EXPENDITURES</b>					
General government	5,732,707	6,043,588	5,582,512	461,076	4,997,289
Public safety	25,870,415	28,584,817	25,014,770	3,570,047	24,970,116
Highways and streets	5,799,843	7,709,832	6,319,245	1,390,587	4,961,785
Culture and recreation	5,592,967	5,963,436	5,312,990	650,446	5,568,554
<b>Total expenditures</b>	<u>42,995,932</u>	<u>48,301,673</u>	<u>42,229,517</u>	<u>6,072,156</u>	<u>40,497,744</u>
Excess (deficiency) of revenues over expenditures	(5,211,101)	(10,516,842)	(5,113,984)	5,402,858	(2,431,701)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	5,543,664	5,543,664	5,543,664	-	2,524,042
Transfers out	(141,913)	(150,538)	(160,795)	(10,257)	(129,215)
<b>Total other financing sources (uses)</b>	<u>5,401,751</u>	<u>5,393,126</u>	<u>5,382,869</u>	<u>(10,257)</u>	<u>2,394,827</u>
Change in fund balance	190,650	(5,123,716)	268,885	5,392,601	(36,874)
Fund balance at beginning of year, as restated	<u>15,098,684</u>	<u>15,098,684</u>	<u>15,098,684</u>	<u>-</u>	<u>15,135,558</u>
<b>Fund balance at end of year</b>	<u>\$ 15,289,334</u>	<u>\$ 9,974,968</u>	<u>\$ 15,367,569</u>	<u>\$ 5,392,601</u>	<u>\$ 15,098,684</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, 2009*

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**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.

**CITY OF VICTORIA, TEXAS**  
**ALL NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
*September 30, 2009*

	Total Nonmajor Special Revenue Funds	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 1,252,661	\$ 769,647	\$ 2,022,308
Receivables (net)	743,884	-	743,884
Due from other funds	137,762	-	137,762
<b>Total assets</b>	<u>\$ 2,134,307</u>	<u>\$ 769,647</u>	<u>\$ 2,903,954</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable	\$ 309,336	\$ -	\$ 309,336
Due to other funds	500,967	-	500,967
Deferred revenue	570,529	-	570,529
<b>Total liabilities</b>	<u>1,380,832</u>	<u>-</u>	<u>1,380,832</u>
<b>Fund balances</b>			
Reserved for encumbrances	-	104,691	104,691
Unreserved, undesignated reported in:			
Special revenue funds	753,475	-	753,475
Capital project funds	-	664,956	664,956
<b>Total fund balances</b>	<u>753,475</u>	<u>769,647</u>	<u>1,523,122</u>
<b>Total liabilities and fund balances</b>	<u>\$ 2,134,307</u>	<u>\$ 769,647</u>	<u>\$ 2,903,954</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, 2009*

	Total Nonmajor Special Revenue Funds	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
<b>REVENUES</b>			
Taxes	\$ 1,028,055	\$ -	\$ 1,028,055
Intergovernmental	1,595,698	336,912	1,932,610
Fines and forfeitures	62,463	-	62,463
Investment income	2,996	20,543	23,539
Miscellaneous	<u>200,465</u>	<u>5,118,435</u>	<u>5,318,900</u>
<b>Total revenues</b>	<u>2,889,677</u>	<u>5,475,890</u>	<u>8,365,567</u>
<b>EXPENDITURES</b>			
Current			
General government	1,497,454	-	1,497,454
Public safety	502,093	-	502,093
Culture and recreation	445,764	-	445,764
Capital outlay	<u>-</u>	<u>5,182,304</u>	<u>5,182,304</u>
<b>Total expenditures</b>	<u>2,445,311</u>	<u>5,182,304</u>	<u>7,627,615</u>
Excess (deficiency) of revenues over expenditures	444,366	293,586	737,952
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	147,389	-	147,389
Transfers out	<u>(624,344)</u>	<u>-</u>	<u>(624,344)</u>
<b>Total other financing sources (uses)</b>	<u>(476,955)</u>	<u>-</u>	<u>(476,955)</u>
Change in fund balances	(32,589)	293,586	260,997
Fund balances at beginning of year	<u>786,064</u>	<u>476,061</u>	<u>1,262,125</u>
<b>Fund balances at end of year</b>	<u>\$ 753,475</u>	<u>\$ 769,647</u>	<u>\$ 1,523,122</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 ("GCRPC") to better understand the feasibility of a permanent household hazardous waste site that would serve as a regional collection facility for the counties located within the planning region. Also, the fund is used to account for funds received from GCRPC to be used in relation to the 911 system Public Safety Answering Point (PSAP) facilities and personnel.

**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.

**EMS Local Project Grant** - Used to account for funds received from the Department of State Health Services to be used for the upgrade and/or expansion of the City's emergency medical services.

**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.

## **NONMAJOR SPECIAL REVENUE FUNDS - (Continued)**

**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 2009, 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 \$284,200; 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 \$42,500; for Texas Settlement Independence Region not to exceed \$4,000; for Victoria Regional Museum Association \$15,000; for the African American Chamber of Commerce not to exceed \$25,000; for Victoria Symphony not to exceed \$15,000; for Victoria Bach Festival not to exceed \$15,000; for Children's Discovery Museum not to exceed \$5,000; for the Victoria Performing Arts Center not to exceed \$61,400; and for professional services \$13,800.

**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.

**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.

**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, 80<sup>th</sup> 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, 2009*

	<u>Project Safe Neighborhood</u>	<u>GCRAC EMS/Trauma System Grant</u>	<u>GCRPC Grant</u>	<u>STEP Grant</u>	<u>HOME Contract</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ -	\$ 7,387	\$ 321,278	\$ 4,000	\$ 9,500
Receivables (net)					
Other	-	-	-	-	-
Due from other funds	-	-	-	-	-
<b>Total assets</b>	<u>\$ -</u>	<u>\$ 7,387</u>	<u>\$ 321,278</u>	<u>\$ 4,000</u>	<u>\$ 9,500</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ -	\$ 3,774	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-
Deferred revenue	-	3,613	321,278	4,000	9,500
<b>Total liabilities</b>	<u>-</u>	<u>7,387</u>	<u>321,278</u>	<u>4,000</u>	<u>9,500</u>
<b>Fund balances</b>					
Unreserved, undesignated	-	-	-	-	-
<b>Total liabilities and fund balances</b>	<u>\$ -</u>	<u>\$ 7,387</u>	<u>\$ 321,278</u>	<u>\$ 4,000</u>	<u>\$ 9,500</u>

<u>EMS Local Project Grant</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>
\$ -	\$ 18,764	\$ 10,673	\$ -	\$ -	\$ -	\$ 374,200	\$ 61,046
-	-	-	44,178	216,798	43,143	352,864	1,903
-	-	-	<u>35,848</u>	-	-	-	-
<u>\$ -</u>	<u>\$ 18,764</u>	<u>\$ 10,673</u>	<u>\$ 80,026</u>	<u>\$ 216,798</u>	<u>\$ 43,143</u>	<u>\$ 727,064</u>	<u>\$ 62,949</u>
\$ -	\$ -	\$ 2,427	\$ 516	\$ 59,496	\$ 26,817	\$ 108,987	\$ 100
-	-	-	79,510	157,302	16,326	167,561	-
-	<u>17,381</u>	<u>8,246</u>	-	-	-	-	-
-	<u>17,381</u>	<u>10,673</u>	<u>80,026</u>	<u>216,798</u>	<u>43,143</u>	<u>276,548</u>	<u>100</u>
-	<u>1,383</u>	-	-	-	-	<u>450,516</u>	<u>62,849</u>
<u>\$ -</u>	<u>\$ 18,764</u>	<u>\$ 10,673</u>	<u>\$ 80,026</u>	<u>\$ 216,798</u>	<u>\$ 43,143</u>	<u>\$ 727,064</u>	<u>\$ 62,949</u>

(continued)

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

September 30, 2009

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	Office of Justice Grants	K-9 Unit Program	Clean Cities Program	Victoria Kids Recycle	Victoria 100 Club
<b>ASSETS</b>					
Cash and cash equivalents	\$ 197,569	\$ 4,218	\$ -	\$ -	\$ 171
Receivables					
Other	5,947	-	12,337	-	-
Due from other funds	-	-	-	-	-
<b>Total assets</b>	<u>\$ 203,516</u>	<u>\$ 4,218</u>	<u>\$ 12,337</u>	<u>\$ -</u>	<u>\$ 171</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities					
Accounts payable	\$ -	\$ 1,428	\$ -	\$ -	\$ -
Due to other funds	-	-	12,337	-	-
Deferred revenue	<u>203,516</u>	<u>2,790</u>	<u>-</u>	<u>-</u>	<u>171</u>
Total liabilities	<u>203,516</u>	<u>4,218</u>	<u>12,337</u>	<u>-</u>	<u>171</u>
Fund balance					
Unreserved, undesignated	-	-	-	-	-
<b>Total liabilities and fund balances</b>	<u>\$ 203,516</u>	<u>\$ 4,218</u>	<u>\$ 12,337</u>	<u>\$ -</u>	<u>\$ 171</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>
\$ 216,308	\$ 2,563	\$ -	\$ 34	\$ -	\$ -	\$ 24,950	\$ 1,252,661
-	12,498	-	-	53,073	-	1,143	743,884
-	-	-	-	-	-	101,914	137,762
<u>\$ 216,308</u>	<u>\$ 15,061</u>	<u>\$ -</u>	<u>\$ 34</u>	<u>\$ 53,073</u>	<u>\$ -</u>	<u>\$ 128,007</u>	<u>\$ 2,134,307</u>
\$ 424	\$ -	\$ -	\$ -	\$ 203	\$ -	\$ 105,164	\$ 309,336
-	15,061	-	-	52,870	-	-	500,967
-	-	-	34	-	-	-	570,529
<u>424</u>	<u>15,061</u>	<u>-</u>	<u>34</u>	<u>53,073</u>	<u>-</u>	<u>105,164</u>	<u>1,380,832</u>
<u>215,884</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,843</u>	<u>753,475</u>
<u>\$ 216,308</u>	<u>\$ 15,061</u>	<u>\$ -</u>	<u>\$ 34</u>	<u>\$ 53,073</u>	<u>\$ -</u>	<u>\$ 128,007</u>	<u>\$ 2,134,307</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, 2009

	Project Safe Neighborhood	GCRAC EMS/Trauma System Grant	GCRPC Grant	STEP Grant	HOME Contract
<b>REVENUES</b>					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	22,238	3,709	-
Fines and forfeitures	-	-	-	-	-
Investment income	-	-	-	-	-
Miscellaneous	53,533	6,707	5,000	-	-
<b>Total revenues</b>	<u>53,533</u>	<u>6,707</u>	<u>27,238</u>	<u>3,709</u>	<u>-</u>
<b>EXPENDITURES</b>					
General government	-	-	-	3,709	-
Public safety	53,533	15,112	27,238	-	-
Culture and recreation	-	-	-	-	-
<b>Total expenditures</b>	<u>53,533</u>	<u>15,112</u>	<u>27,238</u>	<u>3,709</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	-	(8,405)	-	-	-
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balances	-	(8,405)	-	-	-
Fund balance at beginning of year	-	8,405	-	-	-
<b>Fund balance at end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

EMS Local Project Grant	Riverside Stadium	LEOSE Training Grant	Auto Theft Grant	TCEQ Grant	MPO Grant	Motel Tax	Forfeiture Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,028,055	\$ -
7,398	-	12,068	63,561	598,372	235,692	-	-
-	-	-	-	-	-	-	12,340
-	8	9	-	-	-	2,211	657
-	22,619	-	-	-	-	8,145	-
<u>7,398</u>	<u>22,627</u>	<u>12,077</u>	<u>63,561</u>	<u>598,372</u>	<u>235,692</u>	<u>1,038,411</u>	<u>12,997</u>
-	-	-	-	598,372	235,692	-	-
14,796	-	12,077	91,241	-	-	-	22,937
-	22,627	-	-	-	-	398,700	-
<u>14,796</u>	<u>22,627</u>	<u>12,077</u>	<u>91,241</u>	<u>598,372</u>	<u>235,692</u>	<u>398,700</u>	<u>22,937</u>
(7,398)	-	-	(27,680)	-	-	639,711	(9,940)
7,398	-	-	27,680	-	-	-	-
-	-	-	-	-	-	(615,746)	(8,598)
<u>7,398</u>	<u>-</u>	<u>-</u>	<u>27,680</u>	<u>-</u>	<u>-</u>	<u>(615,746)</u>	<u>(8,598)</u>
-	-	-	-	-	-	23,965	(18,538)
-	1,383	-	-	-	-	426,551	81,387
<u>\$ -</u>	<u>\$ 1,383</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 450,516</u>	<u>\$ 62,849</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, 2009

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	Office of Justice Grants	K-9 Unit Program	Clean Cities Program	Victoria Kids Recycle	Victoria 100 Club
<b>REVENUES</b>					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Investment income	-	25	-	-	-
Miscellaneous	-	20,249	40,123	6,945	-
<b>Total revenues</b>	-	20,274	40,123	6,945	-
<b>EXPENDITURES</b>					
General government	-	-	40,123	8,170	-
Public safety	-	28,888	-	-	-
Culture and recreation	-	-	-	-	-
<b>Total expenditures</b>	-	28,888	40,123	8,170	-
Excess (deficiency) of revenues over expenditures	-	(8,614)	-	(1,225)	-
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	8,598	-	1,225	-
Transfers out	-	-	-	-	-
<b>Total other financing sources (uses)</b>	-	8,598	-	1,225	-
Change in fund balances	-	(16)	-	-	-
Fund balance at beginning of year	-	16	-	-	-
<b>Fund balance at end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,028,055
-	92,219	-	24,437	504,621	16,086	15,297	1,595,698
50,123	-	-	-	-	-	-	62,463
43	13	-	-	-	-	30	2,996
12,280	-	24,701	-	-	-	163	200,465
<u>62,446</u>	<u>92,232</u>	<u>24,701</u>	<u>24,437</u>	<u>504,621</u>	<u>16,086</u>	<u>15,490</u>	<u>2,889,677</u>
82,066	-	24,701	-	504,621	-	-	1,497,454
-	92,232	-	-	-	16,661	127,378	502,093
-	-	-	24,437	-	-	-	445,764
<u>82,066</u>	<u>92,232</u>	<u>24,701</u>	<u>24,437</u>	<u>504,621</u>	<u>16,661</u>	<u>127,378</u>	<u>2,445,311</u>
(19,620)	-	-	-	-	(575)	(111,888)	444,366
-	-	-	-	-	575	101,913	147,389
-	-	-	-	-	-	-	(624,344)
-	-	-	-	-	575	101,913	(476,955)
(19,620)	-	-	-	-	-	(9,975)	(32,589)
<u>235,504</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,818</u>	<u>786,064</u>
<u>\$ 215,884</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,843</u>	<u>\$ 753,475</u>

(concluded)



## **NONMAJOR CAPITAL PROJECT FUNDS**

The City maintains three Capital Project Funds: Capital Improvement Program, 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 Residential/Arterial Capital Improvement Program fund is reported as a major fund.

**Capital Improvement Program** - Used to account for various City construction projects.

**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.

**CITY OF VICTORIA, TEXAS**

*NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECT FUNDS*

*COMBINING BALANCE SHEET*

*September 30, 2009*

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	<u>Capital Improvement Program</u>	<u>Streets and Drainage Use Bonds</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	<u>\$ 436,173</u>	<u>\$ 333,474</u>	<u>\$ 769,647</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Fund balances</b>			
Reserved for encumbrances	-	104,691	104,691
Unreserved, undesignated reported in:			
Capital project funds	<u>436,173</u>	<u>228,783</u>	<u>664,956</u>
<b>Total fund balances</b>	<u>436,173</u>	<u>333,474</u>	<u>769,647</u>
<b>Total liabilities and fund balances</b>	<u>\$ 436,173</u>	<u>\$ 333,474</u>	<u>\$ 769,647</u>

**CITY OF VICTORIA, TEXAS****NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECT FUNDS****COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES***For the year ended September 30, 2009*

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	Capital Improvement Program	Streets and Drainage Use Bonds	Total
<b>REVENUES</b>			
Intergovernmental	\$ 336,912	\$ -	\$ 336,912
Investment income	4,678	15,865	20,543
Miscellaneous	926,366	4,192,069	5,118,435
<b>Total revenues</b>	<u>1,267,956</u>	<u>4,207,934</u>	<u>5,475,890</u>
<b>EXPENDITURES</b>			
Capital outlay	891,715	4,290,589	5,182,304
<b>Total expenditures</b>	<u>891,715</u>	<u>4,290,589</u>	<u>5,182,304</u>
Excess (deficiency) of revenues over expenditures	376,241	(82,655)	293,586
<b>OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balances	376,241	(82,655)	293,586
Fund balances at beginning of year	<u>59,932</u>	<u>416,129</u>	<u>476,061</u>
<b>Fund balances at end of year</b>	<u>\$ 436,173</u>	<u>\$ 333,474</u>	<u>\$ 769,647</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, 2009

With comparative totals for September 30, 2008

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 13,396,034	\$ 8,742,194
Investments	-	6,507,292
Receivables (net)		
Ad valorem taxes (prior years)	1,060,604	990,607
Franchise taxes	661,520	670,653
Sales taxes	899,081	1,051,151
Paving assessments	-	13,974
Ambulance	1,706,184	1,404,580
Fines	328,351	325,796
Other	524,937	725,196
Due from other funds	2,833,406	341,671
Due from component units	-	12,165
Inventory	280,174	252,156
Returned checks	<u>15,574</u>	<u>14,280</u>
<b>Total assets</b>	<b><u>\$ 21,705,865</u></b>	<b><u>\$ 21,051,715</u></b>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities</b>		
Accounts payable	\$ 434,896	\$ 970,368
Accrued expenditures	1,905,022	1,659,456
Accrued compensated absences	22,228	1,753
Due to other governments	92,753	108,696
Due to other funds	602,416	317,176
Deferred revenue	<u>3,280,981</u>	<u>2,895,582</u>
<b>Total liabilities</b>	<u>6,338,296</u>	<u>5,953,031</u>
<b>Fund balances</b>		
Reserved for encumbrances	2,007,737	3,790,753
Reserved for inventory	280,174	252,156
Unreserved, undesignated	<u>13,079,658</u>	<u>11,055,775</u>
<b>Total fund balances</b>	<u>15,367,569</u>	<u>15,098,684</u>
<b>Total liabilities and fund balances</b>	<b><u>\$ 21,705,865</u></b>	<b><u>\$ 21,051,715</u></b>

**CITY OF VICTORIA, TEXAS***MAJOR GOVERNMENTAL FUNDS - GENERAL FUND**SCHEDULE OF REVENUES**BUDGET (GAAP BASIS) AND ACTUAL**For the year ended September 30, 2009**With comparative totals for the year ended September 30, 2008*

	2009			2008 Actual
	Final Budget	Actual	Variance Positive (Negative)	
<b>Taxes</b>				
Ad valorem taxes	\$ 12,747,667	\$ 12,703,678	\$ (43,989)	\$ 12,062,440
Penalty and interest	210,000	220,077	10,077	223,400
Franchise tax	4,538,990	4,657,347	118,357	4,678,027
Sales tax	13,636,380	13,046,352	(590,028)	13,545,220
Other	71,000	74,509	3,509	65,576
<b>Total taxes</b>	<b>31,204,037</b>	<b>30,701,963</b>	<b>(502,074)</b>	<b>30,574,663</b>
<b>Licenses and permits</b>				
Building	150,000	112,415	(37,585)	236,881
Electrical	45,100	37,618	(7,482)	48,436
Mechanical	26,000	44,144	18,144	35,140
Liquor	160,000	169,809	9,809	166,321
Plumbing	25,000	29,670	4,670	34,076
Vital statistics	160,000	162,748	2,748	180,845
Miscellaneous	66,645	98,438	31,793	85,491
<b>Total licenses and permits</b>	<b>632,745</b>	<b>654,842</b>	<b>22,097</b>	<b>787,190</b>
<b>Intergovernmental</b>	<b>2,228,958</b>	<b>2,194,626</b>	<b>(34,332)</b>	<b>2,746,477</b>
<b>Charges for services</b>				
Ambulance	1,400,000	1,676,239	276,239	1,404,580
Victoria Public Library	50,000	54,029	4,029	52,688
Parks and recreation	95,500	144,192	48,692	120,270
Miscellaneous	110,950	146,291	35,341	186,753
<b>Total charges for services</b>	<b>1,656,450</b>	<b>2,020,751</b>	<b>364,301</b>	<b>1,764,291</b>
<b>Fines and forfeitures</b>				
Court costs	170,000	139,324	(30,676)	186,256
Criminal and traffic court	1,055,000	810,333	(244,667)	967,318
Parking violations	13,000	13,055	55	12,033
<b>Total fines and forfeitures</b>	<b>1,238,000</b>	<b>962,712</b>	<b>(275,288)</b>	<b>1,165,607</b>
<b>Investment income</b>				
Interest	580,000	227,619	(352,381)	551,130
<b>Miscellaneous</b>				
Rents	1,800	1,875	75	2,278
Salvage and asset sales	2,500	120,539	118,039	2,903
Contributions and miscellaneous	240,341	230,606	(9,735)	471,504
<b>Total miscellaneous</b>	<b>244,641</b>	<b>353,020</b>	<b>108,379</b>	<b>476,685</b>
<b>Total revenues</b>	<b>\$ 37,784,831</b>	<b>\$ 37,115,533</b>	<b>\$ (669,298)</b>	<b>\$ 38,066,043</b>

**CITY OF VICTORIA, TEXAS***MAJOR GOVERNMENTAL FUNDS - GENERAL FUND**SCHEDULE OF EXPENDITURES**BUDGET (GAAP BASIS) AND ACTUAL**For the year ended September 30, 2009**With comparative totals for the year ended September 30, 2008*

	2009		Variance Positive (Negative)	2008 Actual
	Final Budget	Actual		
<b>General government</b>				
City manager and council				
Personnel	\$ 622,188	\$ 626,185	\$ (3,997)	\$ 563,087
Maintenance and operations	102,925	83,891	19,034	74,020
Capital outlay	4,250	2,493	1,757	8,364
Total city manager and council	729,363	712,569	16,794	645,471
Legal - city attorney				
Personnel	392,863	339,306	53,557	372,573
Maintenance and operations	298,456	350,647	(52,191)	246,514
Capital outlay	5,799	5,419	380	2,064
Total legal - city attorney	697,118	695,372	1,746	621,151
Finance				
Personnel	440,930	414,657	26,273	385,846
Maintenance and operations	216,150	181,909	34,241	153,142
Capital outlay	15,497	10,154	5,343	-
Total finance	672,577	606,720	65,857	538,988
Municipal court				
Personnel	260,836	210,221	50,615	222,682
Maintenance and operations	35,475	23,124	12,351	24,664
Total municipal court	296,311	233,345	62,966	247,346
Human resources				
Personnel	341,377	341,421	(44)	328,696
Maintenance and operations	168,724	152,785	15,939	131,106
Capital outlay	4,175	3,706	469	3,152
Total human resources	514,276	497,912	16,364	462,954

(continued)

**CITY OF VICTORIA, TEXAS***MAJOR GOVERNMENTAL FUNDS - GENERAL FUND**SCHEDULE OF EXPENDITURES**BUDGET (GAAP BASIS) AND ACTUAL**For the year ended September 30, 2009**With comparative totals for the year ended September 30, 2008*

	2009			2008 Actual
	Final Budget	Actual	Variance Positive (Negative)	
<b>General government - (continued)</b>				
Planning				
Personnel	\$ 404,946	\$ 414,519	\$ (9,573)	\$ 383,925
Maintenance and operations	379,795	343,626	36,169	360,597
Capital outlay	<u>7,725</u>	<u>6,860</u>	<u>865</u>	<u>3,705</u>
Total planning	<u>792,466</u>	<u>765,005</u>	<u>27,461</u>	<u>748,227</u>
Building services				
Personnel	280,303	254,895	25,408	232,641
Maintenance and operations	161,029	153,198	7,831	166,339
Capital outlay	<u>10,800</u>	<u>1,557</u>	<u>9,243</u>	<u>936</u>
Total building services	<u>452,132</u>	<u>409,650</u>	<u>42,482</u>	<u>399,916</u>
Custodial services				
Personnel	212,519	205,255	7,264	204,242
Maintenance and operations	41,371	35,872	5,499	32,817
Capital outlay	<u>664</u>	<u>-</u>	<u>664</u>	<u>-</u>
Total custodial services	<u>254,554</u>	<u>241,127</u>	<u>13,427</u>	<u>237,059</u>
City secretary				
Personnel	154,821	154,463	358	137,793
Maintenance and operations	129,621	111,331	18,290	57,791
Capital outlay	<u>11,345</u>	<u>10,320</u>	<u>1,025</u>	<u>1,881</u>
Total city secretary	<u>295,787</u>	<u>276,114</u>	<u>19,673</u>	<u>197,465</u>
Non-departmental				
Personnel	10,683	12,849	(2,166)	11,712
Maintenance and operations	<u>1,328,321</u>	<u>1,131,849</u>	<u>196,472</u>	<u>887,000</u>
Total non-departmental	<u>1,339,004</u>	<u>1,144,698</u>	<u>194,306</u>	<u>898,712</u>
<b>Total general government</b>	<u>6,043,588</u>	<u>5,582,512</u>	<u>461,076</u>	<u>4,997,289</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, 2009

With comparative totals for the year ended September 30, 2008

	2009		Variance Positive (Negative)	2008 Actual
	Final Budget	Actual		
<b>Public safety</b>				
Police				
Personnel	\$ 8,813,572	\$ 8,881,216	\$ (67,644)	\$ 8,227,936
Maintenance and operations	2,024,208	1,779,369	244,839	1,853,375
Capital outlay	303,443	163,089	140,354	107,421
Total police	11,141,223	10,823,674	317,549	10,188,732
Fire				
Personnel	7,772,754	8,119,926	(347,172)	7,342,843
Maintenance and operations	2,692,720	2,255,355	437,365	2,369,644
Capital outlay	3,256,242	939,537	2,316,705	2,048,344
Total fire	13,721,716	11,314,818	2,406,898	11,760,831
Development center/inspections				
Personnel	605,615	488,867	116,748	574,598
Maintenance and operations	226,983	205,819	21,164	155,468
Capital outlay	14,472	18,882	(4,410)	73,052
Total development center/inspections	847,070	713,568	133,502	803,118
Code enforcement				
Personnel	252,068	235,119	16,949	192,797
Maintenance and operations	278,991	178,510	100,481	200,604
Capital outlay	10,969	10,969	-	4,381
Total code enforcement	542,028	424,598	117,430	397,782
Traffic control				
Personnel	493,397	403,797	89,600	375,731
Maintenance and operations	1,592,175	1,259,105	333,070	1,403,452
Capital outlay	247,208	75,210	171,998	40,470
Total traffic control	2,332,780	1,738,112	594,668	1,819,653
<b>Total public safety</b>	<b>28,584,817</b>	<b>25,014,770</b>	<b>3,570,047</b>	<b>24,970,116</b>

(continued)

**CITY OF VICTORIA, TEXAS***MAJOR GOVERNMENTAL FUNDS - GENERAL FUND**SCHEDULE OF EXPENDITURES**BUDGET (GAAP BASIS) AND ACTUAL**For the year ended September 30, 2009**With comparative totals for the year ended September 30, 2008*

	2009		Variance Positive (Negative)	2008 Actual
	Final Budget	Actual		
<b>Highways and streets</b>				
Engineering				
Personnel	\$ 732,693	\$ 706,914	\$ 25,779	\$ 706,504
Maintenance and operations	231,323	213,678	17,645	179,160
Capital outlay	<u>5,375</u>	<u>1,750</u>	<u>3,625</u>	<u>18,204</u>
Total engineering	<u>969,391</u>	<u>922,342</u>	<u>47,049</u>	<u>903,868</u>
Streets and drainage				
Personnel	1,475,361	1,460,206	15,155	1,428,120
Maintenance and operations	1,365,465	1,126,834	238,631	1,118,255
Capital outlay	<u>3,899,615</u>	<u>2,809,863</u>	<u>1,089,752</u>	<u>1,511,542</u>
Total streets and drainage	<u>6,740,441</u>	<u>5,396,903</u>	<u>1,343,538</u>	<u>4,057,917</u>
<b>Total highways and streets</b>	<u>7,709,832</u>	<u>6,319,245</u>	<u>1,390,587</u>	<u>4,961,785</u>
<b>Culture and recreation</b>				
Parks and recreation				
Personnel	1,696,833	1,602,355	94,478	1,406,145
Maintenance and operations	1,360,690	1,206,550	154,140	1,160,103
Capital outlay	<u>563,959</u>	<u>448,187</u>	<u>115,772</u>	<u>712,749</u>
Total parks and recreation	<u>3,621,482</u>	<u>3,257,092</u>	<u>364,390</u>	<u>3,278,997</u>
Public library				
Personnel	1,293,900	1,235,422	58,478	1,234,259
Maintenance and operations	482,675	464,372	18,303	484,488
Capital outlay	<u>565,379</u>	<u>356,104</u>	<u>209,275</u>	<u>570,810</u>
Total public library	<u>2,341,954</u>	<u>2,055,898</u>	<u>286,056</u>	<u>2,289,557</u>
<b>Total culture and recreation</b>	<u>5,963,436</u>	<u>5,312,990</u>	<u>650,446</u>	<u>5,568,554</u>
<b>Total expenditures</b>	<u>\$ 48,301,673</u>	<u>\$ 42,229,517</u>	<u>\$ 6,072,156</u>	<u>\$ 40,497,744</u>

(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, 2009**With comparative totals for September 30, 2008*

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	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,197,665	\$ 185,901
Investments	-	1,000,000
Receivables (net)		
Ad valorem taxes (prior years)	<u>416,364</u>	<u>374,971</u>
<b>Total assets</b>	<u>\$ 1,614,029</u>	<u>\$ 1,560,872</u>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Deferred revenue	<u>\$ 416,364</u>	<u>\$ 374,971</u>
<b>Total liabilities</b>	<u>416,364</u>	<u>374,971</u>
<b>Fund balance</b>		
Unreserved, undesignated	<u>1,197,665</u>	<u>1,185,901</u>
<b>Total liabilities and fund balance</b>	<u>\$ 1,614,029</u>	<u>\$ 1,560,872</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, 2009

With comparative totals for the year ended September 30, 2008

	2009		Variance Positive (Negative)	2008 Actual
	Final Budget	Actual		
<b>REVENUES</b>				
Taxes				
Ad valorem - current				
1998 Issue	\$ 909,730	\$ 909,051	\$ (679)	\$ 920,548
1999 Issue	310,438	310,438	-	314,950
2000 Issue	676,582	675,372	(1,210)	691,263
2001 Issue	1,131,595	1,129,897	(1,698)	1,150,002
2003 Issue	428,000	425,484	(2,516)	438,534
2004 Issue	464,438	464,721	283	474,998
2005 Issue	1,366,308	1,366,126	(182)	1,384,970
2006 Issue	814,234	810,446	(3,788)	674,401
2007 Issue	662,200	661,189	(1,011)	445,086
Ad valorem - delinquent	100,000	124,313	24,313	118,071
Investment income				
Interest	27,500	30,338	2,838	91,494
<b>Total revenues</b>	<u>6,891,025</u>	<u>6,907,375</u>	<u>16,350</u>	<u>6,704,317</u>
<b>EXPENDITURES</b>				
Debt service				
Principal retirement				
1998 Issue	905,000	905,000	-	865,000
1999 Issue	300,000	300,000	-	285,000
2000 Issue	625,000	625,000	-	600,000
2001 Issue	650,000	650,000	-	625,000
2003 Issue	250,000	250,000	-	245,000
2004 Issue	105,000	105,000	-	105,000
2005 Issue	315,000	315,000	-	300,000
2006 Issue	425,000	425,000	-	260,000
2007 Issue	230,000	230,000	-	40,000
Interest				
1998 Issue	18,100	18,100	-	53,500
1999 Issue	15,000	15,000	-	29,250
2000 Issue	61,525	61,525	-	89,725
2001 Issue	498,225	498,225	-	522,444
2003 Issue	184,290	184,290	-	192,559
2004 Issue	366,264	366,264	-	368,941
2005 Issue	1,071,389	1,071,389	-	1,081,889
2006 Issue	401,200	401,200	-	412,900
2007 Issue	441,931	441,931	-	365,913
Paying agents' fees and issue costs	15,600	32,687	(17,087)	9,800
<b>Total expenditures</b>	<u>6,878,524</u>	<u>6,895,611</u>	<u>(17,087)</u>	<u>6,451,921</u>
Excess (deficiency) of revenues over expenditures	12,501	11,764	(737)	252,396
<b>OTHER FINANCING SOURCES (USES)</b>	-	-	-	-
Changes in fund balance	12,501	11,764	(737)	252,396
Fund balance at beginning of year	1,185,901	1,185,901	-	933,505
<b>Fund balance at end of year</b>	<u>\$ 1,198,402</u>	<u>\$ 1,197,665</u>	<u>\$ (737)</u>	<u>\$ 1,185,901</u>

## **CAPITAL PROJECT FUNDS**

**CITY OF VICTORIA, TEXAS***NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECT FUNDS**CAPITAL IMPROVEMENT PROGRAM**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**BUDGET (GAAP BASIS) AND ACTUAL**For the year ended September 30, 2009**With comparative totals for the year ended September 30, 2008*

	2009		Variance Positive (Negative)	2008 Actual
	Final Budget	Actual		
<b>REVENUES</b>				
Intergovernmental	\$ 344,447	\$ 336,912	\$ (7,535)	\$ -
Investment income				
Interest	5,142	4,678	(464)	2,109
Miscellaneous	926,366	926,366	-	-
<b>Total revenues</b>	<u>1,275,955</u>	<u>1,267,956</u>	<u>(7,999)</u>	<u>2,109</u>
<b>EXPENDITURES</b>				
Capital outlay	<u>1,282,405</u>	<u>891,715</u>	<u>390,690</u>	<u>5,800</u>
<b>Total expenditures</b>	<u>1,282,405</u>	<u>891,715</u>	<u>390,690</u>	<u>5,800</u>
Excess (deficiency) of revenues over expenditures	(6,450)	376,241	(398,689)	(3,691)
<b>OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balance	(6,450)	376,241	(398,689)	(3,691)
Fund balance at beginning of year	<u>59,932</u>	<u>59,932</u>	<u>-</u>	<u>63,623</u>
<b>Fund balance at end of year</b>	<u>\$ 53,482</u>	<u>\$ 436,173</u>	<u>\$ (398,689)</u>	<u>\$ 59,932</u>

**CITY OF VICTORIA, TEXAS**

NONMAJOR 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, 2009

With comparative totals for the year ended September 30, 2008

	2009			2008 Actual
	Final Budget	Actual	Variance Positive (Negative)	
<b>REVENUES</b>				
Investment income				
Interest	\$ 17,500	\$ 15,865	\$ (1,635)	\$ 155,913
Miscellaneous income	4,180,577	4,192,069	11,492	2,000,000
<b>Total revenues</b>	<u>4,198,077</u>	<u>4,207,934</u>	<u>9,857</u>	<u>2,155,913</u>
<b>EXPENDITURES</b>				
Capital outlay	<u>4,818,403</u>	<u>4,290,589</u>	<u>527,814</u>	<u>7,423,582</u>
Excess (deficiency) of revenues over expenditures	(620,326)	(82,655)	537,671	(5,267,669)
<b>OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balance	(620,326)	(82,655)	537,671	(5,267,669)
Fund balance at beginning of year	<u>416,129</u>	<u>416,129</u>	<u>-</u>	<u>5,683,798</u>
<b>Fund balance at end of year</b>	<u>\$ (204,197)</u>	<u>\$ 333,474</u>	<u>\$ 537,671</u>	<u>\$ 416,129</u>

**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, 2009**With comparative totals for the year ended September 30, 2008*

	2009		Variance Positive (Negative)	2008 Actual
	Final Budget	Actual		
<b>REVENUES</b>				
Investment income				
Interest	\$ 320,000	\$ 539,564	\$ 219,564	\$ 1,036,386
Miscellaneous income	8,129,329	4,908,166	(3,221,163)	2,000,000
<b>Total revenues</b>	<b>8,449,329</b>	<b>5,447,730</b>	<b>(3,001,599)</b>	<b>3,036,386</b>
<b>EXPENDITURES</b>				
Capital outlay	30,575,618	11,173,205	19,402,413	11,403,398
Debt service				
Bond issue costs	-	-	-	176,003
<b>Total expenditures</b>	<b>30,575,618</b>	<b>11,173,205</b>	<b>19,402,413</b>	<b>11,579,401</b>
Excess (deficiency) of revenues over expenditures	(22,126,289)	(5,725,475)	16,400,814	(8,543,015)
<b>OTHER FINANCING SOURCES (USES)</b>				
Bonds issued	20,500,000	-	(20,500,000)	9,995,000
Premium on issuance of bonds	-	-	-	195,519
Transfers out	(2,500,000)	(2,500,000)	-	-
Total other financing sources (uses)	<b>18,000,000</b>	<b>(2,500,000)</b>	<b>(20,500,000)</b>	<b>10,190,519</b>
Change in fund balance	(4,126,289)	(8,225,475)	(4,099,186)	1,647,504
Fund balance at beginning of year	21,695,386	21,695,386	-	20,047,882
<b>Fund balance at end of year</b>	<b>\$ 17,569,097</b>	<b>\$ 13,469,911</b>	<b>\$ (4,099,186)</b>	<b>\$ 21,695,386</b>

## **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, 2009*

	Community Center	700 Main Center	Education & Government Channel	Total Nonmajor Enterprise Funds
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 1,002,466	\$ 153,527	\$ -	\$ 1,155,993
Receivables (net)	-	14	-	14
Due from other funds	167,561	-	1,445	169,006
Returned checks	812	-	-	812
Restricted assets				
Cash and cash equivalents	<u>1,147,791</u>	<u>-</u>	<u>-</u>	<u>1,147,791</u>
<b>Total current assets</b>	<u>2,318,630</u>	<u>153,541</u>	<u>1,445</u>	<u>2,473,616</u>
Noncurrent assets				
Capital assets				
Land and other assets not being depreciated	175,160	224,598	-	399,758
Buildings, improvements, and equipment (net)	<u>2,189,472</u>	<u>1,601,278</u>	<u>30,454</u>	<u>3,821,204</u>
<b>Total noncurrent assets</b>	<u>2,364,632</u>	<u>1,825,876</u>	<u>30,454</u>	<u>4,220,962</u>
<b>Total assets</b>	<u>4,683,262</u>	<u>1,979,417</u>	<u>31,899</u>	<u>6,694,578</u>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	13,097	13,289	1,445	27,831
Accrued expenses	18,918	-	-	18,918
Accrued compensated absences	1,349	-	-	1,349
Due to other funds	1,870	-	-	1,870
Customer deposits	<u>33,685</u>	<u>-</u>	<u>-</u>	<u>33,685</u>
<b>Total current liabilities</b>	<u>68,919</u>	<u>13,289</u>	<u>1,445</u>	<u>83,653</u>
Noncurrent liabilities				
Accrued compensated absences	<u>10,026</u>	<u>-</u>	<u>-</u>	<u>10,026</u>
<b>Total liabilities</b>	<u>78,945</u>	<u>13,289</u>	<u>1,445</u>	<u>93,679</u>
<b>NET ASSETS</b>				
Invested in capital assets	2,364,632	1,825,876	30,454	4,220,962
Unrestricted net assets	<u>2,239,685</u>	<u>140,252</u>	<u>-</u>	<u>2,379,937</u>
<b>Total net assets</b>	<u>\$ 4,604,317</u>	<u>\$ 1,966,128</u>	<u>\$ 30,454</u>	<u>\$ 6,600,899</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, 2009*

	Community Center	700 Main Center	Education & Government Channel	Total Nonmajor Enterprise Funds
<b>OPERATING REVENUES</b>				
Charges for services	\$ 212,935	\$ 351,596	\$ -	\$ 564,531
<b>OPERATING EXPENSES</b>				
Personnel	275,528	-	-	275,528
Materials and supplies	26,822	1,129	658	28,609
Maintenance	24,796	18,099	-	42,895
Heat, lights and power	78,808	64,729	-	143,537
Miscellaneous services	53,623	15,601	-	69,224
Contractual services	12,031	-	3,881	15,912
Depreciation	113,733	95,503	4,745	213,981
<b>Total operating expenses</b>	<u>585,341</u>	<u>195,061</u>	<u>9,284</u>	<u>789,686</u>
Operating income (loss) before nonoperating revenues (expenses) and transfers	(372,406)	156,535	(9,284)	(225,155)
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment income	13,151	557	3	13,711
Noncapital contributions	54,826	-	-	54,826
Loss on disposition of capital assets	(319)	-	-	(319)
Net nonoperating revenues (expenses)	<u>67,658</u>	<u>557</u>	<u>3</u>	<u>68,218</u>
Income before transfers	(304,748)	157,092	(9,281)	(156,937)
Transfers				
Transfers in	615,746	-	22,004	637,750
Transfers out	(19,800)	(21,617)	-	(41,417)
Total transfers	<u>595,946</u>	<u>(21,617)</u>	<u>22,004</u>	<u>596,333</u>
Change in net assets	291,198	135,475	12,723	439,396
Total net assets at beginning of year	<u>4,313,119</u>	<u>1,830,653</u>	<u>17,731</u>	<u>6,161,503</u>
<b>Total net assets at end of year</b>	<u>\$ 4,604,317</u>	<u>\$ 1,966,128</u>	<u>\$ 30,454</u>	<u>\$ 6,600,899</u>

**CITY OF VICTORIA, TEXAS**  
**ALL NONMAJOR ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
*For the year ended September 30, 2009*

	Community Center	700 Main Center	Education & Government Channel	Total Nonmajor Enterprise Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 212,781	\$ 353,103	\$ -	\$ 565,884
Cash paid to suppliers for goods and services	(201,746)	(93,164)	(3,094)	(298,004)
Cash paid to employees for services	(269,150)	-	-	(269,150)
<b>Net cash provided (used) by operating activities</b>	<u>(258,115)</u>	<u>259,939</u>	<u>(3,094)</u>	<u>(1,270)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Increase (decrease) in customer deposits	700	-	-	700
Noncapital contributions	54,826	-	-	54,826
Borrowings from (to) other funds	58,368	-	(1,445)	56,923
Transfers in from other funds	615,746	-	22,004	637,750
Transfers out to other funds	(19,800)	(21,617)	-	(41,417)
<b>Net cash provided (used) by noncapital financing activities</b>	<u>709,840</u>	<u>(21,617)</u>	<u>20,559</u>	<u>708,782</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition and construction of capital assets	(20,381)	(263,183)	(20,855)	(304,419)
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(20,381)</u>	<u>(263,183)</u>	<u>(20,855)</u>	<u>(304,419)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investment income	13,151	557	3	13,711
<b>Net cash provided (used) by investing activities</b>	<u>13,151</u>	<u>557</u>	<u>3</u>	<u>13,711</u>
Net increase (decrease) in cash and cash equivalents	444,495	(24,304)	(3,387)	416,804
Cash and cash equivalents at beginning of year	<u>1,705,762</u>	<u>177,831</u>	<u>3,387</u>	<u>1,886,980</u>
<b>Cash and cash equivalents at end of year</b>	<u><u>\$ 2,150,257</u></u>	<u><u>\$ 153,527</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,303,784</u></u>

**CITY OF VICTORIA, TEXAS**

ALL NONMAJOR ENTERPRISE FUNDS

COMBINING STATEMENT OF CASH FLOWS

For the year ended September 30, 2009

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	<u>Community Center</u>	<u>700 Main Center</u>	<u>Education &amp; Government Channel</u>	<u>Total Nonmajor Enterprise Funds</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ (372,406)	\$ 156,535	\$ (9,284)	\$ (225,155)
Adjustments to reconcile operating income to net cash provided (used) by operating activities				
Depreciation	113,733	95,503	4,745	213,981
Changes in assets and liabilities				
(Increase) decrease in other receivables	-	1,507	-	1,507
(Increase) decrease in returned checks	(154)	-	-	(154)
Increase (decrease) in accounts payable	(5,666)	6,394	1,445	2,173
Increase (decrease) in accrued expenses	3,517	-	-	3,517
Increase (decrease) in compensated absences	<u>2,861</u>	<u>-</u>	<u>-</u>	<u>2,861</u>
Total adjustments	<u>114,291</u>	<u>103,404</u>	<u>6,190</u>	<u>223,885</u>
<b>Net cash provided (used) by operating activities</b>	<b><u>\$ (258,115)</u></b>	<b><u>\$ 259,939</u></b>	<b><u>\$ (3,094)</u></b>	<b><u>\$ (1,270)</u></b>



**WATER AND WASTEWATER FUND**

**CITY OF VICTORIA, TEXAS**  
**MAJOR ENTERPRISE FUND**  
**WATER AND WASTEWATER FUND**  
**BALANCE SHEET**  
*September 30, 2009*  
*With comparative totals for September 30, 2008*

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 7,316,005	\$ 6,005,445
Receivables (net)		
Accounts	1,949,289	1,664,058
Other	8,460	11,498
Inventory	123,913	-
Returned checks	5,191	3,838
Restricted assets		
Cash and cash equivalents	8,004,836	4,497,587
Investments	-	1,981,427
Total current assets	<u>17,407,694</u>	<u>14,163,853</u>
Noncurrent assets		
Capital assets		
Buildings	35,779,845	35,472,426
Water and wastewater distribution system	103,628,167	98,876,022
Improvements other than buildings	664,587	664,587
Machinery and equipment	<u>1,979,670</u>	<u>1,920,507</u>
Total capital assets	<u>142,052,269</u>	<u>136,933,542</u>
Less accumulated depreciation	<u>53,552,857</u>	<u>50,115,490</u>
Subtotal	88,499,412	86,818,052
Land and water rights	2,877,143	2,864,955
Construction in progress	<u>4,140,552</u>	<u>3,371,405</u>
Net capital assets	<u>95,517,107</u>	<u>93,054,412</u>
Other assets		
Bond issue costs (net)	1,049,542	977,348
Special deposit with Guadalupe-Blanco River Authority	<u>82,673</u>	<u>82,673</u>
Total other assets	<u>1,132,215</u>	<u>1,060,021</u>
Total noncurrent assets	<u>96,649,322</u>	<u>94,114,433</u>
<b>Total assets</b>	<u>114,057,016</u>	<u>108,278,286</u>

**CITY OF VICTORIA, TEXAS**  
**MAJOR ENTERPRISE FUND**  
**WATER AND WASTEWATER FUND**  
**BALANCE SHEET**  
*September 30, 2009*  
*With comparative totals for September 30, 2008*

	<u>2009</u>	<u>2008</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	\$ 788,708	\$ 760,119
Accrued expenses	286,985	229,012
Accrued compensated absences	18,746	1,258
Due to other funds	42,112	48,376
Accrued interest payable	1,041,550	992,383
Current portion of waterworks and sewer system revenue bonds	<u>3,765,000</u>	<u>3,400,000</u>
Total current liabilities	<u>5,943,101</u>	<u>5,431,148</u>
Noncurrent liabilities		
Waterworks and sewer system revenue bonds (net of current portion)	66,365,000	63,575,000
Deferred financing costs (net of amortization)	745,066	795,319
Rebatable arbitrage earnings	-	136
Accrued compensated absences	<u>139,293</u>	<u>136,976</u>
Total noncurrent liabilities	<u>67,249,359</u>	<u>64,507,431</u>
<b>Total liabilities</b>	<u>73,192,460</u>	<u>69,938,579</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	31,081,489	32,492,688
Unrestricted net assets	<u>9,783,067</u>	<u>5,847,019</u>
<b>Total net assets</b>	<u>\$ 40,864,556</u>	<u>\$ 38,339,707</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, 2009**With comparative totals for the year ended September 30, 2008*

	<u>2009</u>	<u>2008</u>
<b>OPERATING REVENUES</b>		
Water sales	\$ 12,384,404	\$ 11,002,277
Sewer service	10,254,294	9,581,477
Tap and connection fees	234,255	246,478
Miscellaneous	<u>17,014</u>	<u>31,105</u>
<b>Total operating revenues</b>	<u>22,889,967</u>	<u>20,861,337</u>
<b>OPERATING EXPENSES</b>		
Personnel	3,946,560	3,639,038
Materials and supplies	1,413,680	1,189,388
Maintenance	805,780	929,934
Heat, lights, and power	1,119,656	1,018,484
Miscellaneous services	1,127,207	1,481,490
Contractual services	3,885,119	3,671,984
Computer services	166,816	128,208
Depreciation	<u>3,545,914</u>	<u>3,513,948</u>
<b>Total operating expenses</b>	<u>16,010,732</u>	<u>15,572,474</u>
Operating income (loss) before nonoperating revenues (expenses) and contributions and transfers	6,879,235	5,288,863
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment income	160,751	379,524
Interest and fiscal charges	(3,151,985)	(2,995,607)
Loss on disposition of capital assets	<u>(12,988)</u>	<u>(11,093)</u>
Net nonoperating revenues (expenses)	<u>(3,004,222)</u>	<u>(2,627,176)</u>
Income before contributions and transfers	3,875,013	2,661,687
Contributions and transfers		
Capital contributions	705,899	1,800,876
Transfers in	119,100	-
Transfers out	<u>(2,175,163)</u>	<u>(2,126,325)</u>
Total contributions and transfers	<u>(1,350,164)</u>	<u>(325,449)</u>
Change in net assets	2,524,849	2,336,238
Total net assets at beginning of year	<u>38,339,707</u>	<u>36,003,469</u>
<b>Total net assets at end of year</b>	<u>\$ 40,864,556</u>	<u>\$ 38,339,707</u>

**CITY OF VICTORIA, TEXAS**

MAJOR ENTERPRISE FUND

WATER AND WASTEWATER FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2009

With comparative totals for the year ended September 30, 2008

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	<u>2009</u>	<u>2008</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 22,606,421	\$ 20,871,899
Cash paid to suppliers for goods and services	(8,784,567)	(7,927,266)
Cash paid to employees for services	(3,868,782)	(3,601,565)
<b>Net cash provided (used) by operating activities</b>	<u>9,953,072</u>	<u>9,343,068</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Borrowings from (to) other funds	(6,264)	(7,180)
Transfers in from other funds	119,100	-
Transfers out to other funds	(2,175,163)	(2,126,325)
<b>Net cash provided (used) by noncapital financing activities</b>	<u>(2,062,327)</u>	<u>(2,133,505)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(5,144,713)	(2,919,782)
Proceeds from issuance of revenue bonds	6,555,000	-
Principal paid on revenue bonds	(3,400,000)	(3,385,000)
Interest paid on revenue bonds	(3,218,940)	(2,955,863)
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(5,208,653)</u>	<u>(9,260,645)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales and maturities of investments	11,181,427	3,318,573
Purchase of investments	(9,200,000)	(5,300,000)
Rebatable arbitrage payments	(6,325)	(4,125)
Investment income	160,615	373,097
<b>Net cash provided (used) by investing activities</b>	<u>2,135,717</u>	<u>(1,612,455)</u>
Net increase (decrease) in cash and cash equivalents	4,817,809	(3,663,537)
Cash and cash equivalents at beginning of year	<u>10,503,032</u>	<u>14,166,569</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 15,320,841</u>	<u>\$ 10,503,032</u>

**CITY OF VICTORIA, TEXAS**

MAJOR ENTERPRISE FUND

WATER AND WASTEWATER FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2009

With comparative totals for the year ended September 30, 2008

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	<u>2009</u>	<u>2008</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ 6,879,235	\$ 5,288,863
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	3,545,914	3,513,948
Changes in assets and liabilities		
(Increase) decrease in accounts receivable	(285,231)	(98,084)
(Increase) decrease in other receivables	3,038	109,839
(Increase) decrease in inventory	(123,913)	-
(Increase) decrease in returned checks	(1,353)	(1,193)
Increase (decrease) in accounts payable	(142,396)	492,222
Increase (decrease) in accrued expenses	57,973	38,216
Increase (decrease) in compensated absences	19,805	(743)
Total adjustments	<u>3,073,837</u>	<u>4,054,205</u>
<b>Net cash provided (used) by operating activities</b>	<u>\$ 9,953,072</u>	<u>\$ 9,343,068</u>

**COMMUNITY CENTER FUND**

**CITY OF VICTORIA, TEXAS**  
**NONMAJOR ENTERPRISE FUND**  
**COMMUNITY CENTER FUND**  
**BALANCE SHEET**  
*September 30, 2009*  
*With comparative totals for September 30, 2008*

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 1,002,466	\$ 949,610
Due from other funds	167,561	232,110
Returned checks	812	658
Restricted assets		
Cash and cash equivalents	<u>1,147,791</u>	<u>756,152</u>
Total current assets	<u>2,318,630</u>	<u>1,938,530</u>
Noncurrent assets		
Capital assets		
Buildings	3,467,931	3,449,961
Infrastructure	288,581	288,581
Machinery and equipment	<u>107,553</u>	<u>107,395</u>
Total capital assets	3,864,065	3,845,937
Less accumulated depreciation	<u>1,674,593</u>	<u>1,562,794</u>
Subtotal	2,189,472	2,283,143
Land	<u>175,160</u>	<u>175,160</u>
Net capital assets	<u>2,364,632</u>	<u>2,458,303</u>
Total noncurrent assets	<u>2,364,632</u>	<u>2,458,303</u>
<b>Total assets</b>	<u>4,683,262</u>	<u>4,396,833</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	13,097	18,763
Accrued expenses	18,918	15,401
Accrued compensated absences	1,349	77
Due to other funds	1,870	8,051
Customer deposits	<u>33,685</u>	<u>32,985</u>
Total current liabilities	<u>68,919</u>	<u>75,277</u>
Noncurrent liabilities		
Accrued compensated absences	<u>10,026</u>	<u>8,437</u>
<b>Total liabilities</b>	<u>78,945</u>	<u>83,714</u>
<b>NET ASSETS</b>		
Invested in capital assets	2,364,632	2,458,303
Unrestricted net assets	<u>2,239,685</u>	<u>1,854,816</u>
<b>Total net assets</b>	<u>\$ 4,604,317</u>	<u>\$ 4,313,119</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, 2009  
With comparative totals for the year ended September 30, 2008

	<u>2009</u>	<u>2008</u>
<b>OPERATING REVENUES</b>		
Rental fees	\$ 212,336	\$ 222,372
Miscellaneous	599	1,925
<b>Total operating revenues</b>	<u>212,935</u>	<u>224,297</u>
<b>OPERATING EXPENSES</b>		
Personnel	275,528	233,503
Materials and supplies	26,822	63,488
Maintenance	24,796	21,784
Heat, lights, and power	78,808	77,567
Miscellaneous services	53,623	51,648
Contractual services	12,031	2,801
Depreciation	113,733	112,374
<b>Total operating expenses</b>	<u>585,341</u>	<u>563,165</u>
Operating income (loss) before nonoperating revenues (expenses) and transfers	(372,406)	(338,868)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment income	13,151	38,070
Noncapital contributions	54,826	-
Loss on disposition of capital assets	(319)	(140,149)
Net nonoperating revenues (expenses)	<u>67,658</u>	<u>(102,079)</u>
Income (loss) before transfers	(304,748)	(440,947)
Transfers		
Transfers in	615,746	837,791
Transfers out	(19,800)	(19,800)
Total transfers	<u>595,946</u>	<u>817,991</u>
Change in net assets	291,198	377,044
Total net assets at beginning of year	<u>4,313,119</u>	<u>3,936,075</u>
<b>Total net assets at end of year</b>	<u>\$ 4,604,317</u>	<u>\$ 4,313,119</u>

**CITY OF VICTORIA, TEXAS**  
**NONMAJOR ENTERPRISE FUND**  
**COMMUNITY CENTER FUND**  
**STATEMENT OF CASH FLOWS**  
For the year ended September 30, 2009  
With comparative totals for the year ended September 30, 2008

	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 212,781	\$ 226,497
Cash paid to suppliers for goods and services	(201,746)	(200,405)
Cash paid to employees for services	(269,150)	(229,242)
<b>Net cash provided (used) by operating activities</b>	<u>(258,115)</u>	<u>(203,150)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Increase (decrease) in customer deposits	700	3,350
Noncapital contributions	54,826	-
Borrowings from (to) other funds	58,368	(138,385)
Transfers in from other funds	615,746	837,791
Transfers out to other funds	(19,800)	(19,800)
<b>Net cash provided (used) by noncapital financing activities</b>	<u>709,840</u>	<u>682,956</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(20,381)	(86,411)
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(20,381)</u>	<u>(86,411)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment income	13,151	38,070
<b>Net cash provided (used) by investing activities</b>	<u>13,151</u>	<u>38,070</u>
Net increase (decrease) in cash and cash equivalents	444,495	431,465
Cash and cash equivalents at beginning of year	1,705,762	1,274,297
<b>Cash and cash equivalents at end of year</b>	<u>\$ 2,150,257</u>	<u>\$ 1,705,762</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ (372,406)	\$ (338,868)
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	113,733	112,374
Changes in assets and liabilities		
(Increase) decrease in other receivables	-	2,200
(Increase) decrease in returned checks	(154)	-
Increase (decrease) in accounts payable	(5,666)	16,883
Increase (decrease) in accrued expenses	3,517	4,622
Increase (decrease) in compensated absences	2,861	(361)
Total adjustments	<u>114,291</u>	<u>135,718</u>
<b>Net cash provided (used) by operating activities</b>	<u>\$ (258,115)</u>	<u>\$ (203,150)</u>

**700 MAIN CENTER FUND**

**CITY OF VICTORIA, TEXAS**  
**NONMAJOR ENTERPRISE FUND**  
**700 MAIN CENTER FUND**  
**BALANCE SHEET**  
*September 30, 2009*  
*With comparative totals for September 30, 2008*

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 153,527	\$ 177,831
Receivables (net)		
Other	<u>14</u>	<u>1,521</u>
Total current assets	<u>153,541</u>	<u>179,352</u>
Noncurrent assets		
Capital assets		
Buildings	2,485,851	2,222,668
Improvements other than buildings	78,216	78,216
Machinery and equipment	<u>114,957</u>	<u>114,957</u>
Total capital assets	2,679,024	2,415,841
Less accumulated depreciation	<u>1,077,746</u>	<u>982,243</u>
Subtotal	1,601,278	1,433,598
Land	<u>224,598</u>	<u>224,598</u>
Net capital assets	<u>1,825,876</u>	<u>1,658,196</u>
<b>Total assets</b>	<u>1,979,417</u>	<u>1,837,548</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	<u>13,289</u>	<u>6,895</u>
<b>NET ASSETS</b>		
Invested in capital assets	1,825,876	1,658,196
Unrestricted net assets	<u>140,252</u>	<u>172,457</u>
<b>Total net assets</b>	<u>\$ 1,966,128</u>	<u>\$ 1,830,653</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, 2009

With comparative totals for the year ended September 30, 2008

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	<u>2009</u>	<u>2008</u>
<b>OPERATING REVENUES</b>		
Rental fees	\$ 351,596	\$ 247,701
<b>OPERATING EXPENSES</b>		
Materials and supplies	1,129	1,941
Maintenance	18,099	14,132
Heat, lights, and power	64,729	70,192
Miscellaneous services	15,601	17,696
Depreciation	<u>95,503</u>	<u>74,318</u>
<b>Total operating expenses</b>	<u>195,061</u>	<u>178,279</u>
Operating income (loss) before nonoperating revenues (expenses) and transfers	156,535	69,422
<b>NONOPERATING REVENUES</b>		
Investment income	<u>557</u>	<u>8,156</u>
Net nonoperating revenues (expenses)	<u>557</u>	<u>8,156</u>
Income (loss) before transfers	157,092	77,578
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	135,475	55,961
Total net assets at beginning of year	<u>1,830,653</u>	<u>1,774,692</u>
<b>Total net assets at end of year</b>	<u>\$ 1,966,128</u>	<u>\$ 1,830,653</u>

**CITY OF VICTORIA, TEXAS**  
**NONMAJOR ENTERPRISE FUND**  
**700 MAIN CENTER FUND**  
**STATEMENT OF CASH FLOWS**  
*For the year ended September 30, 2009*  
*With comparative totals for the year ended September 30, 2008*

	<u>2009</u>	<u>2008</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 353,103	\$ 248,099
Cash paid to suppliers for goods and services	<u>(93,164)</u>	<u>(107,187)</u>
<b>Net cash provided (used) by operating activities</b>	<u>259,939</u>	<u>140,912</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers out to other funds	<u>(21,617)</u>	<u>(21,617)</u>
<b>Net cash provided (used) by noncapital financing activities</b>	<u>(21,617)</u>	<u>(21,617)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	<u>(263,183)</u>	<u>(303,524)</u>
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(263,183)</u>	<u>(303,524)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment income	<u>557</u>	<u>8,156</u>
<b>Net cash provided (used) by investing activities</b>	<u>557</u>	<u>8,156</u>
Net increase (decrease) in cash and cash equivalents	(24,304)	(176,073)
Cash and cash equivalents at beginning of year	<u>177,831</u>	<u>353,904</u>
<b>Cash and cash equivalents at end of year</b>	<u><u>\$ 153,527</u></u>	<u><u>\$ 177,831</u></u>

**CITY OF VICTORIA, TEXAS**  
**NONMAJOR ENTERPRISE FUND**  
**700 MAIN CENTER FUND**  
**STATEMENT OF CASH FLOWS**  
*For the year ended September 30, 2009*  
*With comparative totals for the year ended September 30, 2008*

	<u>2009</u>	<u>2008</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ 156,535	\$ 69,422
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	95,503	74,318
Changes in assets and liabilities		
(Increase) decrease in other receivables	1,507	398
Increase (decrease) in accounts payable	<u>6,394</u>	<u>(3,226)</u>
Total adjustments	<u>103,404</u>	<u>71,490</u>
<b>Net cash provided (used) by operating activities</b>	<u><u>\$ 259,939</u></u>	<u><u>\$ 140,912</u></u>



**ENVIRONMENTAL SERVICES FUND**

**CITY OF VICTORIA, TEXAS**  
**MAJOR ENTERPRISE FUND**  
**ENVIRONMENTAL SERVICES FUND**  
**BALANCE SHEET**  
*September 30, 2009*  
*With comparative totals for September 30, 2008*

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 897,979	\$ 1,312,770
Receivables (net)		
Accounts	176,704	175,381
Other	294,286	60,963
Restricted assets		
Cash and cash equivalents	6,301,999	3,973,235
Investments	-	3,007,292
Total current assets	<u>7,670,968</u>	<u>8,529,641</u>
Noncurrent assets		
Capital assets		
Buildings	120,012	120,012
Infrastructure	124,287	124,287
Improvements other than buildings	561,623	561,623
Machinery and equipment	<u>1,264,382</u>	<u>531,278</u>
Total capital assets	2,070,304	1,337,200
Less accumulated depreciation	<u>953,472</u>	<u>803,356</u>
Subtotal	1,116,832	533,844
Land	799,931	799,931
Construction in progress	<u>316,157</u>	<u>-</u>
Net capital assets	<u>2,232,920</u>	<u>1,333,775</u>
Total noncurrent assets	<u>2,232,920</u>	<u>1,333,775</u>
<b>Total assets</b>	<u>9,903,888</u>	<u>9,863,416</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	404,498	116,010
Accrued expenses	91,586	115,011
Accrued compensated absences	5,392	455
Due to other governments	92,573	93,707
Due to other funds	<u>38,218</u>	<u>703,217</u>
Total current liabilities	<u>632,267</u>	<u>1,028,400</u>
Noncurrent liabilities		
Accrued compensated absences	40,069	49,604
Estimated landfill closure and postclosure care cost	<u>2,877,064</u>	<u>2,771,868</u>
Total noncurrent liabilities	<u>2,917,133</u>	<u>2,821,472</u>
<b>Total liabilities</b>	<u>3,549,400</u>	<u>3,849,872</u>
<b>NET ASSETS</b>		
Invested in capital assets	2,232,920	1,333,775
Unrestricted net assets	<u>4,121,568</u>	<u>4,679,769</u>
<b>Total net assets</b>	<u>\$ 6,354,488</u>	<u>\$ 6,013,544</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, 2009**With comparative totals for the year ended September 30, 2008*

	<u>2009</u>	<u>2008</u>
<b>OPERATING REVENUES</b>		
Garbage fees	\$ 3,322,018	\$ 3,196,263
Landfill closure	47,513	1,472,912
Methane gas sales	-	10,342
Miscellaneous	<u>875,997</u>	<u>2,025,450</u>
<b>Total operating revenues</b>	<u>4,245,528</u>	<u>6,704,967</u>
<b>OPERATING EXPENSES</b>		
Personnel	1,449,050	1,691,102
Materials and supplies	206,321	218,427
Maintenance	1,504	2,135
Heat, lights and power	16,865	16,112
Miscellaneous services	993,619	1,754,077
Contractual services	175,446	316,988
Computer services	39,168	30,103
Monitoring costs	40,837	23,580
Tipping fees	612,226	779,055
Landfill closure and postclosure care cost	105,196	100,317
Depreciation	<u>150,116</u>	<u>55,190</u>
<b>Total operating expenses</b>	<u>3,790,348</u>	<u>4,987,086</u>
Operating income (loss) before nonoperating revenues (expenses) and transfers	455,180	1,717,881
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment income	91,948	322,834
Loss on disposition of capital assets	<u>-</u>	<u>(15,669)</u>
Net nonoperating revenues (expenses)	<u>91,948</u>	<u>307,165</u>
Income before transfers	547,128	2,025,046
Transfers		
Transfers in	150,116	-
Transfers out	<u>(356,300)</u>	<u>(356,300)</u>
Total transfers	<u>(206,184)</u>	<u>(356,300)</u>
Change in net assets	340,944	1,668,746
Total net assets at beginning of year	<u>6,013,544</u>	<u>4,344,798</u>
<b>Total net assets at end of year</b>	<u>\$ 6,354,488</u>	<u>\$ 6,013,544</u>

**CITY OF VICTORIA, TEXAS**

MAJOR ENTERPRISE FUND

ENVIRONMENTAL SERVICES FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2009

With comparative totals for the year ended September 30, 2008

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	<u>2009</u>	<u>2008</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 4,010,882	\$ 6,872,307
Cash paid to suppliers for goods and services	(1,798,632)	(3,159,595)
Cash paid to employees for services	<u>(1,477,073)</u>	<u>(1,662,487)</u>
<b>Net cash provided (used) by operating activities</b>	<u>735,177</u>	<u>2,050,225</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Borrowings from (to) other funds	(664,999)	640,995
Transfers in from other funds	150,116	-
Transfers out to other funds	<u>(356,300)</u>	<u>(356,300)</u>
<b>Net cash provided (used) by noncapital financing activities</b>	<u>(871,183)</u>	<u>284,695</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	<u>(1,049,261)</u>	<u>(464,052)</u>
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(1,049,261)</u>	<u>(464,052)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales and maturities of investments	6,407,292	11,226,759
Purchase of investments	(3,400,000)	(12,400,000)
Investment income	<u>91,948</u>	<u>322,834</u>
<b>Net cash provided (used) by investing activities</b>	<u>3,099,240</u>	<u>(850,407)</u>
Net increase (decrease) in cash and cash equivalents	1,913,973	1,020,461
Cash and cash equivalents at beginning of year	<u>5,286,005</u>	<u>4,265,544</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 7,199,978</u>	<u>\$ 5,286,005</u>

**CITY OF VICTORIA, TEXAS**

MAJOR ENTERPRISE FUND

ENVIRONMENTAL SERVICES FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2009

With comparative totals for the year ended September 30, 2008

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	<u>2009</u>	<u>2008</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ 455,180	\$ 1,717,881
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	150,116	55,190
Changes in assets and liabilities		
(Increase) decrease in accounts receivable	(1,323)	(434)
(Increase) decrease in other receivables	(233,323)	167,774
Increase (decrease) in accounts payable	288,488	(22,453)
Increase (decrease) in due to other governments	(1,134)	3,335
Increase (decrease) in accrued expenses	(23,425)	29,140
Increase (decrease) in compensated absences	(4,598)	(525)
Increase (decrease) in landfill closure and postclosure care cost	<u>105,196</u>	<u>100,317</u>
Total adjustments	<u>279,997</u>	<u>332,344</u>
<b>Net cash provided (used) by operating activities</b>	<u>\$ 735,177</u>	<u>\$ 2,050,225</u>



**EDUCATION & GOVERNMENT CHANNEL FUND**

**CITY OF VICTORIA, TEXAS**  
**NONMAJOR ENTERPRISE FUND**  
**EDUCATION & GOVERNMENT CHANNEL FUND**  
**BALANCE SHEET**  
September 30, 2009  
With comparative totals for September 30, 2008

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ -	\$ 3,387
Due from other funds	<u>1,445</u>	<u>-</u>
Total current assets	<u>1,445</u>	<u>3,387</u>
Noncurrent assets		
Capital assets		
Machinery and equipment	<u>37,018</u>	<u>16,163</u>
Total capital assets	<u>37,018</u>	<u>16,163</u>
Less: Accumulated depreciation	<u>6,564</u>	<u>1,819</u>
Net capital assets	<u>30,454</u>	<u>14,344</u>
<b>Total assets</b>	<u>31,899</u>	<u>17,731</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	<u>1,445</u>	<u>-</u>
Total current liabilities	<u>1,445</u>	<u>-</u>
<b>NET ASSETS</b>		
Invested in capital assets	30,454	14,344
Unrestricted net assets	<u>-</u>	<u>3,387</u>
<b>Total net assets</b>	<u>\$ 30,454</u>	<u>\$ 17,731</u>

**CITY OF VICTORIA, TEXAS**

NONMAJOR ENTERPRISE FUND

EDUCATION &amp; GOVERNMENT CHANNEL FUND

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

For the year ended September 30, 2009

With comparative totals for September 30, 2008

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	<u>2009</u>	<u>2008</u>
<b>OPERATING REVENUES</b>		
Miscellaneous	\$ -	\$ 8,799
<b>OPERATING EXPENSES</b>		
Materials and supplies	658	1,268
Contractual services	3,881	-
Depreciation	<u>4,745</u>	<u>1,819</u>
<b>Total operating expenses</b>	<u>9,284</u>	<u>3,087</u>
Operating income (loss) before nonoperating revenues (expenses) and transfers	(9,284)	5,712
<b>NONOPERATING REVENUES</b>		
Investment income	<u>3</u>	<u>19</u>
Net nonoperating revenues (expenses)	<u>3</u>	<u>19</u>
Income (loss) before transfers	(9,281)	5,731
Transfers		
Transfer in	<u>22,004</u>	<u>12,000</u>
Total transfers	<u>22,004</u>	<u>12,000</u>
Change in net assets	12,723	17,731
Total net assets at beginning of year	<u>17,731</u>	<u>-</u>
<b>Total net assets at end of year</b>	<u>\$ 30,454</u>	<u>\$ 17,731</u>

**CITY OF VICTORIA, TEXAS**

NONMAJOR ENTERPRISE FUND

EDUCATION &amp; GOVERNMENT CHANNEL FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2009

With comparative totals for the year ended September 30, 2008

	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ -	\$ 8,799
Cash paid to suppliers for goods and services	(3,094)	(1,268)
<b>Net cash provided (used) by operating activities</b>	(3,094)	7,531
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Borrowings from (to) other funds	(1,445)	-
Transfers in from other funds	22,004	12,000
<b>Net cash provided (used) by noncapital financing activities</b>	20,559	12,000
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(20,855)	(16,163)
<b>Net cash provided (used) by capital and related financing activities</b>	(20,855)	(16,163)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment income	3	19
<b>Net cash provided (used) by investing activities</b>	3	19
Net increase (decrease) in cash and cash equivalents	(3,387)	3,387
Cash and cash equivalents at beginning of year	3,387	-
<b>Cash and cash equivalents at end of year</b>	<u>\$ -</u>	<u>\$ 3,387</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ (9,284)	\$ 5,712
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	4,745	1,819
Changes in assets and liabilities		
Increase (decrease) in accounts payable	1,445	-
Total adjustments	6,190	1,819
<b>Net cash provided (used) by operating activities</b>	<u>\$ (3,094)</u>	<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, 2009*

	<u>V.E.S.</u>	<u>Information Technology</u>	<u>Communications</u>
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 619,669	\$ 408,789	\$ 92,556
Receivables (net)			
Other	90,011	-	20,988
Due from other funds	269,828	-	-
Inventory	65,573	-	-
Restricted assets			
Cash and cash equivalents	-	-	-
<b>Total current assets</b>	<u>1,045,081</u>	<u>408,789</u>	<u>113,544</u>
Noncurrent assets			
Capital assets			
Land and other assets not being depreciated	134,007	-	39,168
Buildings, improvements, and equipment (net)	<u>6,746,520</u>	<u>450,612</u>	<u>2,147,256</u>
<b>Total noncurrent assets</b>	<u>6,880,527</u>	<u>450,612</u>	<u>2,186,424</u>
<b>Total assets</b>	<u>7,925,608</u>	<u>859,401</u>	<u>2,299,968</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	219,633	14,570	2,755
Accrued expenses	7,417	50,768	3,519
Accrued compensated absences	6,745	34,213	3,344
Due to other funds	2,256	697	3,493
Claims payable	-	-	-
<b>Total current liabilities</b>	<u>236,051</u>	<u>100,248</u>	<u>13,111</u>
<b>Total liabilities</b>	<u>236,051</u>	<u>100,248</u>	<u>13,111</u>
<b>NET ASSETS</b>			
Invested in capital assets	6,880,527	450,612	2,186,424
Unrestricted net assets	<u>809,030</u>	<u>308,541</u>	<u>100,433</u>
<b>Total net assets</b>	<u>\$ 7,689,557</u>	<u>\$ 759,153</u>	<u>\$ 2,286,857</u>

<u>Purchasing</u>	<u>Safety Management</u>	<u>Workers' Compensation</u>	<u>Print Shop</u>	<u>Employee Health Plan</u>	<u>Total</u>
\$ 238,460	\$ 259,989	\$ 432,849	\$ 72,562	\$ 5,665,783	\$ 7,790,657
86,512	-	-	1,062	50,132	248,705
-	-	-	-	286,571	556,399
-	-	-	20,978	-	86,551
-	-	35,000	-	-	35,000
<u>324,972</u>	<u>259,989</u>	<u>467,849</u>	<u>94,602</u>	<u>6,002,486</u>	<u>8,717,312</u>
-	-	-	-	-	173,175
<u>60,692</u>	<u>6,639</u>	<u>-</u>	<u>17,003</u>	<u>-</u>	<u>9,428,722</u>
<u>60,692</u>	<u>6,639</u>	<u>-</u>	<u>17,003</u>	<u>-</u>	<u>9,601,897</u>
<u>385,664</u>	<u>266,628</u>	<u>467,849</u>	<u>111,605</u>	<u>6,002,486</u>	<u>18,319,209</u>
3,068	1,263	50,809	4,571	1,363	298,032
10,534	7,445	-	6,292	-	85,975
9,381	2,378	-	3,746	-	59,807
4,292	-	-	252	-	10,990
-	-	82,387	-	606,154	688,541
<u>27,275</u>	<u>11,086</u>	<u>133,196</u>	<u>14,861</u>	<u>607,517</u>	<u>1,143,345</u>
<u>27,275</u>	<u>11,086</u>	<u>133,196</u>	<u>14,861</u>	<u>607,517</u>	<u>1,143,345</u>
60,692	6,639	-	17,003	-	9,601,897
<u>297,697</u>	<u>248,903</u>	<u>334,653</u>	<u>79,741</u>	<u>5,394,969</u>	<u>7,573,967</u>
<u>\$ 358,389</u>	<u>\$ 255,542</u>	<u>\$ 334,653</u>	<u>\$ 96,744</u>	<u>\$ 5,394,969</u>	<u>\$ 17,175,864</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, 2009*

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	<u>V.E.S.</u>	<u>Information Technology</u>	<u>Communications</u>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 4,824,771	\$ 1,413,549	\$ 231,162
Miscellaneous	<u>111,242</u>	<u>42,953</u>	<u>-</u>
<b>Total operating revenues</b>	<u>4,936,013</u>	<u>1,456,502</u>	<u>231,162</u>
<b>OPERATING EXPENSES</b>			
Personnel	115,007	704,343	142,008
Materials and supplies	1,184,625	119,886	2,724
Maintenance	7,234	60,118	15,176
Heat, lights, and power	18,858	-	-
Reinsurance premiums	-	-	-
Miscellaneous services	359,902	127,618	65,851
Contractual services	932,263	-	-
Computer services	-	-	14,202
Court costs, judgments, and damages	-	-	-
Claims expense	-	-	-
Wellness program	-	-	-
Depreciation	<u>1,223,254</u>	<u>95,184</u>	<u>200,646</u>
<b>Total operating expenses</b>	<u>3,841,143</u>	<u>1,107,149</u>	<u>440,607</u>
Operating income (loss) before nonoperating revenues (expenses) and transfers	1,094,870	349,353	(209,445)
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment income	3,543	1,530	655
Gain (loss) on disposition of capital assets	<u>(197,311)</u>	<u>73</u>	<u>-</u>
Net nonoperating revenues (expenses)	<u>(193,768)</u>	<u>1,603</u>	<u>655</u>
Income (loss) before transfers	901,102	350,956	(208,790)
Transfers			
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	901,102	350,956	(208,790)
Total net assets at beginning of year	<u>6,788,455</u>	<u>408,197</u>	<u>2,495,647</u>
<b>Total net assets at end of year</b>	<u>\$ 7,689,557</u>	<u>\$ 759,153</u>	<u>\$ 2,286,857</u>

<u>Purchasing</u>	<u>Safety Management</u>	<u>Workers' Compensation</u>	<u>Print Shop</u>	<u>Employee Health Plan</u>	<u>Total</u>
\$ 201,370	\$ 512,525	\$ 371,139	\$ 171,835	\$ 5,908,984	\$ 13,635,335
-	157,834	18,586	-	46,572	377,187
<u>201,370</u>	<u>670,359</u>	<u>389,725</u>	<u>171,835</u>	<u>5,955,556</u>	<u>14,012,522</u>
172,358	102,459	-	91,420	-	1,327,595
123,685	5,014	-	9,790	-	1,445,724
2,266	-	-	5,466	-	90,260
4,235	-	-	-	-	23,093
-	415,180	-	-	236,833	652,013
18,974	20,619	-	26,659	-	619,623
8,580	12,734	-	-	257,100	1,210,677
36,043	14,202	-	6,929	-	71,376
-	2,110	-	-	-	2,110
-	-	258,219	-	3,896,153	4,154,372
-	-	39,324	-	18,183	57,507
<u>7,735</u>	<u>4,479</u>	<u>-</u>	<u>3,831</u>	<u>-</u>	<u>1,535,129</u>
<u>373,876</u>	<u>576,797</u>	<u>297,543</u>	<u>144,095</u>	<u>4,408,269</u>	<u>11,189,479</u>
(172,506)	93,562	92,182	27,740	1,547,287	2,823,043
224	290	5,906	19	38,629	50,796
<u>(10,254)</u>	<u>(8,247)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(215,739)</u>
<u>(10,030)</u>	<u>(7,957)</u>	<u>5,906</u>	<u>19</u>	<u>38,629</u>	<u>(164,943)</u>
(182,536)	85,605	98,088	27,759	1,585,916	2,658,100
-	-	(740,000)	-	-	(740,000)
(182,536)	85,605	(641,912)	27,759	1,585,916	1,918,100
<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>
<u>\$ 358,389</u>	<u>\$ 255,542</u>	<u>\$ 334,653</u>	<u>\$ 96,744</u>	<u>\$ 5,394,969</u>	<u>\$ 17,175,864</u>

**CITY OF VICTORIA, TEXAS**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
*For the year ended September 30, 2009*

	<u>V.E.S.</u>	<u>Information Technology</u>	<u>Communications</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from other funds	\$ 5,473,538	\$ 1,456,502	\$ 230,946
Cash paid to suppliers for goods and services	(2,959,649)	(302,593)	(99,226)
Cash paid to employees for services	<u>(112,465)</u>	<u>(694,503)</u>	<u>(142,432)</u>
<b>Net cash provided (used) by operating activities</b>	<u>2,401,424</u>	<u>459,406</u>	<u>(10,712)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers out to other funds	-	-	-
Borrowings from other funds	1,879	446	2,565
Repayments to other funds	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net cash provided (used) by noncapital financing activities</b>	<u>1,879</u>	<u>446</u>	<u>2,565</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and construction of capital assets	<u>(2,286,015)</u>	<u>(297,005)</u>	<u>(31,139)</u>
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(2,286,015)</u>	<u>(297,005)</u>	<u>(31,139)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment income	<u>3,543</u>	<u>1,530</u>	<u>655</u>
<b>Net cash provided (used) by investing activities</b>	<u>3,543</u>	<u>1,530</u>	<u>655</u>
Net increase (decrease) in cash and cash equivalents	120,831	164,377	(38,631)
Cash and cash equivalents at beginning of year	<u>498,838</u>	<u>244,412</u>	<u>131,187</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 619,669</u>	<u>\$ 408,789</u>	<u>\$ 92,556</u>

<u>Purchasing</u>	<u>Safety Management</u>	<u>Workers' Compensation</u>	<u>Print Shop</u>	<u>Employee Health Plan</u>	<u>Total</u>
\$ 201,436	\$ 670,359	\$ 389,725	\$ 172,641	\$ 5,973,953	\$ 14,569,100
(62,467)	(484,681)	(343,415)	(43,979)	(4,319,344)	(8,615,354)
<u>(179,318)</u>	<u>(99,346)</u>	<u>-</u>	<u>(90,911)</u>	<u>-</u>	<u>(1,318,975)</u>
<u>(40,349)</u>	<u>86,332</u>	<u>46,310</u>	<u>37,751</u>	<u>1,654,609</u>	<u>4,634,771</u>
-	-	(740,000)	-	-	(740,000)
4,104	-	-	158	-	9,152
<u>-</u>	<u>(1,666)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,666)</u>
<u>4,104</u>	<u>(1,666)</u>	<u>(740,000)</u>	<u>158</u>	<u>-</u>	<u>(732,514)</u>
<u>(1,649)</u>	<u>(973)</u>	<u>-</u>	<u>(7,595)</u>	<u>-</u>	<u>(2,624,376)</u>
<u>(1,649)</u>	<u>(973)</u>	<u>-</u>	<u>(7,595)</u>	<u>-</u>	<u>(2,624,376)</u>
<u>224</u>	<u>290</u>	<u>5,906</u>	<u>19</u>	<u>38,629</u>	<u>50,796</u>
<u>224</u>	<u>290</u>	<u>5,906</u>	<u>19</u>	<u>38,629</u>	<u>50,796</u>
(37,670)	83,983	(687,784)	30,333	1,693,238	1,328,677
<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>
<u>\$ 238,460</u>	<u>\$ 259,989</u>	<u>\$ 467,849</u>	<u>\$ 72,562</u>	<u>\$ 5,665,783</u>	<u>\$ 7,825,657</u>

(continued)

**CITY OF VICTORIA, TEXAS**  
*INTERNAL SERVICE FUNDS*  
**COMBINING STATEMENT OF CASH FLOWS**  
*For the year ended September 30, 2009*

	<u>V.E.S.</u>	<u>Information Technology</u>	<u>Communications</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ 1,094,870	\$ 349,353	\$ (209,445)
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation	1,223,254	95,184	200,646
Changes in assets and liabilities			
(Increase) decrease in other receivables	82,270	-	(216)
(Increase) decrease in due from other funds	455,255	-	-
(Increase) decrease in inventory	65,577	-	-
Increase (decrease) in accounts payable	(522,344)	5,029	(1,273)
Increase (decrease) in accrued expenses	870	6,319	(424)
Increase (decrease) in compensated absences	1,672	3,521	-
Increase (decrease) in claims payable	-	-	-
Total adjustments	<u>1,306,554</u>	<u>110,053</u>	<u>198,733</u>
<b>Net cash provided (used) by operating activities</b>	<b><u>\$ 2,401,424</u></b>	<b><u>\$ 459,406</u></b>	<b><u>\$ (10,712)</u></b>

<u>Purchasing</u>	<u>Safety Management</u>	<u>Workers' Compensation</u>	<u>Print Shop</u>	<u>Employee Health Plan</u>	<u>Total</u>
\$ (172,506)	\$ 93,562	\$ 92,182	\$ 27,740	\$ 1,547,287	\$ 2,823,043
7,735	4,479	-	3,831	-	1,535,129
66	-	-	806	1,544	84,470
-	-	-	-	16,853	472,108
134,953	-	-	302	-	200,832
(3,637)	(14,822)	23,526	4,563	(9,154)	(518,112)
(2,987)	735	-	604	-	5,117
(3,973)	2,378	-	(95)	-	3,503
<u>-</u>	<u>-</u>	<u>(69,398)</u>	<u>-</u>	<u>98,079</u>	<u>28,681</u>
<u>132,157</u>	<u>(7,230)</u>	<u>(45,872)</u>	<u>10,011</u>	<u>107,322</u>	<u>1,811,728</u>
<u>\$ (40,349)</u>	<u>\$ 86,332</u>	<u>\$ 46,310</u>	<u>\$ 37,751</u>	<u>\$ 1,654,609</u>	<u>\$ 4,634,771</u>

(concluded)



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

**CITY OF VICTORIA, TEXAS**

INTERNAL SERVICE FUND

V.E.S. FUND

BALANCE SHEET

September 30, 2009

With comparative totals for September 30, 2008

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 619,669	\$ 498,838
Receivables		
Other	90,011	172,281
Due from other funds	269,828	725,083
Inventory	<u>65,573</u>	<u>131,150</u>
Total current assets	<u>1,045,081</u>	<u>1,527,352</u>
Noncurrent assets		
Capital assets		
Buildings	364,797	358,640
Infrastructure	93,179	93,179
Improvements other than buildings	10,659	10,659
Machinery and equipment	<u>14,613,216</u>	<u>13,756,611</u>
Total capital assets	15,081,851	14,219,089
Less accumulated depreciation	<u>8,335,331</u>	<u>8,338,019</u>
Subtotal	6,746,520	5,881,070
Land	<u>134,007</u>	<u>134,007</u>
Net capital assets	<u>6,880,527</u>	<u>6,015,077</u>
<b>Total assets</b>	<u>7,925,608</u>	<u>7,542,429</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	219,633	741,977
Accrued expenses	7,417	6,547
Accrued compensated absences	6,745	5,073
Due to other funds	<u>2,256</u>	<u>377</u>
<b>Total liabilities</b>	<u>236,051</u>	<u>753,974</u>
<b>NET ASSETS</b>		
Invested in capital assets	6,880,527	6,015,077
Unrestricted net assets	<u>809,030</u>	<u>773,378</u>
<b>Total net assets</b>	<u>\$ 7,689,557</u>	<u>\$ 6,788,455</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, 2009

With comparative totals for the year ended September 30, 2008

	<u>2009</u>	<u>2008</u>
<b>OPERATING REVENUES</b>		
Charges for services	\$ 4,824,771	\$ 5,600,932
Miscellaneous	<u>111,242</u>	<u>10,379</u>
<b>Total operating revenues</b>	<u>4,936,013</u>	<u>5,611,311</u>
<b>OPERATING EXPENSES</b>		
Personnel	115,007	108,707
Materials and supplies	1,184,625	1,584,450
Maintenance	7,234	15,413
Heat, lights, and power	18,858	21,127
Miscellaneous services	359,902	405,722
Contractual services	932,263	768,972
Depreciation	<u>1,223,254</u>	<u>1,053,263</u>
<b>Total operating expenses</b>	<u>3,841,143</u>	<u>3,957,654</u>
Operating income (loss) before nonoperating revenues (expenses)	1,094,870	1,653,657
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment income	3,543	13,209
Loss on disposition of capital assets	<u>(197,311)</u>	<u>(48,014)</u>
Net nonoperating revenues (expenses)	<u>(193,768)</u>	<u>(34,805)</u>
Change in net assets	901,102	1,618,852
Total net assets at beginning of year	<u>6,788,455</u>	<u>5,169,603</u>
<b>Total net assets at end of year</b>	<u><u>\$ 7,689,557</u></u>	<u><u>\$ 6,788,455</u></u>

**CITY OF VICTORIA, TEXAS**

INTERNAL SERVICE FUND

V.E.S. FUND

**STATEMENT OF CASH FLOWS**

For the year ended September 30, 2009

With comparative totals for the year ended September 30, 2008

	<u>2009</u>	<u>2008</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from other funds	\$ 5,473,538	\$ 4,815,096
Cash paid to suppliers for goods and services	(2,959,649)	(2,223,162)
Cash paid to employees for services	(112,465)	(107,382)
<b>Net cash provided (used) by operating activities</b>	<u>2,401,424</u>	<u>2,484,552</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Borrowings from other funds	1,879	-
Repayments to other funds	-	(610)
<b>Net cash provided (used) by noncapital financing activities</b>	<u>1,879</u>	<u>(610)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(2,286,015)	(2,659,460)
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(2,286,015)</u>	<u>(2,659,460)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment income	3,543	13,209
Net increase (decrease) in cash and cash equivalents	120,831	(162,309)
Cash and cash equivalents at beginning of year	498,838	661,147
<b>Cash and cash equivalents at end of year</b>	<u>\$ 619,669</u>	<u>\$ 498,838</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ 1,094,870	\$ 1,653,657
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	1,223,254	1,053,263
Changes in assets and liabilities		
(Increase) decrease in other receivables	82,270	(71,132)
(Increase) decrease in due from other funds	455,255	(725,083)
(Increase) decrease in inventory	65,577	(40,009)
Increase (decrease) in accounts payable	(522,344)	612,531
Increase (decrease) in accrued expenses	870	1,089
Increase (decrease) in compensated absences	1,672	236
Total adjustments	<u>1,306,554</u>	<u>830,895</u>
<b>Net cash provided (used) by operating activities</b>	<u>\$ 2,401,424</u>	<u>\$ 2,484,552</u>

**INFORMATION TECHNOLOGY FUND**

**CITY OF VICTORIA, TEXAS**  
*INTERNAL SERVICE FUND*  
*INFORMATION TECHNOLOGY FUND*  
**BALANCE SHEET**  
*September 30, 2009*  
*With comparative totals for September 30, 2008*

	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 408,789	\$ 244,412
Total current assets	<u>408,789</u>	<u>244,412</u>
Noncurrent assets		
Capital assets		
Machinery and equipment	<u>1,133,168</u>	<u>855,421</u>
Total capital assets	1,133,168	855,421
Less accumulated depreciation	<u>682,556</u>	<u>606,703</u>
Net capital assets	<u>450,612</u>	<u>248,718</u>
<b>Total assets</b>	<u>859,401</u>	<u>493,130</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	14,570	9,541
Accrued expenses	50,768	44,449
Accrued compensated absences	34,213	30,692
Due to other funds	<u>697</u>	<u>251</u>
<b>Total liabilities</b>	<u>100,248</u>	<u>84,933</u>
<b>NET ASSETS</b>		
Invested in capital assets	450,612	248,718
Unrestricted net assets	<u>308,541</u>	<u>159,479</u>
<b>Total net assets</b>	<u>\$ 759,153</u>	<u>\$ 408,197</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, 2009

With comparative totals for the year ended September 30, 2008

	<u>2009</u>	<u>2008</u>
<b>OPERATING REVENUES</b>		
Charges for services	\$ 1,413,549	\$ 937,297
Miscellaneous	<u>42,953</u>	<u>4,432</u>
<b>Total operating revenues</b>	<u>1,456,502</u>	<u>941,729</u>
<b>OPERATING EXPENSES</b>		
Personnel	704,343	667,097
Materials and supplies	119,886	15,770
Maintenance	60,118	52,555
Miscellaneous services	127,618	114,274
Depreciation	<u>95,184</u>	<u>83,117</u>
<b>Total operating expenses</b>	<u>1,107,149</u>	<u>932,813</u>
Operating income (loss) before nonoperating revenues (expenses)	349,353	8,916
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment income	1,530	6,567
Gain (loss) on disposition of capital assets	<u>73</u>	<u>(150)</u>
Net nonoperating revenues (expenses)	<u>1,603</u>	<u>6,417</u>
Change in net assets	350,956	15,333
Total net assets at beginning of year	<u>408,197</u>	<u>392,864</u>
<b>Total net assets at end of year</b>	<u>\$ 759,153</u>	<u>\$ 408,197</u>

**CITY OF VICTORIA, TEXAS**

INTERNAL SERVICE FUND

INFORMATION TECHNOLOGY FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2009

With comparative totals for the year ended September 30, 2008

	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from other funds	\$ 1,456,502	\$ 942,103
Cash paid to suppliers for goods and services	(302,593)	(194,417)
Cash paid to employees for services	(694,503)	(655,326)
<b>Net cash provided (used) by operating activities</b>	<u>459,406</u>	<u>92,360</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Borrowings from other funds	446	-
Repayments to other funds	-	(730)
<b>Net cash provided (used) by noncapital financing activities</b>	<u>446</u>	<u>(730)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(297,005)	(102,597)
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(297,005)</u>	<u>(102,597)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment income	1,530	6,567
<b>Net cash provided (used) by investing activities</b>	<u>1,530</u>	<u>6,567</u>
Net increase (decrease) in cash and cash equivalents	164,377	(4,400)
Cash and cash equivalents at beginning of year	244,412	248,812
<b>Cash and cash equivalents at end of year</b>	<u>\$ 408,789</u>	<u>\$ 244,412</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ 349,353	\$ 8,916
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	95,184	83,117
Changes in assets and liabilities		
(Increase) decrease in other receivables	-	374
Increase (decrease) in accounts payable	5,029	(11,818)
Increase (decrease) in accrued expenses	6,319	7,950
Increase (decrease) in compensated absences	3,521	3,821
Total adjustments	<u>110,053</u>	<u>83,444</u>
<b>Net cash provided (used) by operating activities</b>	<u>\$ 459,406</u>	<u>\$ 92,360</u>

**COMMUNICATIONS FUND**

**CITY OF VICTORIA, TEXAS**

INTERNAL SERVICE FUND

COMMUNICATIONS FUND

BALANCE SHEET

September 30, 2009

With comparative totals for September 30, 2008

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	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 92,556	\$ 131,187
Receivables		
Other	<u>20,988</u>	<u>20,772</u>
Total current assets	<u>113,544</u>	<u>151,959</u>
Noncurrent assets		
Capital assets		
Buildings	25,779	25,779
Infrastructure	2,501	2,501
Machinery and equipment	<u>3,841,200</u>	<u>3,810,061</u>
Total capital assets	3,869,480	3,838,341
Less accumulated depreciation	<u>1,722,224</u>	<u>1,521,578</u>
Subtotal	2,147,256	2,316,763
Land	<u>39,168</u>	<u>39,168</u>
Net capital assets	<u>2,186,424</u>	<u>2,355,931</u>
<b>Total assets</b>	<u>2,299,968</u>	<u>2,507,890</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	2,755	4,028
Accrued expenses	3,519	3,943
Accrued compensated absences	3,344	3,344
Due to other funds	<u>3,493</u>	<u>928</u>
<b>Total liabilities</b>	<u>13,111</u>	<u>12,243</u>
<b>NET ASSETS</b>		
Invested in capital assets	2,186,424	2,355,931
Unrestricted net assets	<u>100,433</u>	<u>139,716</u>
<b>Total net assets</b>	<u>\$ 2,286,857</u>	<u>\$ 2,495,647</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, 2009

With comparative totals for the year ended September 30, 2008

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	<u>2009</u>	<u>2008</u>
<b>OPERATING REVENUES</b>		
Charges for services	\$ 231,162	\$ 339,454
<b>OPERATING EXPENSES</b>		
Personnel	142,008	133,010
Materials and supplies	2,724	40,507
Maintenance	15,176	22,090
Miscellaneous services	65,851	36,027
Computer services	14,202	10,915
Depreciation	<u>200,646</u>	<u>195,809</u>
<b>Total operating expenses</b>	<u>440,607</u>	<u>438,358</u>
Operating income (loss) before nonoperating revenues (expenses)	(209,445)	(98,904)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment income	<u>655</u>	<u>3,569</u>
Net nonoperating revenues (expenses)	<u>655</u>	<u>3,569</u>
Change in net assets	(208,790)	(95,335)
Total net assets at beginning of year	<u>2,495,647</u>	<u>2,590,982</u>
<b>Total net assets at end of year</b>	<u>\$ 2,286,857</u>	<u>\$ 2,495,647</u>

**CITY OF VICTORIA, TEXAS**

INTERNAL SERVICE FUND

COMMUNICATIONS FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2009

With comparative totals for the year ended September 30, 2008

	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from other funds	\$ 230,946	\$ 340,012
Cash paid to suppliers for goods and services	(99,226)	(106,033)
Cash paid to employees for services	(142,432)	(134,062)
<b>Net cash provided (used) by operating activities</b>	<u>(10,712)</u>	<u>99,917</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Borrowings from other funds	<u>2,565</u>	<u>583</u>
<b>Net cash provided (used) by noncapital financing activities</b>	<u>2,565</u>	<u>583</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	<u>(31,139)</u>	<u>(74,684)</u>
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(31,139)</u>	<u>(74,684)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment income	<u>655</u>	<u>3,569</u>
<b>Net cash provided (used) by investing activities</b>	<u>655</u>	<u>3,569</u>
Net increase (decrease) in cash and cash equivalents	(38,631)	29,385
Cash and cash equivalents at beginning of year	<u>131,187</u>	<u>101,802</u>
<b>Cash and cash equivalents at end of year</b>	<u><u>\$ 92,556</u></u>	<u><u>\$ 131,187</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ (209,445)	\$ (98,904)
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	200,646	195,809
Changes in assets and liabilities		
(Increase) decrease in other receivables	(216)	558
Increase (decrease) in accounts payable	(1,273)	3,506
Increase (decrease) in accrued expenses	(424)	(1,099)
Increase (decrease) in compensated absences	<u>-</u>	<u>47</u>
Total adjustments	<u>198,733</u>	<u>198,821</u>
<b>Net cash provided (used) by operating activities</b>	<u><u>\$ (10,712)</u></u>	<u><u>\$ 99,917</u></u>

**PURCHASING FUND**

**CITY OF VICTORIA, TEXAS**

INTERNAL SERVICE FUND

PURCHASING FUND

BALANCE SHEET

September 30, 2009

With comparative totals for September 30, 2008

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	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 238,460	\$ 276,130
Receivables		
Other	-	66
Inventory	<u>86,512</u>	<u>231,719</u>
Total current assets	<u>324,972</u>	<u>507,915</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>34,173</u>	<u>35,389</u>
Total capital assets	162,463	163,679
Less accumulated depreciation	<u>101,771</u>	<u>96,901</u>
Net capital assets	<u>60,692</u>	<u>66,778</u>
<b>Total assets</b>	<u>385,664</u>	<u>574,693</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	3,068	6,705
Accrued expenses	10,534	13,521
Accrued compensated absences	9,381	13,354
Due to other funds	<u>4,292</u>	<u>188</u>
<b>Total liabilities</b>	<u>27,275</u>	<u>33,768</u>
<b>NET ASSETS</b>		
Invested in capital assets	60,692	66,778
Unrestricted net assets	<u>297,697</u>	<u>474,147</u>
<b>Total net assets</b>	<u>\$ 358,389</u>	<u>\$ 540,925</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, 2009

With comparative totals for the year ended September 30, 2008

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	<u>2009</u>	<u>2008</u>
<b>OPERATING REVENUES</b>		
Charges for services	\$ 201,370	\$ 355,142
<b>OPERATING EXPENSES</b>		
Personnel	172,358	215,506
Materials and supplies	123,685	11,592
Maintenance	2,266	2,002
Heat, lights, and power	4,235	4,756
Miscellaneous services	18,974	13,269
Contractual services	8,580	1,560
Computer services	36,043	27,701
Depreciation	7,735	8,668
<b>Total operating expenses</b>	<u>373,876</u>	<u>285,054</u>
Operating income (loss) before nonoperating revenues (expenses)	(172,506)	70,088
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment income	224	2,965
Loss on disposition of capital assets	<u>(10,254)</u>	<u>-</u>
Net nonoperating revenues (expenses)	<u>(10,030)</u>	<u>2,965</u>
Change in net assets	(182,536)	73,053
Total net assets at beginning of year	<u>540,925</u>	<u>467,872</u>
<b>Total net assets at end of year</b>	<u>\$ 358,389</u>	<u>\$ 540,925</u>

**CITY OF VICTORIA, TEXAS**

INTERNAL SERVICE FUND

PURCHASING FUND

## STATEMENT OF CASH FLOWS

For the year ended September 30, 2009

With comparative totals for the year ended September 30, 2008

	<u>2009</u>	<u>2008</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from other funds	\$ 201,436	\$ 434,537
Cash paid to suppliers for goods and services	(62,467)	(54,226)
Cash paid to employees for services	<u>(179,318)</u>	<u>(213,626)</u>
<b>Net cash provided (used) by operating activities</b>	<u>(40,349)</u>	<u>166,685</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Borrowings from other funds	4,104	-
Repayments to other funds	<u>-</u>	<u>(243)</u>
<b>Net cash provided (used) by noncapital financing activities</b>	<u>4,104</u>	<u>(243)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	<u>(1,649)</u>	<u>(3,751)</u>
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(1,649)</u>	<u>(3,751)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment income	<u>224</u>	<u>2,965</u>
<b>Net cash provided (used) by investing activities</b>	<u>224</u>	<u>2,965</u>
Net increase (decrease) in cash and cash equivalents	(37,670)	165,656
Cash and cash equivalents at beginning of year	<u>276,130</u>	<u>110,474</u>
<b>Cash and cash equivalents at end of year</b>	<u><u>\$ 238,460</u></u>	<u><u>\$ 276,130</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ (172,506)	\$ 70,088
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	7,735	8,668
Changes in assets and liabilities		
(Increase) decrease in other receivables	66	627
(Increase) decrease in inventory	134,953	78,768
Increase (decrease) in accounts payable	(3,637)	6,654
Increase (decrease) in accrued expenses	(2,987)	1,782
Increase (decrease) in compensated absences	<u>(3,973)</u>	<u>98</u>
Total adjustments	<u>132,157</u>	<u>96,597</u>
<b>Net cash provided (used) by operating activities</b>	<u><u>\$ (40,349)</u></u>	<u><u>\$ 166,685</u></u>

**SAFETY MANAGEMENT FUND**

**CITY OF VICTORIA, TEXAS**  
*INTERNAL SERVICE FUND*  
*SAFETY MANAGEMENT FUND*  
**BALANCE SHEET**  
*September 30, 2009*  
*With comparative totals for September 30, 2008*

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 259,989	\$ 176,006
Total current assets	<u>259,989</u>	<u>176,006</u>
Noncurrent assets		
Capital assets		
Buildings	973	-
Machinery and equipment	<u>14,131</u>	<u>27,216</u>
Total capital assets	15,104	27,216
Less accumulated depreciation	<u>8,465</u>	<u>8,824</u>
Net capital assets	<u>6,639</u>	<u>18,392</u>
<b>Total assets</b>	<u>266,628</u>	<u>194,398</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	1,263	16,085
Accrued expenses	7,445	6,710
Accrued compensated absences	2,378	-
Due to other funds	<u>-</u>	<u>1,666</u>
<b>Total liabilities</b>	<u>11,086</u>	<u>24,461</u>
<b>NET ASSETS</b>		
Invested in capital assets	6,639	18,392
Unrestricted net assets	<u>248,903</u>	<u>151,545</u>
<b>Total net assets</b>	<u>\$ 255,542</u>	<u>\$ 169,937</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, 2009

With comparative totals for the year ended September 30, 2008

---

	<u>2009</u>	<u>2008</u>
<b>OPERATING REVENUES</b>		
Charges for services	\$ 512,525	\$ 512,525
Miscellaneous	<u>157,834</u>	<u>80,971</u>
<b>Total operating revenues</b>	<u>670,359</u>	<u>593,496</u>
<b>OPERATING EXPENSES</b>		
Personnel	102,459	93,262
Materials and supplies	5,014	6,256
Reinsurance premiums	415,180	418,544
Miscellaneous services	20,619	19,927
Contractual services	12,734	6,047
Computer services	14,202	10,915
Court costs, judgments, and damages	2,110	16,312
Depreciation	<u>4,479</u>	<u>3,085</u>
<b>Total operating expenses</b>	<u>576,797</u>	<u>574,348</u>
Operating income (loss) before nonoperating revenues (expenses)	93,562	19,148
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment income	290	4,318
Loss on disposition of capital assets	<u>(8,247)</u>	<u>-</u>
Net nonoperating revenues (expenses)	<u>(7,957)</u>	<u>4,318</u>
Change in net assets	85,605	23,466
Total net assets at beginning of year	<u>169,937</u>	<u>146,471</u>
<b>Total net assets at end of year</b>	<u>\$ 255,542</u>	<u>\$ 169,937</u>

**CITY OF VICTORIA, TEXAS**

INTERNAL SERVICE FUND

SAFETY MANAGEMENT FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2009

With comparative totals for the year ended September 30, 2008

	<u>2009</u>	<u>2008</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from other funds	\$ 670,359	\$ 594,122
Cash paid to suppliers for goods and services	(484,681)	(462,997)
Cash paid to employees for services	(99,346)	(90,172)
<b>Net cash provided (used) by operating activities</b>	<u>86,332</u>	<u>40,953</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Borrowings from other funds	-	1,407
Repayments to other funds	(1,666)	-
<b>Net cash provided (used) by noncapital financing activities</b>	<u>(1,666)</u>	<u>1,407</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(973)	(13,377)
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(973)</u>	<u>(13,377)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment income	290	4,318
<b>Net cash provided (used) by investing activities</b>	<u>290</u>	<u>4,318</u>
Net increase (decrease) in cash and cash equivalents	83,983	33,301
Cash and cash equivalents at beginning of year	176,006	142,705
<b>Cash and cash equivalents at end of year</b>	<u>\$ 259,989</u>	<u>\$ 176,006</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ 93,562	\$ 19,148
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	4,479	3,085
Changes in assets and liabilities		
(Increase) decrease in other receivables	-	626
Increase (decrease) in accounts payable	(14,822)	15,004
Increase (decrease) in accrued expenses	735	4,375
Increase (decrease) in compensated absences	2,378	(1,285)
Total adjustments	<u>(7,230)</u>	<u>21,805</u>
<b>Net cash provided (used) by operating activities</b>	<u>\$ 86,332</u>	<u>\$ 40,953</u>

**WORKERS' COMPENSATION FUND**

**CITY OF VICTORIA, TEXAS**  
*INTERNAL SERVICE FUND*  
*WORKERS' COMPENSATION FUND*  
**BALANCE SHEET**  
*September 30, 2009*  
*With comparative totals for September 30, 2008*

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 432,849	\$ 1,132,633
Restricted assets		
Cash and cash equivalents	<u>35,000</u>	<u>23,000</u>
<b>Total assets</b>	<u>467,849</u>	<u>1,155,633</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	50,809	27,283
Claims payable	<u>82,387</u>	<u>151,785</u>
<b>Total liabilities</b>	<u>133,196</u>	<u>179,068</u>
<b>NET ASSETS</b>		
Unrestricted net assets	<u>334,653</u>	<u>976,565</u>
<b>Total net assets</b>	<u>\$ 334,653</u>	<u>\$ 976,565</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, 2009

With comparative totals for the year ended September 30, 2008

---

	<u>2009</u>	<u>2008</u>
<b>OPERATING REVENUES</b>		
Charges for services	\$ 371,139	\$ 619,680
Miscellaneous	<u>18,586</u>	<u>-</u>
<b>Total operating revenues</b>	<u>389,725</u>	<u>619,680</u>
<b>OPERATING EXPENSES</b>		
Contractual services	-	11,032
Claims expense	258,219	276,084
Wellness program	<u>39,324</u>	<u>-</u>
<b>Total operating expenses</b>	<u>297,543</u>	<u>287,116</u>
Operating income (loss) before nonoperating revenues (expenses) and transfers	92,182	332,564
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment income	<u>5,906</u>	<u>26,213</u>
Income (loss) before transfers	98,088	358,777
Transfers		
Transfers out	<u>(740,000)</u>	<u>-</u>
Change in net assets	(641,912)	358,777
Total net assets at beginning of year	<u>976,565</u>	<u>617,788</u>
<b>Total net assets at end of year</b>	<u>\$ 334,653</u>	<u>\$ 976,565</u>

**CITY OF VICTORIA, TEXAS**

INTERNAL SERVICE FUND

WORKERS' COMPENSATION FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2009

With comparative totals for the year ended September 30, 2008

---

	<u>2009</u>	<u>2008</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from other funds	\$ 389,725	\$ 620,512
Cash paid to suppliers for goods and services	<u>(343,415)</u>	<u>(306,959)</u>
<b>Net cash provided (used) by operating activities</b>	<u>46,310</u>	<u>313,553</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers out to other funds	<u>(740,000)</u>	<u>-</u>
<b>Net cash provided (used) by noncapital financing activities</b>	<u>(740,000)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment income	<u>5,906</u>	<u>26,213</u>
<b>Net cash provided (used) by investing activities</b>	<u>5,906</u>	<u>26,213</u>
Net increase (decrease) in cash and cash equivalents	(687,784)	339,766
Cash and cash equivalents at beginning of year	<u>1,155,633</u>	<u>815,867</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 467,849</u>	<u>\$ 1,155,633</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ 92,182	\$ 332,564
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Changes in assets and liabilities		
(Increase) decrease in other receivables	-	832
Increase (decrease) in accounts payable	23,526	18,454
Increase (decrease) in claims payable	<u>(69,398)</u>	<u>(38,297)</u>
Total adjustments	<u>(45,872)</u>	<u>(19,011)</u>
<b>Net cash provided (used) by operating activities</b>	<u>\$ 46,310</u>	<u>\$ 313,553</u>

**PRINT SHOP FUND**

**CITY OF VICTORIA, TEXAS**  
*INTERNAL SERVICE FUND*  
*PRINT SHOP FUND*  
**BALANCE SHEET**  
*September 30, 2009*  
*With comparative totals for September 30, 2008*

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 72,562	\$ 42,229
Receivables		
Other	1,062	1,868
Inventory	<u>20,978</u>	<u>21,280</u>
Total current assets	<u>94,602</u>	<u>65,377</u>
Noncurrent assets		
Capital assets		
Machinery and equipment	82,560	74,965
Less accumulated depreciation	<u>65,557</u>	<u>61,726</u>
Net capital assets	<u>17,003</u>	<u>13,239</u>
<b>Total assets</b>	<u>111,605</u>	<u>78,616</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	4,571	8
Accrued expenses	6,292	5,688
Accrued compensated absences	3,746	3,841
Due to other funds	<u>252</u>	<u>94</u>
<b>Total liabilities</b>	<u>14,861</u>	<u>9,631</u>
<b>NET ASSETS</b>		
Invested in capital assets	17,003	13,239
Unrestricted net assets	<u>79,741</u>	<u>55,746</u>
<b>Total net assets</b>	<u>\$ 96,744</u>	<u>\$ 68,985</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, 2009

With comparative totals for the year ended September 30, 2008

---

	<u>2009</u>	<u>2008</u>
<b>OPERATING REVENUES</b>		
Charges for services	\$ 171,835	\$ 110,667
<b>OPERATING EXPENSES</b>		
Personnel	91,420	91,006
Materials and supplies	9,790	9,384
Maintenance	5,466	6,663
Miscellaneous services	26,659	20,963
Computer services	6,929	5,325
Depreciation	<u>3,831</u>	<u>3,700</u>
<b>Total operating expenses</b>	<u>144,095</u>	<u>137,041</u>
Operating income (loss) before nonoperating revenues (expenses)	27,740	(26,374)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment income	<u>19</u>	<u>869</u>
Change in net assets	27,759	(25,505)
Total net assets at beginning of year	<u>68,985</u>	<u>94,490</u>
<b>Total net assets at end of year</b>	<u>\$ 96,744</u>	<u>\$ 68,985</u>

**CITY OF VICTORIA, TEXAS**

INTERNAL SERVICE FUND

PRINT SHOP FUND

**STATEMENT OF CASH FLOWS**

For the year ended September 30, 2009

With comparative totals for the year ended September 30, 2008

	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from other funds	\$ 172,641	\$ 115,263
Cash paid to suppliers for goods and services	(43,979)	(35,889)
Cash paid to employees for services	(90,911)	(91,187)
<b>Net cash provided (used) by operating activities</b>	<u>37,751</u>	<u>(11,813)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Borrowings from other funds	158	-
Repayments to other funds	-	(243)
<b>Net cash provided (used) by noncapital financing activities</b>	<u>158</u>	<u>(243)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(7,595)	(1,858)
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(7,595)</u>	<u>(1,858)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment income	19	869
<b>Net cash provided (used) by investing activities</b>	<u>19</u>	<u>869</u>
Net increase (decrease) in cash and cash equivalents	30,333	(13,045)
Cash and cash equivalents at beginning of year	42,229	55,274
<b>Cash and cash equivalents at end of year</b>	<u>\$ 72,562</u>	<u>\$ 42,229</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ 27,740	\$ (26,374)
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	3,831	3,700
Changes in assets and liabilities		
(Increase) decrease in other receivables	806	1,947
(Increase) decrease in due from other funds	-	2,649
(Increase) decrease in inventory	302	8,112
Increase (decrease) in accounts payable	4,563	(1,666)
Increase (decrease) in accrued expenses	604	761
Increase (decrease) in compensated absences	(95)	(942)
Total adjustments	<u>10,011</u>	<u>14,561</u>
<b>Net cash provided (used) by operating activities</b>	<u>\$ 37,751</u>	<u>\$ (11,813)</u>

**EMPLOYEE HEALTH PLAN FUND**

**CITY OF VICTORIA, TEXAS**  
*INTERNAL SERVICE FUND*  
*EMPLOYEE HEALTH PLAN FUND*  
**BALANCE SHEET**  
*September 30, 2009*  
*With comparative totals for September 30, 2008*

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 5,665,783	\$ 3,972,545
Receivables		
Other	50,132	51,676
Due from other funds	<u>286,571</u>	<u>303,424</u>
<b>Total assets</b>	<u>6,002,486</u>	<u>4,327,645</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	1,363	10,517
Claims payable	<u>606,154</u>	<u>508,075</u>
<b>Total liabilities</b>	<u>607,517</u>	<u>518,592</u>
<b>NET ASSETS</b>		
Unrestricted net assets	<u>5,394,969</u>	<u>3,809,053</u>
<b>Total net assets</b>	<u>\$ 5,394,969</u>	<u>\$ 3,809,053</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, 2009

With comparative totals for year ended September 30, 2008

---

	<u>2009</u>	<u>2008</u>
<b>OPERATING REVENUES</b>		
Charges for services	\$ 5,908,984	\$ 5,553,206
Miscellaneous	<u>46,572</u>	<u>18,093</u>
<b>Total operating revenues</b>	<u>5,955,556</u>	<u>5,571,299</u>
<b>OPERATING EXPENSES</b>		
Reinsurance premiums	236,833	264,897
Miscellaneous services	-	82
Contractual services	257,100	256,869
Claims expense	3,896,153	3,561,021
Wellness program	<u>18,183</u>	<u>16,753</u>
<b>Total operating expenses</b>	<u>4,408,269</u>	<u>4,099,622</u>
Operating income (loss) before nonoperating revenues (expenses)	1,547,287	1,471,677
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment income	<u>38,629</u>	<u>103,045</u>
Net nonoperating revenues (expenses)	<u>38,629</u>	<u>103,045</u>
Change in net assets	1,585,916	1,574,722
Total net assets at beginning of year	<u>3,809,053</u>	<u>2,234,331</u>
<b>Total net assets at end of year</b>	<u>\$ 5,394,969</u>	<u>\$ 3,809,053</u>

**CITY OF VICTORIA, TEXAS**

INTERNAL SERVICE FUND

EMPLOYEE HEALTH PLAN FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2009

With comparative totals for the year ended September 30, 2008

---

	<u>2009</u>	<u>2008</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from other funds	\$ 5,973,953	\$ 5,580,640
Cash paid to suppliers for goods and services	<u>(4,319,344)</u>	<u>(3,934,713)</u>
<b>Net cash provided (used) by operating activities</b>	<u>1,654,609</u>	<u>1,645,927</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment income	<u>38,629</u>	<u>103,045</u>
<b>Net cash provided (used) by investing activities</b>	<u>38,629</u>	<u>103,045</u>
Net increase (decrease) in cash and cash equivalents	1,693,238	1,748,972
Cash and cash equivalents at beginning of year	<u>3,972,545</u>	<u>2,223,573</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 5,665,783</u>	<u>\$ 3,972,545</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ 1,547,287	\$ 1,471,677
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Changes in assets and liabilities		
(Increase) decrease in other receivables	1,544	(3,497)
(Increase) decrease in due from other funds	16,853	12,838
Increase (decrease) in accounts payable	(9,154)	9,092
Increase (decrease) in claims payable	<u>98,079</u>	<u>155,817</u>
Total adjustments	<u>107,322</u>	<u>174,250</u>
<b>Net cash provided (used) by operating activities</b>	<u>\$ 1,654,609</u>	<u>\$ 1,645,927</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, 2009*

---

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
<b>AGENCY FUND</b>				
Assets				
Cash and cash equivalents	\$ 371,246	\$ 85,587	\$ 114,751	\$ 342,082
Receivables (net)				
Other	<u>500</u>	<u>-</u>	<u>500</u>	<u>-</u>
Total assets	<u>\$ 371,746</u>	<u>\$ 85,587</u>	<u>\$ 115,251</u>	<u>\$ 342,082</u>
Liabilities				
Accounts payable	\$ 190	\$ 85,049	\$ 84,663	\$ 576
Due to other agencies	<u>371,556</u>	<u>85,147</u>	<u>115,197</u>	<u>341,506</u>
Total liabilities	<u>\$ 371,746</u>	<u>\$ 170,196</u>	<u>\$ 199,860</u>	<u>\$ 342,082</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.

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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 .....	185
<b>Debt Capacity</b>	
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**CITY OF VICTORIA, TEXAS**  
**NET ASSETS BY COMPONENT (1)**  
*Last seven 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.

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Fiscal Year		
2007	2008	2009
\$ 81,674,543	\$ 90,954,312	\$ 103,076,382
1,696,525	1,838,427	1,699,737
<u>22,718,779</u>	<u>24,267,168</u>	<u>26,154,439</u>
<u>\$ 106,089,847</u>	<u>\$ 117,059,907</u>	<u>\$ 130,930,558</u>
\$ 33,129,491	\$ 37,957,306	\$ 37,535,371
<u>12,929,543</u>	<u>12,557,448</u>	<u>16,284,572</u>
<u>\$ 46,059,034</u>	<u>\$ 50,514,754</u>	<u>\$ 53,819,943</u>
\$ 114,804,034	\$ 128,911,618	\$ 140,611,753
1,696,525	1,838,427	1,699,737
<u>35,648,322</u>	<u>36,824,616</u>	<u>42,439,011</u>
<u>\$ 152,148,881</u>	<u>\$ 167,574,661</u>	<u>\$ 184,750,501</u>

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

	Fiscal Year			
	2003	2004	2005	2006
<b>Governmental activities</b>				
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>
<b>Total governmental activities change in net assets</b>	<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	2009
\$ 6,309,381	\$ 6,931,856	\$ 7,644,809
21,011,764	21,735,079	23,007,338
6,536,201	7,823,283	7,914,392
4,567,261	5,103,708	5,127,406
<u>3,045,176</u>	<u>3,292,118</u>	<u>3,200,423</u>
<u>41,469,783</u>	<u>44,886,044</u>	<u>46,894,368</u>
1,500,177	1,984,766	2,559,383
3,462,799	5,061,946	3,830,282
1,764	-	-
1,291,701	199,493	300,970
1,483,014	1,782,897	1,802,260
<u>205,606</u>	<u>4,000,000</u>	<u>10,424,447</u>
<u>7,945,061</u>	<u>13,029,102</u>	<u>18,917,342</u>
(33,524,722)	(31,856,942)	(27,977,026)
17,365,758	18,731,119	19,676,691
13,028,689	13,545,220	13,046,352
4,887,453	4,678,027	4,657,347
1,127,701	1,306,496	1,127,564
2,333,774	2,062,275	958,698
(153,537)	-	-
987,575	577,458	715,111
-	-	-
<u>6,290,847</u>	<u>1,674,251</u>	<u>1,665,914</u>
<u>45,868,260</u>	<u>42,574,846</u>	<u>41,847,677</u>
<u>\$ 12,343,538</u>	<u>\$ 10,717,904</u>	<u>\$ 13,870,651</u>

(continued)

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

	Fiscal Year			
	2003	2004	2005	2006
<b>Business-type activities</b>				
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	<u>19,855,195</u>	<u>20,150,273</u>	<u>20,970,835</u>	<u>21,641,417</u>
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
Operating grants and contributions	-	-	-	-
Capital grants and contributions	2,724,564	430,569	214,564	2,722,436
Total program revenues	<u>23,947,248</u>	<u>21,746,057</u>	<u>23,064,783</u>	<u>26,803,768</u>
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	<u>(2,419,022)</u>	<u>(2,357,687)</u>	<u>(2,158,600)</u>	<u>(1,524,341)</u>
<b>Total business-type activities change in net assets</b>	<u>\$ 1,673,031</u>	<u>\$ (761,903)</u>	<u>\$ (64,652)</u>	<u>\$ 3,638,010</u>
<b>Total primary government change in net assets</b>	<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		
2007	2008	2009
\$ 17,796,972	\$ 18,715,248	\$ 19,175,705
3,910,749	5,024,014	3,790,348
644,320	884,680	790,005
<u>22,352,041</u>	<u>24,623,942</u>	<u>23,756,058</u>
19,097,742	20,997,411	22,889,967
4,319,074	6,726,226	4,245,528
346,655	480,797	564,531
-	-	54,826
<u>774,028</u>	<u>1,800,876</u>	<u>705,899</u>
<u>24,537,499</u>	<u>30,005,310</u>	<u>28,460,751</u>
2,185,458	5,381,368	4,704,693
812,815	748,603	266,410
(194,343)	-	-
136,395	-	-
<u>(6,290,847)</u>	<u>(1,674,251)</u>	<u>(1,665,914)</u>
<u>(5,535,980)</u>	<u>(925,648)</u>	<u>(1,399,504)</u>
<u>\$ (3,350,522)</u>	<u>\$ 4,455,720</u>	<u>\$ 3,305,189</u>
<u>\$ 8,993,016</u>	<u>\$ 15,173,624</u>	<u>\$ 17,175,840</u>

(concluded)

**CITY OF VICTORIA, TEXAS**

*PROGRAM REVENUES BY FUNCTION/PROGRAM (1)*

*Last seven fiscal years*

Function/Program	Fiscal Year			
	2003	2004	2005	2006
<b>Governmental activities</b>				
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
<b>Subtotal governmental activities</b>	<u>9,264,400</u>	<u>8,658,187</u>	<u>9,046,508</u>	<u>11,548,920</u>
<b>Business-type activities</b>				
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	-	-	-	-
<b>Subtotal business-type activities</b>	<u>23,947,248</u>	<u>21,746,057</u>	<u>23,064,783</u>	<u>26,803,768</u>
<b>Total primary government</b>	<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		
2007	2008	2009
\$ 2,599,379	\$ 4,342,863	\$ 3,959,110
1,819,087	548,526	562,958
338,684	2,125,551	1,498,958
1,450,870	1,448,287	1,997,342
232,401	339,910	140,475
161,801	4,000,000	10,410,473
33,906	136,490	144,192
1,183,038	86,475	79,009
125,895	1,000	124,825
<u>7,945,061</u>	<u>13,029,102</u>	<u>18,917,342</u>
19,855,925	22,798,287	23,595,866
4,319,074	6,726,226	4,245,528
230,517	224,297	267,761
131,983	247,701	351,596
-	8,799	-
<u>24,537,499</u>	<u>30,005,310</u>	<u>28,460,751</u>
<u>\$ 32,482,560</u>	<u>\$ 43,034,412</u>	<u>\$ 47,378,093</u>

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

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	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
Reserved for inventory	-	-	-	-
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

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Fiscal Year		
<u>2007</u>	<u>2008</u>	<u>2009</u>
\$ 2,841,648	\$ 3,790,753	\$ 2,007,737
-	252,156	280,174
<u>12,041,754</u>	<u>11,055,775</u>	<u>13,079,658</u>
<u>\$ 14,883,402</u>	<u>\$ 15,098,684</u>	<u>\$ 15,367,569</u>
\$ 22,936,937	\$ 10,449,047	\$ 1,869,318
782,553	786,064	753,475
933,505	1,185,901	1,197,665
<u>2,858,366</u>	<u>11,722,400</u>	<u>12,370,240</u>
<u>\$ 27,511,361</u>	<u>\$ 24,143,412</u>	<u>\$ 16,190,698</u>

**CITY OF VICTORIA, TEXAS**

*CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (1)*

*Last seven fiscal years*

	Fiscal Year			
	2003	2004	2005	2006
<b>Revenues</b>				
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
<b>Total revenues</b>	<b>39,367,396</b>	<b>37,733,940</b>	<b>41,371,426</b>	<b>47,523,232</b>
<b>Expenditures</b>				
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
Paying agents' fees and issue costs	115,759	-	710,900	179,670
<b>Total expenditures</b>	<b>52,936,096</b>	<b>50,714,794</b>	<b>49,712,012</b>	<b>54,189,353</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(13,568,700)</b>	<b>(12,980,854)</b>	<b>(8,340,586)</b>	<b>(6,666,121)</b>
<b>Other financing sources (uses)</b>				
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)	-	-
<b>Total other financing sources (uses)</b>	<b>11,918,495</b>	<b>2,728,044</b>	<b>17,078,618</b>	<b>12,183,197</b>
<b>Change in fund balances</b>	<b>\$ (1,650,205)</b>	<b>\$ (10,252,810)</b>	<b>\$ 8,738,032</b>	<b>\$ 5,517,076</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b><u>14.42%</u></b>	<b><u>15.53%</u></b>	<b><u>14.75%</u></b>	<b><u>14.77%</u></b>

(1) Modified accrual basis of accounting

Fiscal Year		
2007	2008	2009
\$ 36,551,459	\$ 38,384,785	\$ 38,607,055
727,532	787,190	654,842
3,325,215	4,411,652	4,127,236
1,697,048	1,764,291	2,020,751
1,413,887	1,254,294	1,025,175
2,436,372	1,852,377	821,060
757,739	4,559,666	10,580,086
<u>46,909,252</u>	<u>53,014,255</u>	<u>57,836,205</u>
5,634,109	6,162,416	7,079,966
21,705,108	25,752,199	25,516,863
4,882,077	4,961,785	6,319,245
4,825,620	5,952,544	5,758,754
11,154,436	18,826,980	16,355,509
3,150,000	3,325,000	3,805,000
2,824,445	3,117,121	3,057,924
23,900	185,803	32,687
<u>54,199,695</u>	<u>68,283,848</u>	<u>67,925,948</u>
(7,290,443)	(15,269,593)	(10,089,743)
-	9,995,000	-
-	195,519	-
-	-	-
6,902,090	2,641,257	5,691,053
(611,243)	(967,006)	(3,285,139)
-	-	-
-	-	-
<u>6,290,847</u>	<u>11,864,770</u>	<u>2,405,914</u>
<u>\$ (999,596)</u>	<u>\$ (3,404,823)</u>	<u>\$ (7,683,829)</u>
<u>15.13%</u>	<u>14.85%</u>	<u>14.83%</u>

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

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<u>Fiscal Year</u>	<u>Ad Valorem</u>	<u>Penalty and Interest</u>	<u>Franchise</u>	<u>Sales</u>	<u>Occupancy</u>
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
2009	19,580,715	220,077	4,657,347	13,046,352	1,028,055
Change 2000-2009	47.71%	-5.07%	16.83%	44.84%	40.31%

(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.

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<u>Other</u>	<u>Total</u>
\$ 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
74,509	38,607,055
59.56%	41.62%

**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
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
2009	2008	1,878,059,843	930,825,391	36,730,573	549,504,380	71,865,400

(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

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<u>Less:</u> Tax Exempt Real Property	<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>
\$ 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%
437,252,028	3,029,733,559	0.650	3,029,733,559	100.00%

**CITY OF VICTORIA, TEXAS**

*DIRECT AND OVERLAPPING PROPERTY TAX RATES*

*PER \$100 OF ASSESSED VALUE*

*Last ten fiscal years*

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<u>Fiscal Year</u>	<u>City Direct Rates</u>			<u>Overlapping Rates</u>		
	<u>Debt Service</u>	<u>General Fund</u>	<u>Total</u>	<u>School District</u>	<u>Junior College</u>	<u>Navigation District</u>
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
2009	0.2541	0.3959	0.6500	1.3094	0.1445	0.0314

SOURCE: Victoria County Appraisal District

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Overlapping Rates				
Victoria County	Road and Bridge	Ground Water District		Total
\$ 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
0.3436	0.0550	0.0098		1.8937

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

2009		
Taxpayer	Taxable Assessed Valuation	Percentage of Total City Taxable Assessed Valuation
AEP Texas Central Co.	\$ 30,117,000	0.99%
Victoria Hospital, L.L.C.	23,496,570	0.78%
Berry Plastics Corporation	19,184,240	0.63%
James A. Wayne	18,627,460	0.61%
HEB Grocery Company	18,343,910	0.61%
Wireline Division of STC	18,252,280	0.60%
VRMC Limited Partnership	18,134,950	0.60%
HS Victoria, L.P.	16,262,530	0.54%
H.E.B. Grocery Company, L.P.	15,470,810	0.51%
Berry Plastics Corporation	<u>14,625,500</u>	<u>0.48%</u>
	<u>\$ 192,515,250</u>	<u>6.35%</u>

2000		
Taxpayer	Taxable Assessed Valuation	Percentage of Total City Taxable Assessed Valuation
Central Power & Light	\$ 43,227,310	2.28%
Carlisle Plastics, Inc.	24,909,500	1.31%
MRO Commercial, Inc.	23,952,590	1.26%
Southwestern Bell Telephone Co.	23,307,260	1.23%
Victoria Hospital, L.L.C.	19,727,390	1.04%
VRMC Limited Partnership	14,757,670	0.78%
James A. Wayne	10,310,140	0.54%
H.E.B. Grocery	9,481,190	0.50%
VTK, Ltd. (K-Mart)	9,375,160	0.49%
First Victoria National Bank	<u>8,755,955</u>	<u>0.46%</u>
	<u>\$ 187,804,165</u>	<u>9.89%</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>Adjustments</u>	<u>Total Adjusted Levy</u>	<u>Collections within the Fiscal Year of the Levy</u>	
				<u>Amount</u>	<u>Percentage of Levy</u>
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	(45,186)	14,593,004	14,308,999	98.05%
2004	14,831,821	(24,874)	14,806,947	14,489,718	97.86%
2005	15,641,785	344,074	15,985,859	15,301,130	95.72%
2006	16,142,704	(27,426)	16,115,278	15,844,174	98.32%
2007	17,294,507	84,253	17,378,760	17,050,006	98.11%
2008	18,725,721	(1,197)	18,724,524	18,369,725	98.11%
2009	19,693,268	(73,792)	19,619,476	19,271,874	98.23%

SOURCE: City of Victoria  
Victoria County Tax Assessor/Collector

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Collections in Subsequent Years	Total Collections to Date	
	Amount	Percentage of Levy
\$ 251,966	\$ 13,219,821	99.74%
220,923	13,641,045	99.79%
294,602	14,019,300	99.77%
248,006	14,557,005	99.75%
263,339	14,753,057	99.64%
626,595	15,927,725	99.64%
204,458	16,048,632	99.59%
226,217	17,276,223	99.41%
173,248	18,542,973	99.03%
-	19,271,874	98.23%

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

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<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>
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
2009	3,912,063,000	3,317,566,000	594,497,000	15.20%	2,204,000,000

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

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Total Direct Rate for 3/4" Meter			
Water		Sewer	
Base Rate	Usage Rate	Base Rate	Usage Rate
\$ 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	2.12
17.09	1.67	21.41	2.22

**CITY OF VICTORIA, TEXAS**

**WATER AND SEWER RATES**

*Last ten fiscal years*

	Fiscal Year			
	2000	2001	2002	2003
<b>Water Rates (per 2,000 gallons)</b>				
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
<b>Water usage rate (1,000 gallons increments)</b>				
3-7	1.45	1.45	1.45	1.45
8-18	1.60	1.60	1.60	1.60
>18	1.75	-	-	-
19-50	-	1.90	1.90	1.90
51-75	-	-	-	-
>51	-	2.05	2.05	2.05
76-100	-	-	-	-
>100	-	-	-	-
<b>Sewer Rates (per 2,000 gallons)</b>				
¾"	15.55	16.95	18.48	18.48
1"	38.81	42.30	46.11	46.11
1½"	77.61	84.59	92.20	92.20
2"	124.34	135.53	147.73	147.73
3"	248.67	271.05	295.44	295.44
4"	388.66	423.64	461.77	461.77
6"	777.31	847.27	923.52	923.52
8"	1,833.28	1,998.28	2,178.13	2,178.13
10"	3,886.54	4,236.33	4,617.60	4,617.60
<b>Sewer usage rate (1,000 gallons increments)</b>				
>2	1.74	1.90	2.07	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						
2004	2005	2006	2007	2008	2009	
\$ 12.93	\$ 14.43	\$ 14.43	\$ 15.01	\$ 16.73	\$ 17.09	
28.57	36.08	36.08	37.53	41.84	42.73	
54.64	72.15	72.15	75.05	83.66	85.45	
85.87	115.44	115.44	120.08	133.86	136.73	
169.24	230.88	230.88	240.17	267.73	273.45	
263.19	360.75	360.75	375.25	418.31	427.26	
523.87	523.87	721.50	750.50	836.62	854.51	
1,232.15	1,232.15	2,308.80	2,401.60	2,677.17	2,734.43	
2,609.34	2,609.34	2,609.34	3,752.50	4,183.08	4,272.55	
1.45	1.52	1.52	1.52	1.57	1.67	
1.60	1.68	1.68	1.68	1.73	1.83	
-	-	-	-	-	-	
1.90	2.00	2.00	2.00	2.05	2.15	
-	2.25	2.25	2.25	2.30	2.40	
2.05	-	-	-	-	-	
-	2.40	2.40	2.40	2.45	2.55	
-	2.55	2.55	2.55	2.60	2.70	
18.48	18.48	18.48	19.16	21.03	21.41	
46.11	46.20	46.20	47.90	52.57	53.54	
92.20	92.40	92.40	95.80	105.14	107.10	
147.73	147.84	147.84	153.28	168.22	171.34	
295.44	295.68	295.68	306.56	336.44	342.69	
461.77	462.00	462.00	479.00	525.69	535.45	
923.52	923.52	924.00	958.00	1,051.37	1,070.89	
2,178.13	2,178.13	2,956.80	3,065.60	3,364.39	3,426.86	
4,617.60	4,617.60	4,617.60	4,790.00	5,256.86	5,354.47	
2.07	-	-	-	-	-	
-	2.07	2.07	2.07	2.12	2.22	
-	2.12	2.12	2.12	2.17	2.27	
-	2.17	2.17	2.17	2.22	2.32	
-	2.22	2.22	2.22	2.27	2.37	
-	2.37	2.37	2.37	2.42	2.52	
-	2.52	2.52	2.52	2.57	2.67	

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

2009			
<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	45,489	1.16%
Detar Hospital	Hospital	21,691	0.55%
Victoria County Jail	Government	17,230	0.44%
Creekstone	Apartment Complex	16,780	0.43%
Autumn Park	Apartment Complex	14,909	0.38%
VISD Stroman	School	14,491	0.37%
VISD Memorial	School	13,536	0.35%
Victoria County Airport	Government	13,386	0.34%
Twin Pines	Business	13,212	0.34%
Sage Creek	Apartment Complex	13,184	0.34%
2000			
<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	51,845	1.36%
City Park Zoological	Zoo	26,822	0.70%
Detar Hospital	Hospital	25,992	0.68%
Victoria County Judge	County Jail	18,846	0.49%
MBA-Marbrisa Apartments	Apartment Complex	17,643	0.46%
Twin Pines Nursing Home	Nursing Home	12,212	0.32%
Victoria Manor Apartments	Apartment Complex	11,494	0.30%
Franklin Realty Group	Apartment Complex	11,179	0.29%
Detar Regional Health Care Sys.	Medical	10,321	0.27%
Carlisle Plastics	Industrial	9,985	0.26%

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			
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	6.24%	2,192
2008	38,880,000	33,720,000	66,975,000	139,575,000	N/A	2,232
2009	62,900,000	32,225,000	70,130,000	165,255,000	N/A	2,643

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*

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<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>		
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
2009	36,570,000	32,225,000	68,795,000	1,197,665	67,597,335

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

SOURCE: City of Victoria

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<u>Percentage of Actual Taxable Value of Property</u>	<u>Per Capita</u>
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
2.23%	1,081



**CITY OF VICTORIA, TEXAS***DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**(UNAUDITED)**September 30, 2009*

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	<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	9/30/2009	<u>\$ 95,125,000</u>	100.00%	<u>\$ 95,125,000</u>
Overlapping Debt:				
Victoria County	9/30/2009	5,000,000	59.77%	2,988,500
Victoria County Junior College District	9/30/2009	15,895,000	59.75%	9,497,263
Victoria County Navigation District	9/30/2009	1,630,000	53.01%	864,063
Victoria Independent School District	9/30/2009	<u>181,446,036</u>	61.86%	<u>112,242,518</u>
Total Overlapping Debt		<u>203,971,036</u>		<u>125,592,343</u>
Total		<u>\$ 299,096,036</u>		<u>\$ 220,717,343</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				
	2000	2001	2002	2003	2004
Debt limit	\$ 94,924,999	\$ 98,187,758	\$ 100,655,464	\$ 104,558,503	\$ 105,941,582
Total net debt applicable to limit	<u>23,964,758</u>	<u>51,258,435</u>	<u>48,685,725</u>	<u>51,098,653</u>	<u>48,335,110</u>
Legal debt margin	<u>\$ 70,960,241</u>	<u>\$ 46,929,323</u>	<u>\$ 51,969,739</u>	<u>\$ 53,459,850</u>	<u>\$ 57,606,472</u>
Total net debt applicable to the limit as a percentage of debt limit	25.25%	52.20%	48.37%	48.87%	45.62%

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				
2005	2006	2007	2008	2009
\$ 113,346,267	\$ 116,976,114	\$ 125,322,513	\$ 138,709,044	\$ 151,486,678
<u>61,496,614</u>	<u>68,278,811</u>	<u>64,996,495</u>	<u>71,414,099</u>	<u>67,597,335</u>
<u>\$ 51,849,653</u>	<u>\$ 48,697,303</u>	<u>\$ 60,326,018</u>	<u>\$ 67,294,945</u>	<u>\$ 83,889,343</u>
54.26%	58.37%	51.86%	51.48%	44.62%

Legal Debt Margin Calculation for Fiscal Year 2009

Assessed value	\$ 3,029,733,559
Debt limit	151,486,678
Debt applicable to limit	
General obligation bonds	68,795,000
Less: Debt Service Fund Balance	<u>1,197,665</u>
Total amount of debt applicable to debt limit	<u>67,597,335</u>
Legal debt margin	<u>\$ 83,889,343</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
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
2009	23,050,718	12,464,818	10,585,900	3,579,428

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

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Water and Sewer Revenue Bonds

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Subordinate Bonds			
Average Debt			
Service		Priority Bonds	Subordinate Bonds
Requirements		Coverage	Coverage
\$	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
	2,038,850	2.96	2.73

**CITY OF VICTORIA, TEXAS***DEMOGRAPHIC AND ECONOMIC STATISTICS**(UNAUDITED)**Last ten fiscal years*

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<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>
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	2,183,463	35,121	13,752	3.5%
2008	62,530	N/A	N/A	13,610	3.6%
2009	62,530	N/A	N/A	13,786	5.9%

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 2008 and 2009 is not yet available.  
(3) Victoria Independent School District as of October 1, 2009  
(4) U.S. Department of Labor

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


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2009

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<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total Area Employment</u>
Victoria Independent School District	2,128	5.00%
Formosa Plastics	1,530	3.60%
Citizens Medical Center	1,334	3.14%
The Inteplast Group	1,300	3.06%
DeTar Helathcare System	986	2.32%
Calhoun Independent School District	650	1.53%
H.E.B.	636	1.50%
County of Victoria	620	1.46%
Dow-Seadrift Operations	607	1.43%
City of Victoria	<u>605</u>	<u>1.42%</u>
	<u>10,396</u>	<u>24.45%</u>

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2000

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<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total Area Employment</u>
Victoria Independent School District	2,367	5.64%
The Inteplast Group	1,700	4.05%
Formosa Plastics	1,500	3.57%
Citizens Medical Center	1,280	3.05%
Koch-Invista	1,150	2.74%
Dow-Seadrift Operations	1,050	2.50%
Alcoa	965	2.30%
DeTar Healthcare System	925	2.20%
City of Victoria	610	1.45%
Calhoun Independent School District	<u>608</u>	<u>1.45%</u>
	<u>12,155</u>	<u>28.94%</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			
	2000	2001	2002	2003
General government				
City manager	10	10	10	10
Legal	4	4	4	5.5
Financial	7	7	7	7
Municipal court	6	6	7	6.5
Human resources	6	6	6	6
Planning	8	10	10	10
Building services	14	14	12	12
City secretary	3	3	3	3
Public safety				
Police	144	142	143	143
Fire	110	110	109	109
Inspections	12	12	14	13
Code enforcement	-	-	-	-
Traffic control	10	9	9	9
Highways and streets				
Engineering	15	14	14	14
Streets and drainage	36	36	34	34
Culture and recreation				
Parks and recreation	30	31	34	34
Public library	25	25	28	29
Water/wastewater	73	76	76	77
Community center	5	6	6	6
Environmental services	43	43	44	44
Vehicle and equipment services	22	21	20	1
Information technology	9	7	7	8
Communications	2	3	3	2
Purchasing	5	5	5	4
Safety management	2	2	2	2
Print shop	2	2	2	2
<b>Total</b>	<u>603</u>	<u>604</u>	<u>609</u>	<u>591</u>

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>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
10	10	10	11	11	12
5.5	5.5	5.5	5.5	5.5	5.5
7	7	7	7	7	7
6.5	6.5	5.5	5.5	5.5	5.5
6	6	6	5	5	5
10	10	10	10	10	10
12	12	12	12	12	12
3	3	3	4	4	4
143	150	148	146	146	147
109	107	107	107	118	118
11	11	11	11	11	11
-	5	5	5	7	7
9	9	9	9	10	11
14	14	14	14	13	12
34	34	34	34	34	34
34	35	35	37	41	41
29	29	28	28	28	28
74	81	81	80	80	80
6	6	6	6	7	7
50	45	46	48	43	43
1	1	2	2	2	2
8	8	10	10	10	10
2	2	2	2	2	1
4	4	4	4	4	4
2	2	2	2	2	2
2	2	2	2	2	2
<u>592</u>	<u>605</u>	<u>605</u>	<u>607</u>	<u>620</u>	<u>621</u>

**CITY OF VICTORIA, TEXAS**

*OPERATING INDICATORS BY FUNCTION/PROGRAM*

*Last ten fiscal years*

Function/Program	Fiscal Year			
	2000	2001	2002	2003
General government				
Building permits issued	1,407	1,327	1,482	1,657
Building inspections conducted	10,536	10,813	10,756	10,035
Birth certificates registered	2,097	2,084	2,086	2,047
Death certificates registered	839	905	864	881
Birth certificates issued	5,688	6,287	6,364	6,283
Death certificates issued	6,284	6,662	6,551	6,648
Public safety				
Police				
Physical arrests	4,793	4,650	3,549	3,635
Parking violations	487	1,283	1,642	2,849
Traffic violations	13,700	14,117	13,317	8,802
Warrants issued	3,674	3,398	3,199	2,346
Fire				
Total Incidents	N/A	N/A	7,081	7,476
Fires	N/A	N/A	444	421
Rescue/Emergency Medical	N/A	N/A	5,193	5,413
Inspections	N/A	N/A	N/A	610
Streets and highways				
Street resurfacing (linear feet)	105,300	65,477	68,825	231,242
Culture and recreation				
Community center admissions (event contracts)				
Dome	124	117	103	118
Annex	175	161	195	169
Arena	39	35	36	34
Library				
Number of Items	129,013	126,795	133,390	139,301
Circulation	252,012	265,712	272,044	270,156
Gate Count	179,193	180,833	195,993	210,241
Water and wastewater				
Water				
Active water connections	20,513	20,586	20,856	21,318
Active sewer connections	19,230	19,515	19,597	19,819
Active garbage accounts	17,086	18,081	18,172	17,982
Average daily consumption (pumped) (in 000's)	10,435	9,954	10,240	10,036
Peak monthly consumption (in 000's)	421,931	419,968	347,861	261,682
Wastewater				
Average daily sewage treatment	8,004,173	7,095,660	7,686,430	6,833,000
Environmental services				
Refuse collection				
Refuse collected (tons per month)	N/A	N/A	N/A	2,301
Landfill tonnage accepted	128,562	149,477	137,954	151,828
Recyclables collected (tons per year)	N/A	N/A	N/A	668.42

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					
2004	2005	2006	2007	2008	2009
2,060	1,371	1,294	1,147	1,345	1,433
11,344	13,349	10,415	11,062	9,883	6,138
2,160	2,098	2,255	2,374	2,376	1,998
871	944	983	1,003	984	795
4,785	6,927	6,567	7,246	7,251	6,569
6,564	7,147	7,677	6,863	6,767	5,698
5,182	4,911	5,775	4,427	4,461	4,044
1,980	1,527	939	1,080	641	472
12,355	12,728	13,726	14,303	14,482	12,143
1,999	3,035	3,279	4,583	5,520	1,812
6,813	7,087	7,175	7,355	8,152	8,551
352	458	493	381	557	621
5,070	5,326	5,393	5,706	6,166	7,930
735	827	830	874	1,210	1,279
30,094	44,088	24,990	29,756	31,178	12,907
111	118	107	120	116	120
176	161	155	136	120	133
26	30	29	29	23	27
141,709	142,319	145,318	148,764	138,804	140,599
288,451	285,435	279,679	276,357	284,919	313,099
238,077	230,218	226,171	228,114	242,388	263,730
21,474	21,700	21,861	21,962	22,041	22,129
19,969	20,085	20,235	20,435	20,532	20,461
18,258	18,432	18,655	18,131	19,233	19,018
9,467	9,591	10,067	8,615	9,584	10,718
255,920	313,298	349,686	233,143	372,618	354,264
8,218,447	7,029,795	6,469,471	8,812,263	6,837,775	6,038,356
2,303	2,248	2,240	2,473	2,139	1,723
154,458	135,049	166,475	160,048	140,508	140,791
603.97	612.39	742.45	691.52	479.13	269.56

**CITY OF VICTORIA, TEXAS**

*CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM*

*Last ten fiscal years*

Function/Program	Fiscal Year			
	2000	2001	2002	2003
General government				
Buildings	3	3	3	3
Public safety				
Police				
Stations	1	1	1	1
Patrol units	30	30	30	30
Fire stations	4	4	4	4
Highways and streets				
Streets (miles)	301.13	301.13	303.77	303.42
Streetlights	3,815	3,815	6,055	6,058
Traffic signals	N/A	N/A	73	74
School zone flashers	N/A	N/A	58	58
Culture and recreation				
Acreage	750.0	750.0	750.0	750.0
Playgrounds	14	14	14	14
Baseball/softball diamonds	14	14	15	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	345.0
Wastewater				
Sanitary sewers (miles)	350.0	350.0	350.0	327.0
Storm sewers (miles)	438.0	438.6	440.6	444.3
Environmental services				
Refuse collection				
Collection trucks	15	15	16	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.

The decrease in street lights between 2007 and 2008 are due to a re-inventory of lights.

The decrease in refuse collections trucks from 2008 to 2009 is due to implementing a once-a-week refuse pickup system with fully automated garbage trucks.

The fluctuation of baseball/softball diamonds is due to the opening of a sports complex and removal of old Little League fields.

SOURCE: Various City departments

Fiscal Year					
2004	2005	2006	2007	2008	2009
3	3	3	3	3	3
1	1	1	1	1	1
30	30	32	34	36	36
4	4	4	4	4	5
307.31	307.72	309.87	310.60	310.82	312.00
6,070	6,276	6367	6475	4359	4380
74	74	76	76	76	78
58	58	58	58	58	61
750.0	750.0	750.0	748.0	748.0	748.0
14	14	14	14	15	15
15	15	15	27	27	21
1	1	1	1	1	1
1	1	1	1	1	1
355.0	356.6	361	361.5	361.5	363
335.0	336.4	337.2	337.6	337.6	337
447.3	449.9	450.9	451.2	451.2	450
16	16	16	17	17	11





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

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, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 12, 2010. 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 + Uherky LLP*

March 12, 2010



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**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, 2009. 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, 2009.

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 + Uherich, LLP*

March 12, 2010

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

For the year ended September 30, 2009

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Expenditures</u>
<b>FEDERAL EXPENDITURES</b>			
<b>U.S. Department of Housing and Urban Development</b>			
Community Development Block Grant	14.218	B-08-MC-48-0510	\$ 504,621
<b>U.S. Department of Transportation</b>			
<i>Passed Through Texas Department of Transportation</i>			
STEP - Wave	20.600	2009-VictoriaPD-CIOT-00041	3,709
Metropolitan Planning Program	20.205	50-9XXF0023	<u>235,692</u>
Total U.S. Department of Transportation			<u>239,401</u>
<b>U.S. Department of Homeland Security</b>			
<i>Passed through Texas Department of Public Safety's Division of Emergency Management</i>			
Law Enforcement Terrorism Prevention Program	97.074	2007-GE-T7-0024	16,086
Emergency Management Performance Grant	97.042	08TX-EMPG-0605	<u>15,297</u>
Total U.S. Department of Homeland Security			<u>31,383</u>
<b>TOTAL FEDERAL EXPENDITURES</b>			<u>775,405</u>
<b>STATE EXPENDITURES</b>			
<b>Texas Department of Transportation</b>			
<i>Passed Through Texas Automobile Theft Prevention Authority</i>			
Automobile Theft Grant	N/A	SA-T01-10070-09	<u>63,561</u>
<b>Texas Commission on Environmental Quality</b>			
Near Nonattainment	N/A	582-8-86231	<u>598,372</u>
<b>Law Enforcement Officers Standards and Education</b>			
Training Grant	N/A	N/A	<u>12,068</u>
<b>Texas State Library and Archives Commission</b>			
LoanStar Library Grant	N/A	442-09504	<u>24,437</u>
<b>TOTAL STATE EXPENDITURES</b>			<u>698,438</u>
<b>TOTAL FEDERAL AND STATE EXPENDITURES</b>			<u>\$ 1,473,843</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, 2009*

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**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, 2009*

**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, 2009*

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None were reported.