



# Comprehensive Annual Financial Report

Year Ended September 30, 2010  
City of Victoria, Texas

**CITY OF VICTORIA, TEXAS**  
*COMPREHENSIVE ANNUAL FINANCIAL REPORT*  
*For the year ended September 30, 2010*

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

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March 7, 2011

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, 2010, 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                                | 13. Electrical Board                             |
| 2. Housing Authority Board                       | 14. Library Board                                |
| 3. Minimum Housing Board                         | 15. Parks and Recreation Commission              |
| 4. Planning Commission                           | 16. Mechanical Board                             |
| 5. Tax Increment Financing Board                 | 17. Plumbing Board                               |
| 6. Sign Board                                    | 18. Food Establishment Board                     |
| 7. Health Authority for City/County Health Dept. | 19. Victoria Sales Tax Corporation Board         |
| 8. Victoria Housing Finance Corporation Board    | 20. Victoria Recreation Association Board        |
| 9. Building and Standards Commission             | 21. Victoria County Appraisal District           |
| 10. City-County Board of Health                  | 22. Golden Crescent Regional Planning Comm.      |
| 11. Victoria Economic Development Corp.          | 23. Victoria Metropolitan Planning Commission    |
| 12. Victoria Development Corporation             | 24. 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. The City assumed operations of its Loop 463 wastewater treatment plant effective January 1, 2011, services which were previously provided under a long-term contract with the Guadalupe-Blanco River Authority. Streets and Drainage provides street cleaning, street maintenance, and drainage structure maintenance, as well as some capability for new construction of streets, drainage structures, and sidewalks.

Also included in the City's program of services are a parks system, which includes recreational programs and a community center, and building inspections and code enforcement department. The City of Victoria maintains its own in-house print shop, custodial service, and building maintenance service. In addition, the City has a full-service garage for fleet maintenance which includes a 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, but answer to the City Manager. General staff support includes an in-house Human Resources Department, Information Technology Department and Finance Department. The Finance Department includes all accounting, budgeting, treasury, purchasing and other financial administration. At present, the City Manager utilizes one Assistant City Manager.

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

### **Economic Condition and Outlook**

Recently, the United States economy has experienced one of the worst recessions in years, which has impacted all regions of the country. This economic impact varies among states. The Dallas Fed reports that economic conditions in Texas remain weak, but stable, and confirms that a recovery is taking place in Texas. Many companies remain cautious of how to proceed in this economy and consequently employment levels may remain stagnant. The unemployment rate in Victoria for the first quarter of 2011 stood at 7.2% compared to Texas unemployment rate of 8.3% and the United States unemployment rate of 9.3%.

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 the Texas economy will regain its economic momentum in 2011 and will emerge from the recent recession much faster and healthier than most other states, despite the budgetary challenges Texas is facing.

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

With recent financial data on job growth and sales tax collections, Texas economy appears to be emerging from the recent recession. Another indicator that the State's economy has been comparatively healthy is the U.S. Bureau of Census report that Texas added more people than any other state. In addition, more than half the jobs eliminated by employers during Texas' recession have already been recovered as our economy recovers more quickly than the United States as a whole.

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, San Antonio, and Houston, which are all approximately 130 miles away. While opportunities remain in the petrochemical industry and the manufacturing and industrial sectors, Victoria is 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.

During Fiscal Year 2010, the City of Victoria experienced a drop in its sales tax receipts; in anticipating this decline in sales tax revenue, during the 1<sup>st</sup> quarter of Fiscal Year 2010, management implemented a cost reduction plan by putting certain vacant positions on hold and freezing certain budgeted maintenance and operating and capital outlay expenditures. As a result, the General Fund fund balance remains financially stable and exceeded what was originally projected for Fiscal Year 2010 year-end.

Overall, property values were relatively flat. The adjusted certified tax roll is down 0.28 percent compared to last year. The effects of these economic conditions have had a significant impact on budget preparation this year. While there are hopeful signs of improvements in the economy, much will depend on the local impact of budget reductions that will be made by the State of Texas next year as the state also grapples with reduced revenues due to the economic slowdown.

As mentioned above, the past year has been a challenging one for the economy at all levels, including locally; as a result of this, key revenue streams such as sales tax receipts came in \$1.7 million lower than the Fiscal Year 2010 original budgeted amount. However, Caterpillar, Inc. announcing its plan to build its new excavator plant at the Victoria Lone Tree Industrial Park and recent sales tax revenue receipts suggest that Fiscal Year 2011 might see strengthening in sales tax receipts for our City. Even with these positive indicators, we need to remain cautious and prudent of how we manage the City's finances in the upcoming months, while at the same time being proactive in ensuring the City continues to provide outstanding services to its citizens.

One concern economists have is that while the United States and world economy improves, commodity prices will start to increase, which will eventually lead to inflationary pressures around the world. In recent years, the City of Victoria has been fortunate to capitalize on lower prices during the economic downturn, which enabled us to do a large quantity of capital improvement projects at a lower cost. However, economists predict that this trend will reverse as commodity prices and project costs in general increase, which in turn will affect the number of projects the City can perform with its limited resources. Conditions such as these emphasize the importance of having a strong strategic plan in order to set priorities and guide the City through planning of future capital improvements and other services.

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 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. We anticipate the City will continue to experience economic growth in the future.

## Major Initiatives

### **For Fiscal Year 2010 and Into the Future:**

From several strategic planning sessions, City Council priorities were established, which are tied directly or indirectly to the 2020 Comprehensive Plan:

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

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

The purpose of a Capital Improvement Program (CIP) is to determine the priorities for capital expenditures and to coordinate the projects selected within a multi-year planning framework. The objective of the CIP is to decide the most effective way to allocate our limited capital improvement resources to meet City goals. The CIP coordinates capital improvement projects administered by different municipal departments.

The CIP is a plan that is revised and amended in response to changing circumstances and funding availability. Each year the entire plan is reviewed and revised to reflect current needs and goals. Non-routine capital expenditures are submitted in the CIP for planning purposes only. All projects require final approval based on the City's Fiscal and Budgetary Policy and applicable administrative directives based on each individual project.

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.

Even with the economic challenges, the Fiscal Year 2011 budget is proactive in supporting the City's Capital Improvement Program (CIP). The Capital Improvement Budget for Fiscal Year 2011 totals \$64,060,359 for all funds that include CIP projects. This budgeted amount does not, however, reflect all projects' capital expenditures for Fiscal Year 2011. In the case of projects for which funds have already been approved and budgeted, the City may continue to spend money to complete these projects without including the projected Fiscal Year 2011 expense as a new appropriation. The project budgets that have been appropriated carry forward until the project is complete. Only portions of the projects that have not been previously appropriated are included as new appropriations in the Fiscal Year 2011 budget, along with new appropriations for new projects.

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

### **For Fiscal Year 2010 and Into the Future: - (Continued)**

**Infrastructure (continued)** - The Fiscal Year 2011 Budget includes the following CIP:

#### General Governmental Capital Projects - \$52,065,068

- Funding for Loop 463 Overpass project at Mockingbird and Salem - \$23,674,618
- Funding for Sam Houston Drive Reconstruction Project -\$21,679,546
- Continuation of Laurent Street Reconstruction Phase II Project – \$2,871,503
- Funding for Red River Reconstruction Phase I Project - \$1,417,456
- Continuation of Main Street/Deleon Plaza Project - \$1,249,539
- Funding for the Mockingbird Street Sidewalk Project - \$48,587
- Funding for University of Houston Sidewalk Project - \$52,483
- Downtown Overlay Project - \$1,071,336

#### Utility Capital Projects - \$11,995,291

- Construction of a 1-million gallon water storage tower at Lone Tree Industrial Park - \$3,000,000
- Funding for Downtown Utility Projects - \$6,846,668
- Funding for Greenbriar Subdivision Utility Replacement Project - \$2,148,623

**Public Safety** - The Police Department was awarded a 2010 Community Oriented Policing Services Hiring Recovery Program Grant (COPS) which will pay for 5 full-time police officers for up to 3 years at a total cost of approximately \$941,215 or \$313,738 per year. At the end of the third year, the City will be responsible for the cost of these new officers. While this is good news for Victoria, Council needs to remember that by accepting this grant we have actually pledged future new revenues toward this program. This grant will not impact the City's Fiscal Year 2011 Budget.

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 northeast of Victoria. In complying with the re-zoning plan, Fire Station No.2 was 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. Lastly, during Fiscal Year 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 teach our youth how to respond to emergencies, fire safety, and crime. Victoria benefits from this type of safety education.

**Street Maintenance** - City Council remains focused on funding Victoria's infrastructure needs while maintaining a low and moderate property value tax rate. Smaller scale City infrastructure improvements happen every day and are as important as large-scale projects. The Fiscal Year 2011 Street Reclaim & Overlay budget was increased by \$162,270 over last year's funding. With Council direction, the Fiscal Year 2011 Street Rehabilitation and Overlay Projects will consist of: \$1 million for the Industrial/Circle Subdivision streets and \$300,000 for Del Papa Street. In order to engineer the rebuilding of John Stockbauer Drive from Lone Tree Road to Business 59, \$345,000 was added to the Street Department.

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

### **For Fiscal Year 2010 and Into the Future: - (Continued)**

**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 \$36.4 million of infrastructure projects in progress in Victoria County which will improve Victoria's transportation system. Some of these projects are:

<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
BU 59T	LP 463 to Delmar	Resurface Roadway	FY '11-'12	\$3,870,980
US 87	US 87 to Red River Street	Resurface Roadway	FY '10	\$3,292,268
LP 463	Salem Rd. to Mockingbird	Construct Overpass/Underpass	FY '11-'12	\$21,252,442
US77	Navarro to West of US87	Resurface Roadway	FY '10-'11	\$1,762,370

Victoria Transit provides public transportation in our community. What began in 1999 as an "On-Call" or demand response system quickly grew 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.

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, the sidewalk budget (General Fund) for Fiscal Year 2011 has not been funded. The Victoria Sales Tax Development Corporation (4B) funded a \$1.7 million hike and bike trail project located along the Lone Tree Creek Detention Basin, which was completed during Fiscal Year 2009. The Trail provides an 8 to 10 foot multipurpose trail that runs along the east side of Lone Tree Creek from Airline to John Stockbauer. The trail has pedestrian lighting, landscaping, benches, tables, off-site park facility, and water fountains.

**Housing Initiatives** - The City of Victoria developed a 55 lot subdivision for single-family housing called Swan Crossing. The subdivision is located at the northwest corner of Delmar Drive and Hanselman Road. This initiative will be a public-private partnership between the City, private builders and lenders. Homes in the 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 \$80,000. A majority of the homes in the subdivision must be sold to income qualified homebuyers and be able to qualify for a home mortgage. 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. Due to the current housing economy, the City has put a hold on any housing initiative programs for Fiscal Year 2011.

Our Development Services Department continues to perform admirably in our Target Neighborhood Program, where older neighborhoods are modernized. In-home repair programs are funded by HUD grants for qualified residents. Our Development Services Department acquired a large grant to help assist the Victoria homeless population with shelter and services.

**Major Initiatives - (Continued)**

**For Fiscal Year 2010 and Into the Future: - (Continued)**

**Housing Initiatives (continued)** - The City of Victoria 2010-2011 Community Development Block Grant (CDBG) program activities correlate directly with the priorities outlined in the City's 2010-2015 Consolidated Plan and Strategy. During the program year, October 1, 2010 to September 30, 2011, the City of Victoria will utilize 2010 CDBG funds totaling \$681,156 to provide decent housing and suitable living environments for low and moderate-income individuals in our community. CDBG funds will be used to support the following activities:

1. Neighborhood Programs	\$ 76,000	11.2%
2. Public Services Programs	93,156	13.7%
3. Public Facilities Programs	406,000	59.6%
4. Program Administration	<u>106,000</u>	15.6%
Total:	<u>\$681,156</u>	

**Environmental Services** - Many quality of life issues come before us each year; one of them is city beautification. The Fiscal Year 2011 Budget includes: (1) \$348,359 for the Weedy Lot & Demolition Program; however, this is \$102,815 less than Fiscal Year 2010, (2) partnering with Keep Victoria Beautiful, Inc. in promoting the beautification of Victoria, in the amount of \$60,000, (3) partnering with Texas Land Management in managing the City's composting program, (4) funding for Air Victoria – Keep it Clean Program (grant funded), and (5) partnering with private industry to implement the City's E-Waste Day Program, at no cost.

City of Victoria strives to be a leader, within our geographical area, in implementing successful recycling programs. One such program is the City's Yard Waste Collection Program. In prior years, the City of Victoria Environmental Services Fund has been able to provide yard waste collection services at no cost to the public. In the past, the City of Victoria was able to absorb these operating costs with the landfill closure & post-closure fees. However, due to economic conditions and changes made to the landfill in order to make it more marketable (i.e. adjusting the landfill tipping fees which includes the closure & post-closure fees), the Closure & Post-closure Fund cannot continue the trend of financing the operations of yard waste. As a result, in Fiscal Year 2010, management proposed a new monthly fee for yard waste services, but only \$0.15/month was approved by Council. For Fiscal Year 2011, the budget includes a rate increase of \$1.12 for yard waste collection services. The following table reflects prior and current year residential refuse collection fees:

<b>Residential Refuse Collection Fees</b>	<b>FY 2010 Rates</b>	<b>FY 2011 Rates</b>	<b>Increase In Rates</b>
Residential Collection Services	\$13.75	\$13.75	\$ -
Brush & Bulky Collection Services	1.85	1.85	-
Yard Waste Collection Services	0.15	1.27	1.12
Recycling Center Collection Services	0.50	.50	-
<b>Total:</b>	<b>\$16.25</b>	<b>\$17.37</b>	<b>\$1.12</b>

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

### **For Fiscal Year 2010 and Into the Future: - (Continued)**

**Landfill** – 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 2 percent. In order to increase our landfill life, the City purchased 200 acres of land, adjacent to our current permitted landfill. 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.

The City's landfill generates a large amount of methane gas which is currently being flared. While the flare system destroys the methane produced by the landfill, this potential energy source is not currently being recovered and put to beneficial use. During the latter part of Fiscal Year 2010, the City contracted with Renovar Energy Corporation (Renovar) in order to capitalize on the potential benefits of utilizing the City landfill gas.

Renovar will build and maintain a gas collection system located at the City's landfill; and, will be allowed to sell the processed gas to a nearby industrial plant, over the next 15 years. In return, the City will receive an up-front one-time payment of \$110,000 and 15 years of royalty payments. The net present value of the 15 year royalty payments equates to approximately \$6.4 million. The gas collection system is expected to be up and running by mid-Fiscal Year 2011.

**City's Water and Wastewater** - The Fiscal Year 2011 budget has no increase in its utility rates while at the same time adding 14 new staff positions to its wastewater operations. Effective January 1, 2011, the City completed the transition of taking over its Loop 463 wastewater treatment plant, which was previously being operated by Guadalupe-Blanco River Authority (GBRA) through a service contract.

The GBRA service contract ended December 31, 2010; and, effective January 1, 2011, the City began operating the wastewater treatment plant. Part of the transition consisted of filling vacant positions and replacing current GBRA employees with City employees (note: 9 staff positions will be funded only for 9 months because prior to January 1, 2011, these 9 staff positions were funded by GBRA). The net funding for the GBRA Regional Waste Disposal Contract was decreased by \$2,605,100, compared to Fiscal Year 2010. Once the transition has been completed, the City's net operations cost, for the Loop 463 wastewater treatment plant, is estimated to be reduced by \$600,000.

In addition to taking over its Loop 463 wastewater treatment plant, the City is in the process of developing plans for the construction of a \$19.7 million 4.4 million gallon per day (mgpd) new wastewater treatment plant which will replace the Willow Street 2.2 mgpd wastewater treatment plant. This project will require the City to sell Utility Revenue Bonds in Fiscal Year 2012 and increase utility rates by approximately \$1.02.

The City 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 backup supply to the City's primary Guadalupe River water source. All of this water is treated at the City's 25.2 mgpd surface water treatment plant.

Our water supply was strengthened even more when the City acquired approximately 7,006.7 acre feet per 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 per year. In order to properly maintain the groundwater system, it is operated to supply about 10% of the water supply under normal operation.

While this water 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, no funds have been allocated in the Fiscal Year 2011 Budget to acquire additional water rights.

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

### **For Fiscal Year 2010 and Into the Future: - (Continued)**

**Pay Program** – Many companies remain cautious of how to proceed in this economy. Consequently, employment levels may remain stagnant and many companies, including the City of Victoria, have implemented hiring freezes. Personnel-related expenditures are 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. As a result, no pay program is included in the Fiscal Year 2011 Budget.

**Texas Municipal Retirement System** - The Texas Municipal Retirement System (TMRS) has two major issues facing them currently. The first is declining performance in the bond markets and second is the actuarial accounting changes they have made over the past few years. This has had a direct impact on the rates we are charged by the TMRS. The City of Victoria's minimum contribution rate effective January 1, 2011 will be 17.06%. TMRS is proposing an eight-year phase in of the City's full rate of 21.10%. City staff has implemented a plan whereby over the next 8 years we will phase-in to the full rate of 21.10%. January 2011 will begin our third year of the phase-in and anticipate that the City will be able to accommodate the cost without financial strain once the full rate is in place.

**Health and Dental Insurance Premiums** - For the Fiscal Year 2011 budget, management did not propose an increase in the City's over-all health insurance premiums. Council adopted a policy of moving towards a health insurance premium cost split of 80%/20% (City pay 80% and Employee pay 20%). Management proposed and Council agreed to set the Fiscal Year 2011 health insurance premium cost split at 82%/18%, the same ratio split as Fiscal Year 2010.

As a result of these management proposals, employees' health insurance premium cost will remain the same as Fiscal Year 2010; and, any health care cost increase associated to employees will be absorbed by the City for Fiscal Year 2011.

During development of the Fiscal Year 2010-2011 annual budget, management was expecting a possible rate increase in its Medicare Supplement Insurance Program, but data was not available until November 2010; therefore, the current budget does not include any increase for those retirees age 65 and over who are on the Medicare Supplement Insurance Program. On November 15, 2010, notice was received from Hartford Insurance Company informing the City of an increase in these retirees' monthly premiums of \$6.11 per month, as well as a \$9.00 per month increase in the Medicare Part D Prescription Drug plan, effective January 1, 2011.

Management will continue to monitor the Federal Health Care Reform information to determine the effect it will have on future health insurance premiums. Premiums are evaluated each year to determine appropriate levels.

**Routine Capital Expenditures** – Departments budget for routine capital purchases each fiscal year. The requests for capital purchases are usually more than what is available from current operating revenues. In general, capital items under \$100,000 are included in the annual operating budget (*there are exceptions when capital expenditures may exceed \$100,000 i.e. one-time capital expenditures or street programs; and, would not have a significant impact on the City's operating budget*).

The Fiscal Year 2011 budget includes \$5,787,178 million in capital expenditures, of which \$4,905,134 million will be funded out of recurring revenues. The remaining \$882,044 million capital expenditures will be funded out of the one-time use of fund balance or working capital balance.

## Major Initiatives - (Continued)

### For Fiscal Year 2010 and Into the Future: - (Continued)

**Routine Capital Expenditures (continued)** – The table below recaps the \$5,787,178 million capital expenditures for Fiscal Year 2011, compared to Fiscal Year 2010:

<b>Capital Expenditures per Fund:</b>	<b>FY 2011</b>		<b>FY 2010</b>		<b>Increase/(Decrease)</b>
General Fund	\$2,193,178	37.90%	\$5,265,394	56.83%	(\$3,072,216)
Special Revenue Fund	31,121	.54%	9,300	.10%	21,821
Water/Wastewater Fund	1,572,669	27.18%	1,816,978	19.61%	( 244,309)
700 Main Center Fund	42,980	.74%	100,666	1.09%	( 57,686)
Community Center Fund	401,600	6.94%	104,850	1.13%	296,750
Environmental Services Fund	54,610	.94%	115,230	1.24%	( 60,620)
Communications Fund	5,380	.09%	83,012	.90%	( 77,632)
Information Technology Fund	143,860	2.49%	166,840	1.80%	( 22,980)
Print Shop Fund	-	0.00%	16,700	.18%	( 16,700)
Purchasing Fund	4,000	.07%	55,000	.59%	( 51,000)
Safety Management Fund	-	0.00%	1,350	.02%	( 1,350)
Vehicle and Equip.Services Fund	1,337,780	23.11%	1,529,200	16.51%	( 191,420)
<b>Total Capital Expenditures:</b>	<b>\$5,787,178</b>		<b>\$9,264,520</b>		<b>(\$3,477,342)</b>

**Maintaining Adequate Fund Balance** – In prior years, Council set a policy of maintaining the General Fund fund balance at 15 percent of budgeted expenditures. In Fiscal Year 2009, the minimum fund balance was increased to 18.5 percent of budgeted expenditures. For Fiscal Year 2011 the minimum fund balance was increased to 20 percent in order to create an adequate reserve to address current and possible future economic uncertainties.

The Fiscal Year 2011 General Fund Budget assumes a minimum fund balance of 20 percent of budgeted expenditures. The minimum fund balance (20% of \$41,658,260 budgeted expenditures) is projected to be \$8,331,652, which represents approximately 2.4 months of fund balance reserve. The estimated ending fund balance for Fiscal Year 2011 is \$8,539,068, which is approximately \$207,416 over the minimum fund balance amount. These funds will be reserved in order to address future contingencies, Police COPS grant, future splash pad maintenance cost, fund the City's capital improvement program or economic programs, or expenses as Council sees fit.

The minimum fund balance/working capital balance policies for the other City funds are as follows:

- Special Revenue Funds – since these funds consist mainly of local, state, and federal grants, the City does not require a minimum fund balance.
- Debt Service Fund – the City requires a one-month minimum fund balance.
- Capital Projects Funds – since these funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities, the City does not require a minimum fund balance.
- Enterprise Funds – the City requires a three-month minimum working capital balance.
- Internal Service Funds – since these funds are used to account for services and/or commodities furnished by a designated fund/program to other funds within the City, the City requires a two-month minimum working capital balance (except for the Health Fund which requires one-year minimum working capital balance due to the fact it is dealing with health, dental claims, and prescription drug expenses).

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

### **For Fiscal Year 2010 and Into the Future: - (Continued)**

**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 5.5¢, over six fiscal years; for Fiscal Year 2011 the tax rate was increased by 0.5¢, back to 0.65¢, the same level as Fiscal Year 2009.

## **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 departments 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, 2010.

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. As of the end of Fiscal Year 2010, the City is not utilizing the sweep product. Instead, the collective balances held in each bank account generate earnings credit that offset the charges for the full suite of depository services. Any excess funds are then invested accordingly.

### **Cash Administration - (Continued)**

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. 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
7. Money Market Mutual Funds

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 2010, 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	\$2,585,065 (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	\$103,017,800 combined building and contents \$500,000 blanket extra expense \$103,017,800 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 per premises \$2,500 deductible
Crime Coverage	\$1,000,000 per occurrence \$2,500 deductible per occurrence
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, Mayor and Council, 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, 2009. This was the twenty-seventh 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



Charmelle Garrett  
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, 2009

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.



A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

President

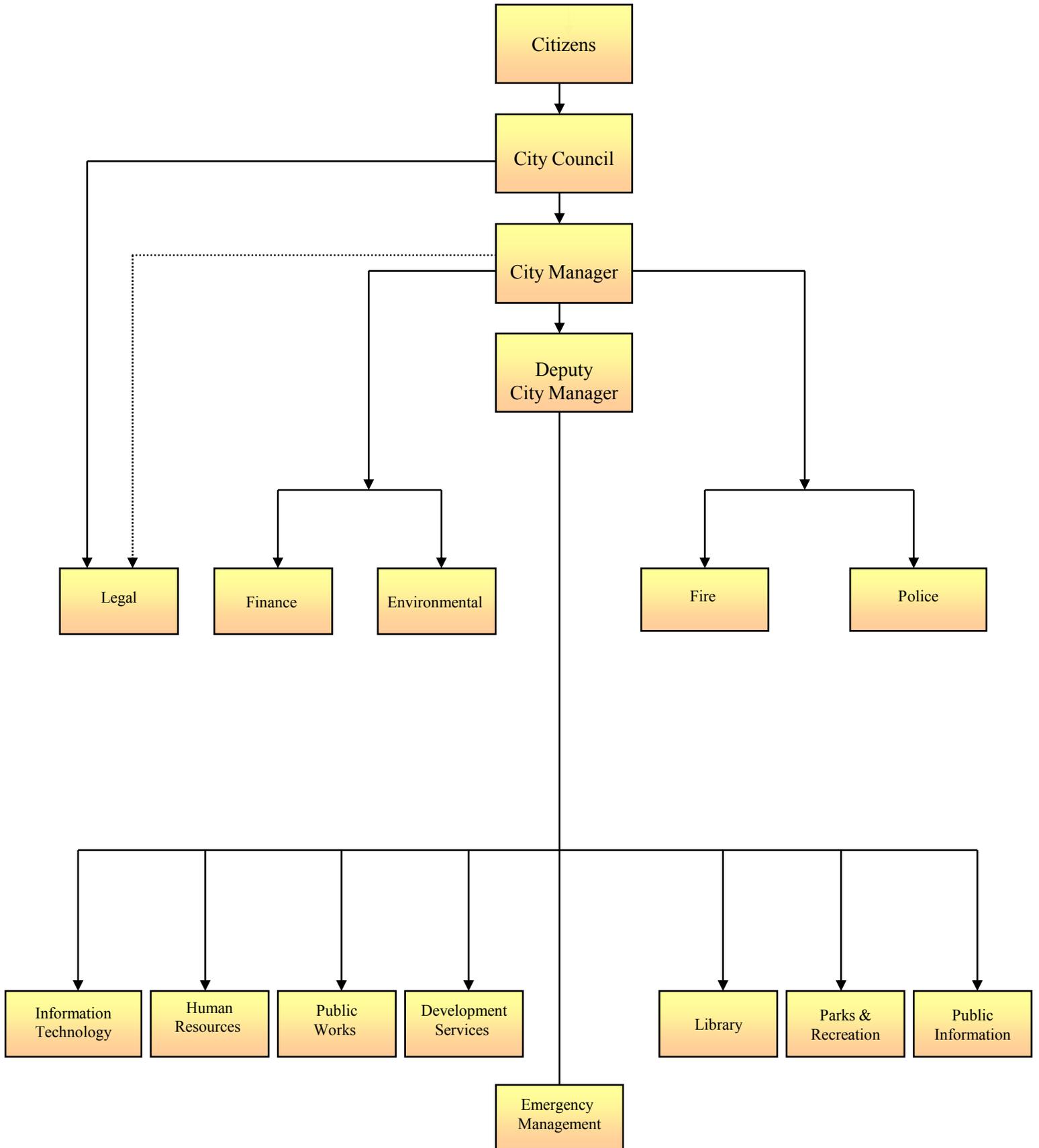
A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

City of Victoria, Texas

Organization Chart

October 2009



## 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)	6	May, 2013
Paul Polasek	Mayor Pro-Tem, District 3	4	May, 2012
Tom Halepaska	Council Member, Superdistrict 6	6	May, 2013
Gabriel Soliz	Council Member, District 2	1	May, 2012
Denise Rangel	Council Member, District 1	1	May, 2012
David Hagan	Council Member, District 4	4	May, 2012
Joe Truman	Council Member, Superdistrict 5	1	May, 2013

### 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	35	4
Charmelle Garrett	Deputy City Manager	20	4
Gilbert P. Reyna, Jr.	Director of Finance	15	14
Thomas Gwosdz	City Attorney	1	1
Cheryl Marthiljohni	Director of Human Resources	0	0
Rick Henrichs	Director of Information Technology	30	12
John Kaminski	Director of Development Services	22	13
Bruce Ure	Police Chief	3	3
Vance L. Riley	Fire Chief	15	15
Doug Cochran	Director of Parks and Recreation	21	12
Dayna Williams-Capone	Director of Public Library	3	1
Lynn Short	Director of Public Works	18	7
Jerry G. James	Director of Environmental Services	8	8
O.C. Garza	Director of Communications	9	1



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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, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City'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, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2011, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 17 and 65 through 66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, combining and individual major and nonmajor fund financial statements and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual major and nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



March 3, 2011

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, 2010. 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.

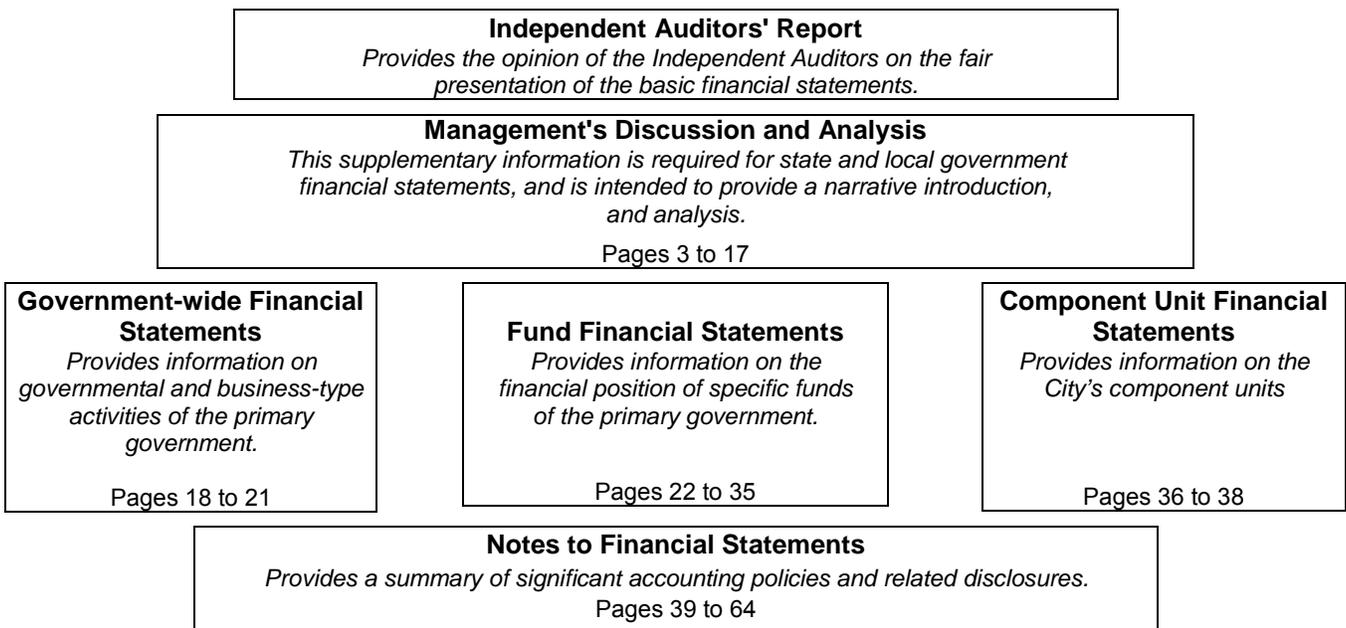
**FINANCIAL HIGHLIGHTS**

- The assets of the City exceeded its liabilities at the close of the fiscal year ended September 30, 2010, by \$181,941,293. Of this amount, \$41,708,059 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, 2010, the City's governmental funds reported combined ending fund balances of \$51,119,204, an increase of \$19,727,225 (63%) in comparison with prior year. The amount available for governmental discretion (unreserved fund balance) is \$19,703,947 (see page 10 for further detail).
- At September 30, 2010, unreserved fund balance for the General Fund was \$11,937,105 or 30% of total General Fund expenditures.
- The total cost of all City activities was \$81,887,742 for the fiscal year. Net cost of all activities was \$42,099,840.
- During the year, the City's net expenses exceeded general revenues of the primary government by \$2,642,920. This represents a 1.4% decrease in net assets from the previous fiscal year.
- The City's outstanding long-term debt had a net increase of \$27,458,587. The main reason for the increase is due to the fact that during the Fiscal Year 2010, the City issued \$26.33 million in Certificate of Obligation Bonds for capital improvement projects. The \$26.33 million bond sale was part of the City's Capital Improvement Program Plan.

**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 2010. 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 \$181,941,293 at the close of the fiscal year ended September 30, 2010.

At the end of fiscal year 2010, 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	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 70,418,674	\$ 48,862,523	\$ 29,642,291	\$ 28,602,293	\$ 100,060,965	\$ 77,464,816
Capital assets (net)	<u>159,222,583</u>	<u>156,716,292</u>	<u>102,348,498</u>	<u>101,970,989</u>	<u>261,571,081</u>	<u>258,687,281</u>
Total assets	<u>229,641,257</u>	<u>205,578,815</u>	<u>131,990,789</u>	<u>130,573,282</u>	<u>361,632,046</u>	<u>336,152,097</u>
Current and other liabilities	9,631,070	8,657,256	7,161,619	6,576,821	16,792,689	15,234,077
Noncurrent liabilities	<u>88,516,493</u>	<u>65,991,001</u>	<u>74,381,571</u>	<u>70,176,518</u>	<u>162,898,064</u>	<u>136,167,519</u>
Total liabilities	<u>98,147,563</u>	<u>74,648,257</u>	<u>81,543,190</u>	<u>76,753,339</u>	<u>179,690,753</u>	<u>151,401,596</u>
Net assets:						
Investment in capital assets, net of related debt	101,134,927	103,076,382	35,515,387	37,535,371	136,650,314	140,611,753
Restricted	3,582,920	1,699,737	-	-	3,582,920	1,699,737
Unrestricted	<u>26,775,847</u>	<u>25,988,151</u>	<u>14,932,212</u>	<u>16,284,572</u>	<u>41,708,059</u>	<u>42,272,723</u>
Total net assets	<u>\$ 131,493,694</u>	<u>\$ 130,764,270</u>	<u>\$ 50,447,599</u>	<u>\$ 53,819,943</u>	<u>\$ 181,941,293</u>	<u>\$ 184,584,213</u>

The largest portion of the City's fiscal year 2010 net assets (75.1% or \$136,650,314) consists of 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 \$3,582,920 consisting of \$944,159 for debt service, \$385,429 for special programs related to culture and recreation, and \$2,253,332 for capital projects. The remaining balance of \$41,708,059 may be used to meet the government's ongoing obligations to citizens and creditors; over all, the City's net assets decreased by \$2,642,920, which consists of an increase of \$729,424 in governmental net assets and a decrease of \$3,372,344 in business-type net assets.

**City of Victoria, Texas**

**Changes in Net Assets**

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
<b>REVENUES</b>						
Program revenues:						
Charges for services	\$ 6,272,264	\$ 6,690,635	\$ 26,527,371	\$ 27,700,026	\$ 32,799,635	\$ 34,390,661
Operating grants and contributions	2,868,795	1,802,260	-	54,826	2,868,795	1,857,086
Capital grants and contributions	3,834,982	10,424,447	284,490	705,899	4,119,472	11,130,346
General revenues:						
Property taxes	20,178,350	19,676,691	-	-	20,178,350	19,676,691
Other taxes	17,840,255	18,831,263	-	-	17,840,255	18,831,263
Other	<u>1,389,855</u>	<u>1,507,521</u>	<u>48,460</u>	<u>266,410</u>	<u>1,438,315</u>	<u>1,773,931</u>
<b>Total revenues</b>	<u>52,384,501</u>	<u>58,932,817</u>	<u>26,860,321</u>	<u>28,727,161</u>	<u>79,244,822</u>	<u>87,659,978</u>
<b>EXPENSES</b>						
General government	7,634,811	7,644,809	-	-	7,634,811	7,644,809
Public safety	24,156,480	23,007,338	-	-	24,156,480	23,007,338
Highways and streets	14,827,929	7,914,392	-	-	14,827,929	7,914,392
Culture and recreation	5,358,952	5,127,406	-	-	5,358,952	5,127,406
Interest on long-term debt	4,562,764	3,200,423	-	-	4,562,764	3,200,423
Water/wastewater	-	-	21,316,444	19,175,705	21,316,444	19,175,705
Environmental services	-	-	3,182,201	3,790,348	3,182,201	3,790,348
Other	<u>-</u>	<u>-</u>	<u>848,161</u>	<u>790,005</u>	<u>848,161</u>	<u>790,005</u>
<b>Total expenses</b>	<u>56,540,936</u>	<u>46,894,368</u>	<u>25,346,806</u>	<u>23,756,058</u>	<u>81,887,742</u>	<u>70,650,426</u>
Change in net assets before transfers	( 4,156,435)	12,038,449	1,513,515	4,971,103	( 2,642,920)	17,009,552
Transfers	<u>4,885,859</u>	<u>1,665,914</u>	<u>( 4,885,859)</u>	<u>( 1,665,914)</u>	<u>-</u>	<u>-</u>
Change in net assets	729,424	13,704,363	( 3,372,344)	3,305,189	( 2,642,920)	17,009,552
<b>Net assets - 10/01/09, as restated</b>	<u>130,764,270</u>	<u>117,059,907</u>	<u>53,819,943</u>	<u>50,514,754</u>	<u>184,584,213</u>	<u>167,574,661</u>
<b>Net assets - 9/30/10</b>	<u>\$131,493,694</u>	<u>\$ 130,764,270</u>	<u>\$ 50,447,599</u>	<u>\$53,819,943</u>	<u>\$181,941,293</u>	<u>\$184,584,213</u>

## GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)

The over-all decrease in net assets is \$2,642,920 which consists of an increase of \$729,424 in governmental activities and a decrease of \$3,372,344 in business type activities. The main reason for the increase in the governmental type activities is due to the following:

- Revenue transfers from the business-type activities (i.e. Water/wastewater business-type activity) were increased for the following reason:
  - Accommodate the funding needed for the Sam Houston Reconstruction Street/Utility Capital Improvement Project. Note: the proceeds for the revenue transfer came from the 2010 Utility Revenue Bond sale (classified as a one-time transfer).
  - Operating transfer from the Water/wastewater Fund to the General Fund was increased by \$89K as a result of City policy (i.e. Water/Wastewater operating transfers are based on 10% of total Water/wastewater Fund revenues – as revenue increases, operating transfer will increase).
- Miscellaneous revenue came in higher than fiscal year 2009.

### Governmental Activities

City of Victoria, Texas					
2010 Expenses and Program Revenues - Governmental Activities					
Functions/Programs	Expenses	% of Total	Revenues	% of Total	Net (Expense) Revenue
General government	\$ 7,634,811	13.50%	\$ 3,676,509	28.33%	(\$ 3,958,302)
Public safety	24,156,480	42.72%	6,282,167	48.42%	( 17,874,313)
Highways and streets	14,827,929	26.23%	2,667,991	20.56%	( 12,159,938)
Culture and recreation	5,358,952	9.48%	349,374	2.69%	( 5,009,578)
Interest on long-term debt	4,562,764	8.07%	-	0.00%	( 4,562,764)
	<u>\$56,540,936</u>		<u>\$12,976,041</u>		<u>(\$ 43,564,895)</u>

City of Victoria, Texas					
Revenue by Source - Governmental Activities					
Description	Revenues		% of Total	Revenues As Restated	
	2010			2009	% of Total
Charges for services	\$ 6,272,264	10.95%	\$	6,690,635	11.04%
Operating grants and contributions	2,868,795	5.01%		1,802,260	2.97%
Capital grants and contributions	3,834,982	6.70%		10,424,447	17.20%
Property taxes	20,178,350	35.23%		19,676,691	32.47%
Sales taxes	11,978,185	20.92%		13,046,352	21.53%
Franchise taxes	4,665,101	8.15%		4,657,347	7.69%
Other taxes	1,196,969	2.09%		1,127,564	1.86%
Unrestricted investment earnings	305,323	0.53%		792,410	1.31%
Miscellaneous	1,084,532	1.89%		715,111	1.18%
Transfers	4,885,859	8.53%		1,665,914	2.75%
<b>Total</b>	<u>\$ 57,270,360</u>			<u>\$ 60,598,731</u>	

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

**Business-type Activities**

Fiscal year 2010 business-type activities decreased the City's net assets by \$3,372,344. The net asset decrease is mainly due to an increase in revenue transfer to the governmental activities in order to accommodate the funding needed for the Sam Houston Reconstruction Street/Utility Capital Improvement Project (note: the revenue transfer proceeds came from the 2010 Utility Revenue Bond sale). In addition, this increase in revenue transfer also includes a minor increase in Water/wastewater Fund regular operating transfer to the General Fund of \$89K.

**City of Victoria, Texas  
2010 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	\$21,316,444	84.10%	\$22,246,356	82.97%	\$929,912
Environmental services	3,182,201	12.55%	4,128,139	15.40%	945,938
Other	<u>848,161</u>	3.35%	<u>437,366</u>	1.63%	( 410,795)
	<u>\$25,346,806</u>		<u>\$26,811,861</u>		<u>\$1,465,055</u>

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

<u>Description</u>	<u>Revenues</u> <u>2010</u>	<u>% of Total</u>	<u>Revenues</u> <u>2009</u>	<u>% of Total</u>
Charges for services	\$26,527,371	120.72%	\$27,700,026	102.36%
Operating grants and contributions	-	0.00%	54,826	0.20%
Capital grants and contributions	284,490	1.29%	705,899	2.61%
Unrestricted investment earnings	48,460	0.22%	266,410	0.99%
Transfers	( <u>4,885,859</u> )	( 22.23%)	( <u>1,665,914</u> )	( 6.16%)
<b>Total</b>	<u>\$21,974,462</u>		<u>\$27,061,247</u>	

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## 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.

As of the end of fiscal year 2010, the City's governmental funds reported combined ending fund balances of \$51,119,204, an increase of \$19,727,225. The main reason for the increase in the City's governmental funds is due to a \$26.33 million Certificate of Obligation Bond sale. The bond sale will address the funding needs of several capital improvement projects which were included in the City's Capital Improvement Program Plan.

The Governmental Fund Unreserved fund balance is \$19,703,947 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 \$31,209,459 and for inventory in the amount of \$205,798.

The City's governmental funds combined fund balance of \$51,119,204 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 2010, unreserved fund balance of the General Fund was \$11,937,105 while total General Fund fund balance was \$14,151,906. 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% of the total General Fund expenditures, while total fund balance represents 35% of that same amount.

The City's General Fund fund balance was decreased by \$1,215,663. Key factors in this net decrease are as follows:

- The decrease is mainly attributed to one-time expenditures which were funded out of the General Fund fund balance. Some of the fiscal year 2010 one-time expenditures consist of: replacing software system in the police department, installing a vehicle exhaust capture system at various fire stations, and legal professional services.
  - Note: in comparing fiscal year 2010 total revenue to fiscal year 2009, General Fund revenue decreased by approximately \$1 million, mainly due to a decrease in sales tax revenue; however, during fiscal year 2010, management implemented a budgetary cost reduction plan in order to address the reduction in sales tax revenue by reducing certain budgeted capital and maintenance expenditures; and, implemented a hiring freeze which resulted in several positions being placed on hold.
2. The Residential/Arterial Capital Improvement Program Fund is a capital project fund used to account for the funding of general capital improvement projects and to pay for professional services related to bond issuance cost. At the end of fiscal year 2010, unreserved fund balance of the Residential/Arterial Capital Improvement Program Fund was \$5,866,976, while total Residential/Arterial Capital Improvement Program Fund fund balance was \$35,067,432. The difference between the unreserved fund balance and total fund balance is \$29,200,456 which is considered a reserved fund balance for outstanding construction contracts as of September 30, 2010.

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

### Governmental Funds - (Continued)

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 City's capital improvement program.

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 2010, unreserved, undesignated fund balance of the Debt Service Fund was \$1,024,126. The main reason for the \$174K decrease in the Debt Service Fund undesignated fund balance is due to an unbudgeted IRS arbitrage payment.

### 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>2010</u> <u>Unrestricted</u> <u>Net Assets</u>	<u>2009</u> <u>Unrestricted</u> <u>Net Assets</u>
Water and Wastewater	\$ 8,607,426	\$ 9,783,067
Environmental Services	3,887,749	4,121,568
Other	<u>2,437,037</u>	<u>2,379,937</u>
Total	<u>\$14,932,212</u>	<u>\$16,284,572</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 fiscal year 2010 General Fund's original budget and fiscal year 2010 General Fund's final amended budget for expenditures was \$2,007,737. The \$2,007,737 represents the fiscal year 2009 carryover encumbrances to fiscal year 2010.
- The City was planning to spend approximately \$4.4 million in one-time expenses; however, due to a downturn in the local economy and a reduction in the City's sales tax revenue, management reduced the amount of the one-time expenses in order to safe guard the General Fund's undesignated fund balance.
- For fiscal year 2010, the General Fund's revenues came in \$239,342 higher than what was projected in the Fiscal Year 2010-2011 budget document. The increase was mainly due to sales tax revenue coming higher than expected.
- During the first quarter of fiscal year 2010, management implemented a temporary cost reduction plan by putting certain vacant positions on "hold" and freezing certain budgeted maintenance & operating and capital expenditures, as a result of a decline in the City's sales tax revenue. As a result of management foresight, the General Fund fund balance as of September 30, 2010 is healthy and is \$3.28 million higher than what was projected in the Fiscal Year 2010-2011 General Fund budget.

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

- For fiscal year 2010, the General Fund's actual expenditures came in \$995,723 lower than what was projected in the Fiscal Year 2010-2011 budget document. This positive variance is mainly due to:
  - Personnel cost came in lower than expected,
  - Office supplies and other supplies cost came in lower than expected,
  - Building maintenance cost came in lower than expected,
  - Equipment maintenance cost came in lower than expected,
  - Traffic signal maintenance cost came in lower than expected,
  - Professional services cost came in lower than expected,
  - Training & education cost came in lower than expected,
  - Subscription & membership cost came in lower than expected,
  - Light and heating cost came in higher than expected,
  - Vehicle replacement charges came in lower than expected,
  - Commercial equipment rental cost came in lower than expected,
  - Tournaments and program cost came in lower than expected,
  - Transfer to Special Revenue Funds came in higher than expected,
  - Demolition cost came in lower than expected,
  - Street rehab program cost came in lower than expected,
  - Building and improvements cost came in lower than expected, and
  - Replacement of machinery & equipment cost came in lower than expected.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2010, amounts to \$261,571,081 (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 \$2,883,800 or 1.1% (a \$2,506,291 or 1.6% increase for governmental activities and \$377,509 or 0.37% 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	\$ -	\$ -	\$ 267,837	\$ -	\$ 267,837
Buildings	706,309	-	41,142	-	747,451
Other structure improvements	199,464	-	721,406	-	920,870
Infrastructure - streets, drainage, traffic, and sidewalks, etc.	5,785,410	-	1,239,951	-	7,025,361
Construction in progress	10,450,756	4,960,463	6,094,467	7,285,487	4,299,273
Machinery, equipment, and vehicles	3,372,619	1,971,942	237,006	24,673	1,613,010
Water and wastewater distribution system	-	-	<u>6,123,750</u>	-	<u>6,123,750</u>
Total	<u>\$ 20,514,558</u>	<u>\$ 6,932,405</u>	<u>\$ 14,725,559</u>	<u>\$ 7,310,160</u>	20,997,552
					FY 2010 depreciation expense ( 20,039,106)
					FY 2010 accumulated depreciation deletions 1,925,354
					Primary government beginning capital assets balance <u>258,687,281</u>
					Primary government ending capital assets balance <u>\$261,571,081</u>

The following financial table represents the City's total capital assets as of September 30, 2010:

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

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 3,841,610	\$ 3,841,610	\$ 4,344,669	\$ 4,076,832	\$ 8,186,279	\$ 7,918,442
Construction in progress	12,086,312	6,596,019	3,265,689	4,456,709	15,352,001	11,052,728
Machinery and equipment	12,583,429	12,421,017	1,593,215	1,735,238	14,176,644	14,156,255
Buildings	6,240,154	5,938,696	29,880,915	31,057,575	36,121,069	36,996,271
Improvements other than buildings	3,489,194	3,526,230	1,275,972	659,248	4,765,166	4,185,478
Infrastructure	120,981,884	124,392,720	1,480,229	249,157	122,462,113	124,641,877
Water and wastewater distribution system	-	-	<u>60,507,809</u>	<u>59,736,230</u>	<u>60,507,809</u>	<u>59,736,230</u>
Total	<u>\$159,222,583</u>	<u>\$156,716,292</u>	<u>\$102,348,498</u>	<u>\$101,970,989</u>	<u>\$261,571,081</u>	<u>\$258,687,281</u>

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 2010, the City had total bonded debt outstanding of \$164,890,000. Of this amount, \$91,850,000 comprises debt backed by the full faith and credit of the government and \$73,040,000 secured solely by specific revenue sources (i.e., revenue bonds). In addition, the City had outstanding \$1,427,892 in compensated absences, \$2,982,260 in estimated landfill closure and post-closure care cost; \$3,487,373 in net bond premium (discount), and \$2,165,469 in deferred financing costs as of September 30, 2010.

**City of Victoria, Texas**

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

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
General obligation bonds	\$ 30,475,000	\$ 32,225,000	\$ -	\$ -	\$ 30,475,000	\$ 32,225,000
Certificate of obligation bonds	61,375,000	36,570,000	-	-	61,375,000	36,570,000
Revenue bonds	-	-	73,040,000	70,130,000	73,040,000	70,130,000
Compensated absences	1,202,299	1,184,184	225,593	214,875	1,427,892	1,399,059
Rebatable arbitrage	-	132,812	-	-	-	132,812
Estimated landfill closure and post-closure care cost	-	-	2,982,260	2,877,064	2,982,260	2,877,064
Net bond premium (discount)	764,623	278,051	2,722,750	1,329,747	3,487,373	1,607,798
Deferred financing costs	( 1,491,437)	( 1,193,583)	( 674,032)	( 584,681)	( 2,165,469)	( 1,778,264)
<b>Total</b>	<b>\$ 92,325,485</b>	<b>\$ 69,196,464</b>	<b>\$ 78,296,571</b>	<b>\$ 73,967,005</b>	<b>\$ 170,622,056</b>	<b>\$ 143,163,469</b>

The City's debt had a net increase of \$27,458,587 or 19%. The key factors to this net increase are the following:

- Debt payments of \$3,390,000 in governmental activities bonds and \$3,765,000 in business-type activities bonds were made during fiscal year 2010,
- The City issued \$26.33 million in Certificate of Obligation bonds in fiscal year 2010 in order to fund the City's capital improvement program,
- The City issued \$8.715 million in Refunding General Obligation bonds in fiscal year 2010 in order to capitalize on low interest rates,
- The City issued \$7.55 million in Utility Revenue bonds in fiscal year 2010 in order to fund the City's Capital Improvement Program,
- The City issued \$24.59 million in Refunding Utility Revenue bonds in fiscal year 2010 in order to capitalized on low interest rates,
- Compensated absences liability increased by \$28,833,
- Rebatable arbitrage liability was reduced by \$132,812,
- Landfill closure/post-closure care cost was increased by the annual amortization cost of \$105,196,
- As a result of newly issued bonds, net bond premium was increased by \$1,879,575, and
- As a result of newly issued bonds, deferred financing cost increased by \$387,205.

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

- Recently, as you well know, the US economy has experienced one of the worst recessions in years, which is impacting all regions in the US. This economic impact varies among states. The Dallas Fed reports that economic conditions in Texas remain weak, but stable, and confirms that a recovery is taking hold in Texas; however, many companies remain wary and cautious of how to proceed in this economy. Consequently, employment levels will remain stagnant and many firms are still implementing a hiring freeze. *Note: the unemployment rate in Victoria for the first quarter of FY 2011 stood at 7.2% compared to Texas unemployment rate of 8.3%, and US unemployment rate of 9.3%.*

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 regain its economic momentum in 2011 and will emerge from the recent recession much faster and healthier than most other states, despite the budgetary challenges Texas is facing.

With recent financial data on job growth and sales tax collections, Texas economy appears to be emerging from the recent recession. Another indicator that the State's economy has been comparatively healthy was the U.S. Bureau of Census report that Texas added more people than any other state. In addition, more than half the jobs shed by employers during Texas' recession have already been recovered as our economy recovers more quickly than the US as a whole.

One concern economists have is that while the U.S. and world economy improves, commodities prices and fuel will start to increase, which will eventually lead to inflationary pressures around the world. In recent years, the City of Victoria has been fortunate to capitalize on lower prices during the economic downturn, which enabled us to do a large quantity of capital improvement projects at a lower cost. However, economists predict that this trend will reverse as commodities/fuel prices and project costs in general increase, which in turn will affect the number of projects the City can perform/implement with its limited resources. Conditions such as these emphasize the importance of having a strong strategic plan in place in order to set priorities and guide the City through planning of future capital improvements and other services.

As mentioned above, the past year has been a difficult one for the economy at all levels, including locally; as a result of this, key revenue streams such as sales tax receipts came in \$1.7 million lower than the FY 2010 original budgeted amount. However, Caterpillar, Inc. announcing its plan to build its new excavator plant at the Victoria Lone Tree Industrial Park and recent sales tax revenue receipts suggest that FY 2012 might see strengthening in sales tax receipts for our City. In light of the instability and uncertainties in the US and world economy, we need to remain cautious and prudent of how we manage the City's finances in the upcoming months, while at the same time being proactive in ensuring the City continues to provide outstanding services to its citizens and Victoria's economy continues to grow.

- As of the first quarter of FY 2011, sales tax revenues came in approximately \$420K or 16% over 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, 2009. The 2010-2011 total appraised value of all property in the City of Victoria, as rendered by the Victoria County Tax Appraisal District, is \$3,194,351,388; a decrease of 0.24% or \$7.8 million over last year's tax roll of \$3,202,108,213.
- 1,627 building permits were issued in fiscal year 2010, which represents an increase of 194 or 14% over last year.

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

- 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 62,592 and its growth rate has remained low but steady.
- As of January 2011, the consumer price index stood at approximately 1.6% which compares favorably to national and state indices.
- The General Fund unreserved fund balance at September 30, 2010, came in \$4,096,617 above the minimum required unreserved fund balance of \$7,840,488, for a total year-end unreserved fund balance of \$11,937,105. The City has a policy of maintaining a minimum unreserved fund balance of 18.5% of total expenditures (including encumbrances). The excess unreserved fund balance will be used during fiscal year 2011 on one-time/non-reoccurring expenditures, capital improvement projects, or at Council's discretion. In addition, due to the prior recession and current uncertainties in the US and world economy, City Council has increased the minimum required unreserved fund balance percentage to 20% for FY 2011.
- The ad valorem tax rate for fiscal year 2011 was set at 65¢, an increase of 0.5¢ from last year's tax rate of 64.50¢. The tax rate is allocated at 39.46¢ for maintenance and operating cost of the General Fund (an increase of 0.37¢) and 25.54¢ for debt service (bond) payment (an increase of 0.13¢).
- Water and sewer rates were not increased in fiscal year 2011. More detailed information on this subject can be found in the City's fiscal year 2011 budget.
- The City will be completing its transition of taking over its Loop 463 wastewater treatment plant, which is currently being run by Guadalupe-Blanco River Authority (GBRA) through a service contract. The net funding for the GBRA Regional Waste Disposal Contract was decreased by \$2,605,110, compared to FY 2010.

The City will terminate its contract with GBRA effective December 31, 2010; as a result, the FY 2011 GBRA's contract will be funded for four (4) months, in the amount of \$763,789. Once the transition has been completed, the City's net operations cost, for the Loop 463 wastewater treatment plant, is estimated to be reduced by \$600,000.

- For FY 2011, the Environmental Services Fund increased its monthly service fee for yard waste collection services by \$1.12. The new monthly yard waste collection services fee is \$1.27.
- City's landfill generates a large amount of methane gas which is currently being flared. While the flare system destroys the methane produced by the landfill, this potential energy source is not currently being recovered and put to beneficial use; it could be a new source of revenue for the City. Consequently, during the latter part of FY 2010, the City partnered-up with Renovar Energy Corporation (Renovar) in order to capitalize on the potential benefits of usage of the City landfill gas.

Renovar will build and maintain a collection gas system, located at the City's landfill; and, will be allowed to sell the processed gas to a nearby industrial plant over the next 15 years. In return, the City will receive an up-front one-time payment of \$110,000 and 15 years of royalty payments. The net present value of the 15-years of royalty payment equates to approximately \$6.4 million. During the first years of operations, the City expects the royalty payment to be around \$200,000/year; and, eventually increase to \$800,000/year in the 5<sup>th</sup> year of the contract term.

- The City's next five fiscal years Capital Improvement Program Projects consist of approximately \$68.11 million; FY 2011 - \$18.64 million, FY 2012 - \$33.58 million, FY 2013 - \$3.81 million, FY 2014 - \$2.70 million, and FY 2015 - \$9.38 million. Note: The FY 2010 Capital Improvement Program Project consisted of approximately \$42.97 million. More detailed information on this subject can be found in the City's FY 2011 budget.

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**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, 2010

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 33,057,276	\$ 9,978,858	\$ 43,036,134	\$ 5,945,825
Investments	29,042,515	-	29,042,515	5,001,817
Receivables (net)	6,553,563	2,228,195	8,781,758	512,897
Internal balances	(7,348)	7,348	-	-
Inventory	399,211	209,114	608,325	-
Returned checks	16,991	3,244	20,235	-
Restricted assets				
Cash and cash equivalents	35,000	12,130,642	12,165,642	-
Investments	-	3,601,577	3,601,577	-
<b>Total current assets</b>	<b>69,097,208</b>	<b>28,158,978</b>	<b>97,256,186</b>	<b>11,460,539</b>
Noncurrent assets				
Capital assets				
Land and other assets not being depreciated	15,927,922	7,610,358	23,538,280	5,376,405
Buildings, improvements, and equipment (net)	143,294,661	94,738,140	238,032,801	10,159,508
Bond issue costs (net)	1,321,466	1,400,640	2,722,106	128,897
Deposits	-	82,673	82,673	-
<b>Total noncurrent assets</b>	<b>160,544,049</b>	<b>103,831,811</b>	<b>264,375,860</b>	<b>15,664,810</b>
<b>Total assets</b>	<b>229,641,257</b>	<b>131,990,789</b>	<b>361,632,046</b>	<b>27,125,349</b>

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	\$ 2,326,438	\$ 1,662,868	\$ 3,989,306	\$ 304,073
Accrued expenses	1,945,236	448,313	2,393,549	-
Due to other governments	78,308	96,502	174,810	-
Customer deposits	-	34,335	34,335	-
Claims payable	382,316	-	382,316	-
Unearned revenue	530,517	-	530,517	-
Accrued compensated absences	93,992	19,133	113,125	-
Accrued interest payable	559,263	985,468	1,544,731	106,994
Current portion of long-term obligations	3,715,000	3,915,000	7,630,000	765,000
Total current liabilities	<u>9,631,070</u>	<u>7,161,619</u>	<u>16,792,689</u>	<u>1,176,067</u>
Noncurrent liabilities				
Noncurrent portion of long-term obligations (net of deferred amounts)	87,408,186	71,173,718	158,581,904	-
Accrued compensated absences	1,108,307	225,593	1,333,900	-
Rebatable arbitrage	-	-	-	70,716
Estimated landfill closure and postclosure care cost	-	2,982,260	2,982,260	5,728,856
Total noncurrent liabilities	<u>88,516,493</u>	<u>74,381,571</u>	<u>162,898,064</u>	<u>5,799,572</u>
<b>Total liabilities</b>	<u>98,147,563</u>	<u>81,543,190</u>	<u>179,690,753</u>	<u>6,975,639</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	101,134,927	35,515,387	136,650,314	9,042,057
Restricted for:				
Debt service	944,159	-	944,159	-
Capital projects	2,253,332	-	2,253,332	-
Culture and recreation	385,429	-	385,429	-
Unrestricted net assets	<u>26,775,847</u>	<u>14,932,212</u>	<u>41,708,059</u>	<u>11,107,653</u>
<b>Total net assets</b>	<u>\$ 131,493,694</u>	<u>\$ 50,447,599</u>	<u>\$ 181,941,293</u>	<u>\$ 20,149,710</u>

The accompanying notes are an integral part of this statement.

**CITY OF VICTORIA, TEXAS**  
**STATEMENT OF ACTIVITIES**  
For the year ended September 30, 2010

Function/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental activities				
General government	\$ 7,634,811	\$ 2,411,387	\$ 1,265,122	\$ -
Public safety	24,156,480	3,549,406	796,724	1,936,037
Highways and streets	14,827,929	-	769,046	1,898,945
Culture and recreation	5,358,952	311,471	37,903	-
Interest on long-term debt	4,562,764	-	-	-
Total governmental activities	<u>56,540,936</u>	<u>6,272,264</u>	<u>2,868,795</u>	<u>3,834,982</u>
Business-type activities				
Water/wastewater	21,316,444	21,973,303	-	273,053
Environmental services	3,182,201	4,128,139	-	-
Other	848,161	425,929	-	11,437
Total business-type activities	<u>25,346,806</u>	<u>26,527,371</u>	<u>-</u>	<u>284,490</u>
Total primary government	<u>\$ 81,887,742</u>	<u>\$ 32,799,635</u>	<u>\$ 2,868,795</u>	<u>\$ 4,119,472</u>
<b>Component Units</b>	<u>\$ 1,301,709</u>	<u>\$ 23,800</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
\$ (3,958,302)	\$ -	\$ (3,958,302)	\$ -
(17,874,313)	-	(17,874,313)	-
(12,159,938)	-	(12,159,938)	-
(5,009,578)	-	(5,009,578)	-
(4,562,764)	-	(4,562,764)	-
<u>(43,564,895)</u>	<u>-</u>	<u>(43,564,895)</u>	<u>-</u>
-	929,912	929,912	-
-	945,938	945,938	-
<u>-</u>	<u>(410,795)</u>	<u>(410,795)</u>	<u>-</u>
<u>-</u>	<u>1,465,055</u>	<u>1,465,055</u>	<u>-</u>
<u>(43,564,895)</u>	<u>1,465,055</u>	<u>(42,099,840)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,277,909)</u>
13,067,075	-	13,067,075	-
7,111,275	-	7,111,275	-
11,978,185	-	11,978,185	5,989,092
4,665,101	-	4,665,101	-
1,196,969	-	1,196,969	-
305,323	48,460	353,783	25,240
1,084,532	-	1,084,532	14,821
4,885,859	(4,885,859)	-	-
<u>44,294,319</u>	<u>(4,837,399)</u>	<u>39,456,920</u>	<u>6,029,153</u>
729,424	(3,372,344)	(2,642,920)	4,751,244
<u>130,764,270</u>	<u>53,819,943</u>	<u>184,584,213</u>	<u>15,398,466</u>
<u>\$ 131,493,694</u>	<u>\$ 50,447,599</u>	<u>\$ 181,941,293</u>	<u>\$ 20,149,710</u>

**CITY OF VICTORIA, TEXAS***BALANCE SHEET**GOVERNMENTAL FUNDS**September 30, 2010*

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	<u>General</u>	<u>Debt Service</u>	<u>Residential/Arterial Capital Improvement Program</u>
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 2,702,607	\$ 1,042,334	\$ 21,535,379
Investments	11,991,864	-	14,549,743
Receivables (net)	5,301,184	461,088	-
Due from other funds	362,944	-	-
Inventory	205,798	-	-
Returned checks	16,991	-	-
<b>Total assets</b>	<u>\$ 20,581,388</u>	<u>\$ 1,503,422</u>	<u>\$ 36,085,122</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable	\$ 926,073	\$ -	\$ 1,017,690
Accrued expenditures	1,859,392	-	-
Accrued interest payable	-	18,208	-
Accrued compensated absences	14,793	-	-
Due to other governments	78,308	-	-
Due to other funds	225,036	-	-
Deferred revenue	3,325,880	461,088	-
<b>Total liabilities</b>	<u>6,429,482</u>	<u>479,296</u>	<u>1,017,690</u>
<b>Fund balances</b>			
Reserved for:			
Encumbrances	2,009,003	-	29,200,456
Inventory	205,798	-	-
Unreserved, undesignated reported in:			
General fund	11,937,105	-	-
Special revenue funds	-	-	-
Debt service fund	-	1,024,126	-
Capital project funds	-	-	5,866,976
<b>Total fund balances</b>	<u>14,151,906</u>	<u>1,024,126</u>	<u>35,067,432</u>
<b>Total liabilities and fund balances</b>	<u>\$ 20,581,388</u>	<u>\$ 1,503,422</u>	<u>\$ 36,085,122</u>

The accompanying notes are an integral part of this statement.

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Other Governmental Funds	Total Governmental Funds
\$ 1,493,852	\$ 26,774,172
-	26,541,607
648,244	6,410,516
27,300	390,244
-	205,798
-	16,991
<u>\$ 2,169,396</u>	<u>\$ 60,339,328</u>

\$ 349,989	\$ 2,293,752
-	1,859,392
-	18,208
-	14,793
-	78,308
413,150	638,186
530,517	4,317,485
<u>1,293,656</u>	<u>9,220,124</u>

-	31,209,459
-	205,798
-	11,937,105
654,310	654,310
-	1,024,126
221,430	6,088,406
<u>875,740</u>	<u>51,119,204</u>
<u>\$ 2,169,396</u>	<u>\$ 60,339,328</u>

**CITY OF VICTORIA, TEXAS**

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

September 30, 2010

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<b>Total governmental fund balances</b>		<b>\$ 51,119,204</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.		18,348,416
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.		1,560,719
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.		2,226,249
Capital assets used in governmental activities are reported as expenditures in governmental funds when purchased or constructed. The cost of these assets is \$252,665,737 and the accumulated depreciation is \$102,963,279.		149,702,458
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 \$1,832,803 and the accumulated amortization is \$511,337.		1,321,466
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	\$ (91,850,000)	
Bond premiums	(764,623)	
Deferred loss on refunding	1,491,437	
Accrued interest on the bonds	(541,055)	
Compensated absences	<u>(1,120,577)</u>	<u>(92,784,818)</u>
<b>Net assets of governmental activities</b>		<b><u>\$ 131,493,694</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, 2010

	General	Debt Service	Residential/Arterial Capital Improvement Program
<b>REVENUES</b>			
Taxes	\$ 29,945,184	\$ 7,054,064	\$ -
Licenses and permits	662,792	-	-
Intergovernmental	2,172,243	387,077	1,936,037
Charges for services	1,957,973	-	-
Fines and forfeitures	861,648	-	-
Investment income	44,098	9,021	102,150
Miscellaneous	377,967	-	1,091,498
<b>Total revenues</b>	<u>36,021,905</u>	<u>7,450,162</u>	<u>3,129,685</u>
<b>EXPENDITURES</b>			
Current			
General government	5,335,822	-	49,050
Public safety	25,556,743	-	-
Highways and streets	4,151,589	-	-
Culture and recreation	4,899,677	-	-
Capital outlay	-	-	10,339,354
Debt service			
Principal retirement	-	3,390,000	-
Interest and fiscal charges	-	4,103,879	-
Paying agents' fees and issue costs	-	290,890	390,224
<b>Total expenditures</b>	<u>39,943,831</u>	<u>7,784,769</u>	<u>10,778,628</u>
Excess (deficiency) of revenues over expenditures	(3,921,926)	(334,607)	(7,648,943)
<b>OTHER FINANCING SOURCES (USES)</b>			
Bonds issued	-	8,715,000	26,330,000
Premium on issuance of bonds	-	431,650	83,584
Payment to escrow	-	(8,985,582)	-
Transfers in	3,134,444	-	4,008,517
Transfers out	(428,181)	-	(1,009,349)
<b>Total other financing sources (uses)</b>	<u>2,706,263</u>	<u>161,068</u>	<u>29,412,752</u>
Change in fund balances	(1,215,663)	(173,539)	21,763,809
Fund balances at beginning of year, as restated	<u>15,367,569</u>	<u>1,197,665</u>	<u>13,303,623</u>
<b>Fund balances at end of year</b>	<u>\$ 14,151,906</u>	<u>\$ 1,024,126</u>	<u>\$ 35,067,432</u>

The accompanying notes are an integral part of this statement.

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Other Governmental Funds	Total Governmental Funds
\$ 1,101,294	\$ 38,100,542
-	662,792
2,428,423	6,923,780
-	1,957,973
51,830	913,478
1,553	156,822
159,265	1,628,730
<u>3,742,365</u>	<u>50,344,117</u>
1,458,119	6,842,991
918,391	26,475,134
381,969	4,533,558
887,404	5,787,081
523,292	10,862,646
-	3,390,000
-	4,103,879
-	681,114
<u>4,169,175</u>	<u>62,676,403</u>
(426,810)	(12,332,286)
-	35,045,000
-	515,234
-	(8,985,582)
132,454	7,275,415
(353,026)	(1,790,556)
<u>(220,572)</u>	<u>32,059,511</u>
(647,382)	19,727,225
<u>1,523,122</u>	<u>31,391,979</u>
<u>\$ 875,740</u>	<u>\$ 51,119,204</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, 2010*

<b>Total net change in fund balances - governmental funds</b>		<b>\$ 19,727,225</b>
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Internal service funds are used by the City to charge the costs of certain activities, such as insurance and vehicle and equipment services, to individual funds. The net income of the internal service funds is reported with governmental activities.		1,172,552
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 2009/2010 capital outlays is to increase net assets.		12,646,154
The net effect of various transactions involving capital assets (i.e., transfers, adjustments and dispositions) is to increase net assets.		800,571
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.		(10,858,664)
Bond proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the statement of net assets. In the current period, proceeds were received from:		
2009 Certificates of Obligations	\$ (26,330,000)	
2010 General Obligation Refunding Bonds	<u>(8,715,000)</u>	(35,045,000)
Current year payments on long-term debt are expenditures in the fund financial statements, but they serve to reduce long-term liabilities in the government-wide financial statements. In the current year, these amounts consist of:		
Payment to the bond refunding agent	8,600,000	
Bond principal retirement	<u>3,390,000</u>	11,990,000
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	83,754	
Other revenues	<u>5,870</u>	89,624
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:		
Increase in compensated absences	(18,427)	
Decrease in rebatable arbitrage	132,812	
Decrease in accrued interest	(176,247)	
Net increase in loss on bond refunding	297,854	
Net increase in bond premium	(486,572)	
Net increase in bond issue costs	<u>457,542</u>	<u>206,962</u>
<b>Change in net assets of governmental activities</b>		<b>\$ <u>729,424</u></b>

The accompanying notes are an integral part of this statement.



**CITY OF VICTORIA, TEXAS**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
September 30, 2010

	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	\$ 6,944,176	\$ 1,778,838	\$ 1,255,844	\$ 9,978,858	\$ 6,283,104
Investments	-	-	-	-	2,500,908
Receivables (net)	1,921,011	307,163	21	2,228,195	143,047
Due from other funds	-	-	51,133	51,133	246,355
Inventory	209,114	-	-	209,114	193,413
Returned checks	2,432	-	812	3,244	-
Restricted assets					
Cash and cash equivalents	8,980,255	2,535,026	615,361	12,130,642	35,000
Investments	300,109	2,701,201	600,267	3,601,577	-
<b>Total current assets</b>	<b>18,357,097</b>	<b>7,322,228</b>	<b>2,523,438</b>	<b>28,202,763</b>	<b>9,401,827</b>
Noncurrent assets					
Capital assets					
Land and other assets not being depreciated	6,339,277	871,323	399,758	7,610,358	173,175
Buildings, improvements, and equipment (net)	88,840,071	2,251,167	3,646,902	94,738,140	9,346,950
Bond issue costs (net)	1,400,640	-	-	1,400,640	-
Deposits	82,673	-	-	82,673	-
<b>Total noncurrent assets</b>	<b>96,662,661</b>	<b>3,122,490</b>	<b>4,046,660</b>	<b>103,831,811</b>	<b>9,520,125</b>
<b>Total assets</b>	<b>115,019,758</b>	<b>10,444,718</b>	<b>6,570,098</b>	<b>132,034,574</b>	<b>18,921,952</b>
<b>LIABILITIES</b>					
Current liabilities					
Accounts payable	1,446,474	199,525	16,869	1,662,868	32,686
Accrued expenses	329,661	97,838	20,814	448,313	85,844
Accrued compensated absences	14,011	4,065	1,057	19,133	5,232
Due to other governments	-	96,502	-	96,502	-
Due to other funds	36,559	6,360	866	43,785	5,761
Customer deposits	-	-	34,335	34,335	-
Claims payable	-	-	-	-	382,316
Accrued interest payable	985,468	-	-	985,468	-
Current portion of revenue bonds	3,915,000	-	-	3,915,000	-
<b>Total current liabilities</b>	<b>6,727,173</b>	<b>404,290</b>	<b>73,941</b>	<b>7,205,404</b>	<b>511,839</b>
Noncurrent liabilities					
Revenue bonds (net)	71,173,718	-	-	71,173,718	-
Accrued compensated absences	165,204	47,929	12,460	225,593	61,697
Estimated landfill closure and postclosure care cost	-	2,982,260	-	2,982,260	-
<b>Total noncurrent liabilities</b>	<b>71,338,922</b>	<b>3,030,189</b>	<b>12,460</b>	<b>74,381,571</b>	<b>61,697</b>
<b>Total liabilities</b>	<b>78,066,095</b>	<b>3,434,479</b>	<b>86,401</b>	<b>81,586,975</b>	<b>573,536</b>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	28,346,237	3,122,490	4,046,660	35,515,387	9,520,125
Unrestricted net assets	8,607,426	3,887,749	2,437,037	14,932,212	8,828,291
<b>Total net assets</b>	<b>\$ 36,953,663</b>	<b>\$ 7,010,239</b>	<b>\$ 6,483,697</b>	<b>\$ 50,447,599</b>	<b>\$ 18,348,416</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, 2010*

	Business-type Activities			Total	Governmental
	Water and Wastewater	Environmental Services	Other Enterprise Funds		Internal Service Funds
<b>OPERATING REVENUES</b>					
Charges for services	\$ 21,942,417	\$ 3,880,762	\$ 425,929	\$ 26,249,108	\$ 13,176,844
Miscellaneous	30,886	247,377	-	278,263	418,538
<b>Total operating revenues</b>	<u>21,973,303</u>	<u>4,128,139</u>	<u>425,929</u>	<u>26,527,371</u>	<u>13,595,382</u>
<b>OPERATING EXPENSES</b>					
Personnel	4,506,775	1,282,631	295,764	6,085,170	1,229,230
Materials and supplies	1,002,776	222,671	60,426	1,285,873	1,294,414
Maintenance	754,710	2,018	43,893	800,621	105,069
Heat, lights and power	991,500	17,561	141,725	1,150,786	28,014
Reinsurance premiums	-	-	-	-	716,687
Miscellaneous services	1,243,528	553,804	54,646	1,851,978	586,350
Contractual services	3,148,773	46,080	32,815	3,227,668	1,126,860
Computer services	146,807	34,470	-	181,277	62,816
Court costs, judgments and damages	-	-	-	-	6,323
Claims expense	-	-	-	-	4,454,356
Wellness program	-	-	-	-	47,133
Tipping fees	-	749,187	-	749,187	-
Landfill closure and postclosure care cost	-	105,196	-	105,196	-
Depreciation	6,673,618	168,583	218,698	7,060,899	2,119,544
<b>Total operating expenses</b>	<u>18,468,487</u>	<u>3,182,201</u>	<u>847,967</u>	<u>22,498,655</u>	<u>11,776,796</u>
Operating income (loss) before nonoperating revenues (expenses) and contributions and transfers	3,504,816	945,938	(422,038)	4,028,716	1,818,586
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Investment income	24,320	19,998	4,142	48,460	15,689
Interest and fiscal charges	(2,846,486)	-	-	(2,846,486)	-
Loss on disposition of capital assets	(1,471)	-	(194)	(1,665)	(62,723)
Net nonoperating revenues (expenses)	<u>(2,823,637)</u>	<u>19,998</u>	<u>3,948</u>	<u>(2,799,691)</u>	<u>(47,034)</u>
Income before contributions and transfers	681,179	965,936	(418,090)	1,229,025	1,771,552
Contributions and transfers					
Capital contributions	273,053	-	11,437	284,490	-
Transfers in	1,089,507	46,115	330,868	1,466,490	-
Transfers out	(5,954,632)	(356,300)	(41,417)	(6,352,349)	(599,000)
Total contributions and transfers	<u>(4,592,072)</u>	<u>(310,185)</u>	<u>300,888</u>	<u>(4,601,369)</u>	<u>(599,000)</u>
Change in net assets	(3,910,893)	655,751	(117,202)	(3,372,344)	1,172,552
Total net assets at beginning of year	40,864,556	6,354,488	6,600,899	53,819,943	17,175,864
<b>Total net assets at end of year</b>	<u>\$ 36,953,663</u>	<u>\$ 7,010,239</u>	<u>\$ 6,483,697</u>	<u>\$ 50,447,599</u>	<u>\$ 18,348,416</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, 2010

	Business-type Activities		
	Water and Wastewater	Environmental Services	Other Enterprise Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 22,012,800	\$ 4,291,966	\$ 425,922
Cash paid to suppliers for goods and services	(7,558,271)	(1,826,835)	(344,467)
Cash paid to employees for services	(4,442,923)	(1,269,846)	(291,726)
<b>Net cash provided (used) by operating activities</b>	<u>10,011,606</u>	<u>1,195,285</u>	<u>(210,271)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Increase (decrease) in customer deposits	-	-	650
Borrowings from (to) other funds	(5,553)	(31,858)	116,869
Transfers in from other funds	1,089,507	46,115	330,868
Transfers out to other funds	(5,954,632)	(356,300)	(41,417)
<b>Net cash provided (used) by noncapital financing activities</b>	<u>(4,870,678)</u>	<u>(342,043)</u>	<u>406,970</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and construction of capital assets	(5,221,535)	(1,058,153)	(33,149)
Proceeds from issuance of revenue bonds	32,140,000	-	-
Principal paid on revenue bonds	(29,230,000)	-	-
Interest paid on revenue bonds	(1,945,064)	-	-
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(4,256,599)</u>	<u>(1,058,153)</u>	<u>(33,149)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sales and maturities of investments	-	-	-
Purchase of investments	(300,000)	(2,700,000)	(600,000)
Rebatable arbitrage payments	(4,950)	-	-
Investment income	24,211	18,797	3,871
<b>Net cash provided (used) by investing activities</b>	<u>(280,739)</u>	<u>(2,681,203)</u>	<u>(596,129)</u>
Net increase (decrease) in cash and cash equivalents	603,590	(2,886,114)	(432,579)
Cash and cash equivalents at beginning of year	<u>15,320,841</u>	<u>7,199,978</u>	<u>2,303,784</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 15,924,431</u>	<u>\$ 4,313,864</u>	<u>\$ 1,871,205</u>

The accompanying notes are an integral part of this statement.

<u>Total</u>	Governmental Activities Internal Service Funds
\$ 26,730,688	\$ 13,924,572
(9,729,573)	(9,019,943)
<u>(6,004,495)</u>	<u>(1,222,239)</u>
10,996,620	3,682,390
650	-
79,458	(5,229)
1,466,490	-
<u>(6,352,349)</u>	<u>(599,000)</u>
<u>(4,805,751)</u>	<u>(604,229)</u>
(6,312,837)	(2,100,495)
32,140,000	-
(29,230,000)	-
<u>(1,945,064)</u>	<u>-</u>
<u>(5,347,901)</u>	<u>(2,100,495)</u>
-	-
(3,600,000)	(2,500,000)
(4,950)	-
46,879	14,781
<u>(3,558,071)</u>	<u>(2,485,219)</u>
(2,715,103)	(1,507,553)
<u>24,824,603</u>	<u>7,825,657</u>
<u>\$ 22,109,500</u>	<u>\$ 6,318,104</u>

(continued)

**CITY OF VICTORIA, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the year ended September 30, 2010

	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)	\$ 3,504,816	\$ 945,938	\$ (422,038)
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation	6,673,618	168,583	218,698
Changes in assets and liabilities			
(Increase) decrease in accounts receivable	30,743	(23,839)	-
(Increase) decrease in other receivables	5,995	187,666	(7)
(Increase) decrease in inventory	(85,201)	-	-
(Increase) decrease in returned checks	2,759	-	-
(Increase) decrease in due from other funds	-	-	-
Increase (decrease) in accounts payable	(184,976)	(204,973)	(10,962)
Increase (decrease) in accrued expenses	42,676	6,252	1,896
Increase (decrease) in compensated absences	21,176	6,533	2,142
Increase (decrease) in due to other governments	-	3,929	-
Increase (decrease) in claims payable	-	-	-
Increase (decrease) in landfill closure and postclosure care cost	-	105,196	-
Total adjustments	<u>6,506,790</u>	<u>249,347</u>	<u>211,767</u>
<b>Net cash provided (used) by operating activities</b>	<b><u>\$ 10,011,606</u></b>	<b><u>\$ 1,195,285</u></b>	<b><u>\$ (210,271)</u></b>
<b>Reconciliation of cash and cash equivalents</b>			
Unrestricted			
Cash and cash equivalents	\$ 6,944,176	\$ 1,778,838	\$ 1,255,844
Restricted			
Cash and cash equivalents	<u>8,980,255</u>	<u>2,535,026</u>	<u>615,361</u>
Total	<u>\$ 15,924,431</u>	<u>\$ 4,313,864</u>	<u>\$ 1,871,205</u>

**Noncash capital and related financing activities**

The Water and Wastewater Fund and 700 Main Center Fund received noncash contributions relating to capital asset additions of \$157,602 and \$11,437, respectively for fiscal year 2010.

The accompanying notes are an integral part of this statement.

<u>Total</u>	<u>Governmental Activities Internal Service Funds</u>
\$ 4,028,716	\$ 1,818,586
7,060,899	2,119,544
6,904	-
193,654	19,146
(85,201)	(20,350)
2,759	-
-	310,044
(400,911)	(265,346)
50,824	(131)
29,851	7,122
3,929	-
-	(306,225)
<u>105,196</u>	<u>-</u>
<u>6,967,904</u>	<u>1,863,804</u>
<u>\$ 10,996,620</u>	<u>\$ 3,682,390</u>
\$ 9,978,858	\$ 6,283,104
<u>12,130,642</u>	<u>35,000</u>
<u>\$ 22,109,500</u>	<u>\$ 6,318,104</u>

(concluded)

**CITY OF VICTORIA, TEXAS**  
*STATEMENT OF FIDUCIARY NET ASSETS*  
*FIDUCIARY FUNDS*  
*September 30, 2010*

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	Private Purpose Trust	Agency
	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 14,617	\$ 415,904
<b>Total assets</b>	<u>14,617</u>	<u>415,904</u>
<b>LIABILITIES</b>		
Liabilities		
Accounts payable	-	76,107
Due to other agencies	-	339,797
<b>Total liabilities</b>	<u>-</u>	<u>415,904</u>
<b>NET ASSETS</b>		
Unrestricted net assets	<u>\$ 14,617</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, 2010*

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	<u>Private Purpose Trust</u>
<b>ADDITIONS</b>	
Miscellaneous	
Participants' contributions	\$ 141,930
<b>DEDUCTIONS</b>	
General government	
Participants' withdrawals	<u>146,926</u>
Changes in net assets	(4,996)
Net assets - beginning	<u>19,613</u>
<b>Net assets - ending</b>	<u>\$ 14,617</u>

The accompanying notes are an integral part of this statement.



**CITY OF VICTORIA, TEXAS**  
**STATEMENT OF NET ASSETS**  
**COMPONENT UNITS**  
*September 30, 2010*

	Sales Tax Development Corporation	Victoria Recreation	Total
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 5,925,558	\$ 20,267	\$ 5,945,825
Investments	5,001,817	-	5,001,817
Receivables (net)			
Sales taxes	512,897	-	512,897
Total current assets	<u>11,440,272</u>	<u>20,267</u>	<u>11,460,539</u>
Noncurrent assets			
Capital assets			
Land and other assets not being depreciated	5,376,405	-	5,376,405
Buildings, improvements, and equipment (net)	9,913,733	245,775	10,159,508
Bond issue costs (net)	128,897	-	128,897
Total noncurrent assets	<u>15,419,035</u>	<u>245,775</u>	<u>15,664,810</u>
<b>Total assets</b>	<u>26,859,307</u>	<u>266,042</u>	<u>27,125,349</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	304,073	-	304,073
Accrued interest payable	106,994	-	106,994
Current portion of long-term obligations	765,000	-	765,000
Noncurrent liabilities			
Rebatable arbitrage	70,716	-	70,716
Noncurrent portion of long-term obligations	5,728,856	-	5,728,856
<b>Total liabilities</b>	<u>6,975,639</u>	<u>-</u>	<u>6,975,639</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	8,796,282	245,775	9,042,057
Unrestricted net assets	11,087,386	20,267	11,107,653
<b>Total net assets</b>	<u>\$ 19,883,668</u>	<u>\$ 266,042</u>	<u>\$ 20,149,710</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, 2010*

<u>Function/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Component Units</b>				
Sales Tax Development Corporation	\$ 1,253,243	\$ -	\$ -	\$ -
Victoria Recreation	<u>48,466</u>	<u>23,800</u>	<u>-</u>	<u>-</u>
Total component units	<u>\$ 1,301,709</u>	<u>\$ 23,800</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
\$ (1,253,243)	\$ -	\$ (1,253,243)
-	(24,666)	(24,666)
(1,253,243)	(24,666)	(1,277,909)
5,989,092	-	5,989,092
25,240	-	25,240
14,821	-	14,821
6,029,153	-	6,029,153
4,775,910	(24,666)	4,751,244
15,107,758	290,708	15,398,466
\$ 19,883,668	\$ 266,042	\$ 20,149,710



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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, Food Establishment, 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. The City is able to impose its will on the Corporation by approving its annual budgets and bonded debt issuance. 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 and the City Council approves the Corporation's annual budgets. 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 general capital improvement projects and to pay for professional services related to bond issuance costs.

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 no supplemental appropriations made during the year. However, the encumbrances outstanding at September 30, 2009 were carried forward to fiscal year 2010 through a supplemental budgetary allocation which amounted to \$2,007,737.

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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 Capital Project Funds.
6. The Debt Service Fund is budgeted by debt service issues.
7. The Capital Project Funds are budgeted on a project basis. Annually the City Council budgets only those portions of projects that have not been previously appropriated, along with new appropriations for new projects.
8. Formal budgetary integration is employed as a management control device during the year for all governmental funds and proprietary funds.
9. All appropriations lapse at year-end except for that portion related to encumbered amounts.

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, 2010, 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 asset 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 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, 2010, 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	\$ 34,254,229	43
Texas TERM Investment Pool	4,516,315	51
TexPool Prime Pool	13,938,890	32
Money Market Fund	6,322,011	49
U.S. Government Securities	14,549,743	177
Commercial Paper	19,080,669	182
Total	<u>\$ 92,661,857</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, 2010, 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, 2010, and for the year then ended, the City was not exposed to any custodial credit risk.

**NOTE 3: RECEIVABLES**

Receivables at September 30, 2010 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	\$ -	\$ -	\$ 2,103,729	\$ 227,450	\$ -	\$ 2,331,179
Ad valorem taxes	1,352,034	485,356	-	-	-	1,837,390
Franchise taxes	677,310	-	-	-	-	677,310
Sales taxes	1,025,794	-	-	-	-	1,025,794
Weedy lots	1,760,236	-	-	-	-	1,760,236
Ambulance	2,950,682	-	-	-	-	2,950,682
Fines	1,053,533	-	-	-	-	1,053,533
Other	335,258	-	2,465	106,620	791,312	1,235,655
Total gross receivables	9,154,847	485,356	2,106,194	334,070	791,312	12,871,779
Less: allowances	3,853,663	24,268	185,183	26,907	-	4,090,021
Total net receivables	<u>\$ 5,301,184</u>	<u>\$ 461,088</u>	<u>\$ 1,921,011</u>	<u>\$ 307,163</u>	<u>\$ 791,312</u>	<u>\$ 8,781,758</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	\$ 1,099,631	\$ -	\$ 1,099,631
Weedy lots	239,082	-	239,082
Ambulance	1,671,107	-	1,671,107
Fines	316,060	-	316,060
Debt Service Fund			
Ad valorem taxes receivable	461,088	-	461,088
Nonmajor Funds			
Grants	-	530,517	530,517
	<u>\$ 3,786,968</u>	<u>\$ 530,517</u>	<u>\$ 4,317,485</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, 2010, was \$0.645 per \$100, which means that the City has a tax margin of \$1.355 per \$100 and could raise up to \$42,495,740 on \$3,136,216,999 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, 2010, total assets were \$455,392, total liabilities were \$37,513, total fund net assets was \$417,879, total support and revenues were \$562,785 and total expenses were \$478,815. Excess revenues over expenses resulted in a net income of \$83,970. The amount contributed by the City for years ended September 30, 2010 and 2009, was \$150,000 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, 2010, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets, not being depreciated				
Land	\$ 3,841,610	\$ -	\$ -	\$ 3,841,610
Construction in progress	6,596,019	10,450,756	4,960,463	12,086,312
Total capital assets not being depreciated	<u>10,437,629</u>	<u>10,450,756</u>	<u>4,960,463</u>	<u>15,927,922</u>
Capital assets, being depreciated				
Machinery and equipment	35,455,536	3,372,619	1,971,942	36,856,213
Buildings	9,596,419	706,309	-	10,302,728
Improvements other than buildings	5,872,216	199,464	-	6,071,680
Infrastructure	198,942,623	5,785,410	-	204,728,033
Total capital assets being depreciated	<u>249,866,794</u>	<u>10,063,802</u>	<u>1,971,942</u>	<u>257,958,654</u>
Less accumulated depreciation for				
Machinery and equipment	23,034,519	3,140,611	1,902,346	24,272,784
Buildings	3,657,723	404,851	-	4,062,574
Improvements other than buildings	2,345,986	236,500	-	2,582,486
Infrastructure	74,549,903	9,196,246	-	83,746,149
Total accumulated depreciation	<u>103,588,131</u>	<u>12,978,208</u>	<u>1,902,346</u>	<u>114,663,993</u>
Total capital assets being depreciated, net	<u>146,278,663</u>	<u>(2,914,406)</u>	<u>69,596</u>	<u>143,294,661</u>
Governmental activities capital assets, net	<u>\$156,716,292</u>	<u>\$ 7,536,350</u>	<u>\$ 5,030,059</u>	<u>\$159,222,583</u>
<b>Business-type activities</b>				
Capital assets, not being depreciated				
Land	\$ 4,076,832	\$ 267,837	\$ -	\$ 4,344,669
Construction in progress	4,456,709	6,094,467	7,285,487	3,265,689
Total capital assets not being depreciated	<u>8,533,541</u>	<u>6,362,304</u>	<u>7,285,487</u>	<u>7,610,358</u>
Capital assets, being depreciated				
Machinery and equipment	3,503,580	237,006	24,673	3,715,913
Buildings	41,853,639	41,142	-	41,894,781
Improvements other than buildings	1,304,426	721,406	-	2,025,832
Infrastructure	412,868	1,239,951	-	1,652,819
Water and wastewater distribution system	103,628,167	6,123,750	-	109,751,917
Total capital assets being depreciated	<u>150,702,680</u>	<u>8,363,255</u>	<u>24,673</u>	<u>159,041,262</u>
Less accumulated depreciation for				
Machinery and equipment	1,768,342	377,364	23,008	2,122,698
Buildings	10,796,064	1,217,802	-	12,013,866
Improvements other than buildings	645,178	104,682	-	749,860
Infrastructure	163,711	8,879	-	172,590
Water and wastewater distribution system	43,891,937	5,352,171	-	49,244,108
Total accumulated depreciation	<u>57,265,232</u>	<u>7,060,898</u>	<u>23,008</u>	<u>64,303,122</u>
Total capital assets being depreciated, net	<u>93,437,448</u>	<u>1,302,357</u>	<u>1,665</u>	<u>94,738,140</u>
Business-type activities capital assets, net	<u>\$101,970,989</u>	<u>\$ 7,664,661</u>	<u>\$ 7,287,152</u>	<u>\$102,348,498</u>

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

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

**Governmental activities**

General government	\$ 413,320
Public safety	668,016
Highways and streets	9,203,938
Culture and recreation	573,390
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>2,119,544</u>

Total depreciation expense - governmental activities \$ 12,978,208

**Business-type activities**

Water/wastewater	\$ 6,673,618
Environmental services	168,583
Other	<u>218,697</u>

Total depreciation expense - business-type activities \$ 7,060,898

**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	\$ 4,837,059	\$ -	\$ -	\$ 4,837,059
Construction in progress	<u>10,387,471</u>	<u>1,042,094</u>	<u>10,890,219</u>	<u>539,346</u>
Total capital assets not being depreciated	<u>15,224,530</u>	<u>1,042,094</u>	<u>10,890,219</u>	<u>5,376,405</u>
Capital assets, being depreciated				
Improvements other than buildings	-	<u>9,913,733</u>	-	<u>9,913,733</u>
Total capital assets being depreciated	-	<u>9,913,733</u>	-	<u>9,913,733</u>
Sales Tax Development Corporation capital assets, net	<u>15,224,530</u>	<u>10,955,827</u>	<u>10,890,219</u>	<u>15,290,138</u>
<b>Victoria Recreation</b>				
Capital assets, being depreciated				
Machinery and equipment	47,773	-	-	47,773
Improvements other than buildings	<u>461,588</u>	-	-	<u>461,588</u>
Total capital assets being depreciated	<u>509,361</u>	-	-	<u>509,361</u>
Less accumulated depreciation for				
Machinery and equipment	47,118	315	-	47,433
Improvements other than buildings	<u>193,002</u>	<u>23,151</u>	-	<u>216,153</u>
Total accumulated depreciation	<u>240,120</u>	<u>23,466</u>	-	<u>263,586</u>
Total capital assets being depreciated, net	<u>269,241</u>	<u>(23,466)</u>	-	<u>245,775</u>
Victoria Recreation capital assets, net	<u>269,241</u>	<u>(23,466)</u>	-	<u>245,775</u>
Discretely presented component units capital assets, net	<u>\$ 15,493,771</u>	<u>\$ 10,932,361</u>	<u>\$ 10,890,219</u>	<u>\$ 15,535,913</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).

	Plan Year 2009	Plan Year 2010
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:

Contributions Required and Contributions Made			
<u>Year-end September 30</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2010	\$ 3,805,936	100%	\$ -
2009	3,469,266	100%	-
2008	3,032,138	100%	-

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

Contributions - (Continued)

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

	Actuarial Valuation Information		
	12/31/09	12/31/08	12/31/07
Actuarial cost method	projected unit credit	projected unit credit	projected unit credit
Amortization method	level percent of payroll	level percent of payroll	level percent of payroll
Amortization period in years	28 - closed	29 - closed	30 - closed
Asset valuation method	10-year smoothed market	amortized cost	amortized cost
Investment return	7.50%	7.50%	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%	2.1%

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	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
12/31/2009	\$ 47,863,557	\$ 93,540,824	\$ 45,677,267	51.17%	\$ 24,240,975	188.43%
12/31/2008	45,617,283	88,874,185	43,256,902	51.33%	23,720,529	182.36%
12/31/2007	46,442,240	87,624,753	41,182,513	53.00%	21,367,076	192.74%
12/31/2006	46,282,645	71,171,140	24,888,495	65.03%	21,219,310	117.29%
12/31/2005	47,221,367	70,045,633	22,824,266	67.42%	20,507,818	111.30%
12/31/2004	47,745,102	68,950,382	21,205,280	69.25%	19,761,134	107.31%
12/31/2003	48,467,691	68,277,880	19,810,189	70.99%	18,626,220	106.36%
12/31/2002	48,339,276	65,745,670	17,406,394	73.52%	18,843,180	92.38%
12/31/2001	47,500,581	63,148,769	15,648,188	75.22%	18,615,876	84.06%
12/31/2000	46,019,013	60,178,675	14,159,662	76.47%	16,831,906	84.12%

**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>.

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**NOTE 7: SUPPLEMENTAL DEATH BENEFIT PLAN - (Continued)**

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.

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

The City's contributions to the TMRS SDBF for the years ended 2010, 2009, and 2008 were \$17,252, \$17,488, and \$18,819, respectively, which equaled the required contributions each year.

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

Plan Description

In addition to providing pension benefits, the City provides its retirees with postemployment health care benefits through a single-employer postemployment healthcare plan (the "plan") administered by Boon Chapman. A separate audited financial report is not issued on the plan. 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 five 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 20 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, retired as of 12/31/08, age 65 and older on the Medigap Plan, with 30 years or more of service pay a monthly health premium of \$54; with 20 to 19 years of service pay a monthly health premium of \$122; with less than 19 years of service pay a monthly health premium of \$326.

Retirees, retired after 1/1/09, age 65 and older on the Medigap Plan, with 20 years or more of service pay a monthly health premium of \$54; with 10 to 19 years of service pay a monthly health premium of \$122; with less than 10 years of service pay a monthly health premium of \$326.

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

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

Funding Policy - (Continued)

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 2010 and 2009 is as follows:

	<u>2010</u>	<u>2009</u>
Retirees	146	139
Active employees	604	621
Payments to Employee Health Plan Fund	\$ 6,158,443	\$ 5,908,984

Annual OPEB Expense

For 2010, the City's annual OPEB expense of \$657,000 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 2010 and 2009 are 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>
2010	\$ 657,000	100%	\$ -
2009	597,000	100%	-

Funded Status and Funding Progress

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded 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>
9/30/2010	\$ -	\$ 10,673,000	\$ 10,673,000	0.00%	\$ 25,131,000	42.47%
9/30/2009	-	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.

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

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.

	Actuarial Valuation Information	
	9/30/10	9/30/09
Actuarial cost method	projected unit credit	projected unit credit
Amortization method	level percent of payroll	level percent of payroll
Amortization period in years	24 - closed	24 - closed
Asset valuation method	fair value	fair value
Healthcare trend rate		
Current retirees		
Pre-65 and post-65	0.00%	0.00%
Future retirees		
Pre-65	10.00%	10.00%
Post-65	0.00%	0.00%
Projected salary increases	3.00%	3.00%
Discount rate	4.00%	4.00%

**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 \$249,268 and \$236,833 for the fiscal years ended September 30, 2010 and 2009, 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, 2010 and 2009, the City paid health claims of \$4,133,734 and \$3,896,153. The fund incurred a net income for the year of \$1,292,600 compared to a net income of \$1,585,916 for the prior year.

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

	Beginning Liability	Current Year Claims and Changes In Estimates	Claim Payments	Ending Liability
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
Fiscal Year 2010	606,154	4,133,734	4,526,201	213,687

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

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 \$168,629 and \$82,387, for the fiscal years 2009-2010 and 2008-2009, 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 (\$141,738) and (\$641,912) in the fiscal years 2010 and 2009, respectively. Settlements of claims did not exceed insurance coverage for any of the past three fiscal years.

	Beginning Liability	Current Year Claims and Changes In Estimates	Claim Payments	Ending Liability
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
Fiscal Year 2010	82,387	320,622	234,380	168,629

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 2010 and 2009, total contributions from the various City funds totaled \$512,525 and \$512,525, respectively. During the fiscal years 2010 and 2009, the City paid \$467,419 and \$415,180 in reinsurance premiums and \$6,323 and \$2,110 in legal fees and claims. In addition to this, the fund incurred a net income of \$45,486, compared to a net income of \$85,605 for the prior year. Full insurance coverage was in effect for the year ended September 30, 2010. 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 2010. 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, 2010, 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	\$ 36,570,000	\$ 26,330,000	\$ 1,525,000	\$ 61,375,000	\$ 1,635,000
General obligation bonds	32,225,000	8,715,000	10,465,000	30,475,000	2,080,000
Less deferred amounts:					
Issuance premiums	278,051	515,234	28,662	764,623	-
Loss on refunding	<u>(1,193,583)</u>	<u>(385,582)</u>	<u>(87,728)</u>	<u>(1,491,437)</u>	<u>-</u>
Net bonds and certificates payable	67,879,468	35,174,652	11,930,934	91,123,186	3,715,000
Rebatable arbitrage	132,812	-	132,812	-	-
Compensated absences	<u>1,184,184</u>	<u>1,640,782</u>	<u>1,622,667</u>	<u>1,202,299</u>	<u>93,992</u>
Total governmental activity long-term liabilities	<u>\$ 69,196,464</u>	<u>\$ 36,815,434</u>	<u>\$ 13,686,413</u>	<u>\$ 92,325,485</u>	<u>\$ 3,808,992</u>
<b>Business-type activities</b>					
Bonds payable					
Revenue bonds	\$ 70,130,000	\$ 32,140,000	\$ 29,230,000	\$ 73,040,000	\$ 3,915,000
Less deferred amounts:					
Issuance premiums	1,329,747	1,586,810	193,807	2,722,750	-
Loss on refunding	<u>(584,681)</u>	<u>(148,696)</u>	<u>(59,345)</u>	<u>(674,032)</u>	<u>-</u>
Net bonds payable	70,875,066	33,578,114	29,364,462	75,088,718	3,915,000
Estimated landfill closure and postclosure care cost	2,877,064	105,196	-	2,982,260	-
Compensated absences	<u>214,875</u>	<u>326,378</u>	<u>315,660</u>	<u>225,593</u>	<u>19,133</u>
Total business-type activity long-term liabilities	<u>\$ 73,967,005</u>	<u>\$ 34,009,688</u>	<u>\$ 29,680,122</u>	<u>\$ 78,296,571</u>	<u>\$ 3,934,133</u>
<b>Discretely presented component units</b>					
<b>Sales Tax Development Corporation</b>					
Bonds payable					
Revenue bonds	\$ 7,125,000	\$ -	\$ 765,000	\$ 6,360,000	\$ 800,000
Less deferred amounts:					
Issuance premiums	<u>155,272</u>	<u>-</u>	<u>21,416</u>	<u>133,856</u>	<u>-</u>
Net bonds payable	7,280,272	-	786,416	6,493,856	800,000
Rebatable arbitrage	<u>69,775</u>	<u>941</u>	<u>-</u>	<u>70,716</u>	<u>-</u>
Total discretely presented component units	<u>\$ 7,350,047</u>	<u>\$ 941</u>	<u>\$ 786,416</u>	<u>\$ 6,564,572</u>	<u>\$ 800,000</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, 2010, are comprised of the following individual issues:

\$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%.	\$ 725,000
\$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%.	4,335,000
\$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%.	8,935,000
\$12,335,000 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%.	12,100,000
\$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%.	12,535,000
\$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%.	8,775,000
\$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%.	9,725,000
\$3,325,000 2009A Certificates of Obligation due in annual installments ranging from \$205,000 to \$755,000 through August 15, 2017; interest varying between 2.00% and 3.50%.	3,000,000
\$23,005,000 2009B Certificates of Obligation "Build America Bonds" due in annual installments ranging from \$1,085,000 to \$2,280,000 through August 15, 2030; interest varying between 4.449% and 5.449%.	23,005,000
\$8,715,000 2010 General Obligation Refunding Bonds due in annual installments ranging from \$105,000 to \$1,260,000 through August 15, 2023; interest varying between 2.00% and 4.00%.	<u>8,715,000</u>
Total General Obligation Certificates and Bonds	<u>\$ 91,850,000</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
2011	\$ 3,715,000	\$ 4,055,522	\$ 7,770,522
2012	3,955,000	3,910,703	7,865,703
2013	4,055,000	3,777,296	7,832,296
2014	4,395,000	3,638,967	8,033,967
2015	4,675,000	3,479,575	8,154,575
2016-2020	28,400,000	14,471,513	42,871,513
2021-2025	28,655,000	7,885,971	36,540,971
2026-2030	14,000,000	2,186,512	16,186,512
Total	<u>\$ 91,850,000</u>	<u>\$ 43,406,059</u>	<u>\$ 135,256,059</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, \$66,929 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:

\$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%.	\$ 18,155,000
\$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%.	16,420,000
\$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%.	6,325,000
\$24,590,000 2007 Utility System Revenue Refunding Bonds, Series 2009 due in annual installments ranging from \$1,390,000 to \$1,695,000 through December 1, 2023; interest varying between 3.00% and 5.00%.	24,590,000
\$7,550,000 2010 Utility System Revenue Bonds, Series 2010 due in annual installments ranging from \$270,000 to \$530,000 through December 1, 2031; interest varying between 2.00% and 4.00%.	<u>7,550,000</u>
Total Revenue Bonds	<u>\$ 73,040,000</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
2011	\$ 3,915,000	\$ 3,031,936	\$ 6,946,936
2012	4,330,000	2,938,076	7,268,076
2013	4,505,000	2,760,445	7,265,445
2014	4,710,000	2,572,857	7,282,857
2015	4,920,000	2,381,032	7,301,032
2016-2020	28,250,000	8,248,790	36,498,790
2021-2025	15,955,000	2,746,824	18,701,824
2026-2030	5,925,000	624,848	6,549,848
2031	530,000	10,931	540,931
Total	<u>\$ 73,040,000</u>	<u>\$ 25,315,739</u>	<u>\$ 98,355,739</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, 2010.

**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 \$800,000 to \$1,025,000 through 2017; interest at 4.25%.

\$ 6,360,000

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
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	945,000	125,588	1,070,588
2016-2017	2,010,000	128,988	2,138,988
Total	<u>\$ 6,360,000</u>	<u>\$ 1,126,251</u>	<u>\$ 7,486,251</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, 2010.

**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, 2010, were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	General	\$ 868
	Nonmajor Governmental	362,017
	Nonmajor Business-type	59
Nonmajor Governmental	General	27,300
	Nonmajor Governmental	51,133
Nonmajor Business-type	General	196,868
	Water and Wastewater	36,559
Internal Service	Environmental Services	6,360
	Nonmajor Business-type	807
	Other Internal Service	5,761
		<u>\$ 687,732</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>Residential/ Arterial C.I.P.</u>	<u>Nonmajor Govt.</u>	<u>Water and Wwater.</u>	<u>Environ. Services</u>	<u>Nonmajor Bus.- type</u>	
General	\$ -	\$ 292,280	\$ 132,454	\$ -	\$ -	\$ 3,447	\$ 428,181
Res./Arterial C.I.P.	-	-	-	1,009,349	-	-	1,009,349
Nonmajor Govt.	-	25,605	-	-	-	327,421	353,026
Water and Wwater.	2,264,000	3,690,632	-	-	-	-	5,954,632
Environmental Svcs.	356,300	-	-	-	-	-	356,300
Nonmajor Bus.-type	41,417	-	-	-	-	-	41,417
Internal Service	<u>472,727</u>	<u>-</u>	<u>-</u>	<u>80,158</u>	<u>46,115</u>	<u>-</u>	<u>599,000</u>
	<u>\$ 3,134,444</u>	<u>\$ 4,008,517</u>	<u>\$ 132,454</u>	<u>\$1,089,507</u>	<u>\$ 46,115</u>	<u>\$ 330,868</u>	<u>\$ 8,741,905</u>

**NOTE 13: RELATED PARTY TRANSACTIONS**

During fiscal year 2010, 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, 2010. 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 2010.

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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, 2010, \$77,285,000 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, 2010, 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, 2010, 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, 2010. 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, 2010, 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/postclosure 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 operated and maintained 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 \$5,748,743, total liabilities of \$3,901,343 and total equity of \$1,847,400 at August 31, 2010.

GBRA issued Contract Revenue Bonds in fiscal year 1996 for the City's Regional Wastewater Treatment System Project. These bond proceeds were used to fund the expansion of the regional wastewater treatment system. As of September 30, 2010, there was no balance of bonds outstanding.

The contract to operate the Highway 59 and Willow Street plants had a termination date of December 31, 2010 unless the parties would agree to extend the contract. The City notified GBRA during fiscal year 2009 that it intended to exercise its termination rights and to operate the plants using its own personnel following the termination date. Effective January 1, 2011, the City assumed full operational and maintenance responsibilities of the plants.

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: ADJUSTMENTS TO AND RESTATEMENTS OF BEGINNING BALANCES**

The governmental activities financial statements for the fiscal year September 30, 2009 have been restated to properly reflect the investment earnings for fiscal year ending September 30, 2009. The result of the restatement was to decrease investment earnings and unrestricted net asset balances of the governmental activities by \$166,288. Similar adjustments were made to the General Fund financial statements. The General Fund's September 30, 2009 investment income and unreserved, undesignated fund balance was decreased by \$166,288. These earnings were recognized during the fiscal year ending September 30, 2010.

**NOTE 20: ISSUED BUT NON-EFFECTIVE PRONOUNCEMENT**

GASB Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*," (the "Statement") was issued in February 2009. The Statement eliminates the requirement to report governmental fund balances as reserved, unreserved, or designated. It replaces those categories with five possible classifications of governmental fund balances – nonspendable, restricted, committed, assigned, and unassigned. The Statement also redefines the governmental funds for clarity and to be consistent with these new fund balance classifications. The provisions of the Statement are effective for periods beginning after June 15, 2010.

**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, 2010

With comparative totals for the year ended September 30, 2009

	2010			Variance Positive (Negative)	2009 Actual
	Original Budget	Final Budget	Actual		
<b>REVENUES</b>					
Taxes	\$ 31,764,762	\$ 31,764,762	\$ 29,945,184	\$ (1,819,578)	\$ 30,701,963
Licenses and permits	650,835	650,835	662,792	11,957	654,842
Intergovernmental	2,350,801	2,350,801	2,172,243	(178,558)	2,194,626
Charges for services	1,888,750	1,888,750	1,957,973	69,223	2,020,751
Fines and forfeitures	1,073,000	1,073,000	861,648	(211,352)	962,712
Investment income	280,000	280,000	44,098	(235,902)	227,619
Miscellaneous	203,641	203,641	377,967	174,326	353,020
<b>Total revenues</b>	<u>38,211,789</u>	<u>38,211,789</u>	<u>36,021,905</u>	<u>(2,189,884)</u>	<u>37,115,533</u>
<b>EXPENDITURES</b>					
General government	5,663,491	5,739,561	5,335,822	403,739	5,582,512
Public safety	28,268,230	29,230,164	25,556,743	3,673,421	25,014,770
Highways and streets	5,726,112	6,021,239	4,151,589	1,869,650	6,319,245
Culture and recreation	5,209,694	5,585,010	4,899,677	685,333	5,312,990
<b>Total expenditures</b>	<u>44,867,527</u>	<u>46,575,974</u>	<u>39,943,831</u>	<u>6,632,143</u>	<u>42,229,517</u>
Excess (deficiency) of revenues over expenditures	(6,655,738)	(8,364,185)	(3,921,926)	4,442,259	(5,113,984)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	3,134,458	3,134,458	3,134,444	(14)	5,543,664
Transfers out	(601,913)	(901,203)	(428,181)	473,022	(160,795)
<b>Total other financing sources (uses)</b>	<u>2,532,545</u>	<u>2,233,255</u>	<u>2,706,263</u>	<u>473,008</u>	<u>5,382,869</u>
Change in fund balance	(4,123,193)	(6,130,930)	(1,215,663)	4,915,267	268,885
Fund balance at beginning of year	<u>15,367,569</u>	<u>15,367,569</u>	<u>15,367,569</u>	-	<u>15,098,684</u>
<b>Fund balance at end of year</b>	<u>\$ 11,244,376</u>	<u>\$ 9,236,639</u>	<u>\$ 14,151,906</u>	<u>\$ 4,915,267</u>	<u>\$ 15,367,569</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, 2010*

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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, 2010*

	Total Nonmajor Special Revenue Funds	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 1,272,422	\$ 221,430	\$ 1,493,852
Receivables (net)	648,244	-	648,244
Due from other funds	27,300	-	27,300
<b>Total assets</b>	<b>\$ 1,947,966</b>	<b>\$ 221,430</b>	<b>\$ 2,169,396</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable	\$ 349,989	\$ -	\$ 349,989
Due to other funds	413,150	-	413,150
Deferred revenue	530,517	-	530,517
<b>Total liabilities</b>	<b>1,293,656</b>	<b>-</b>	<b>1,293,656</b>
<b>Fund balances</b>			
Unreserved, undesignated reported in:			
Special revenue funds	654,310	-	654,310
Capital project funds	-	221,430	221,430
<b>Total fund balances</b>	<b>654,310</b>	<b>221,430</b>	<b>875,740</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,947,966</b>	<b>\$ 221,430</b>	<b>\$ 2,169,396</b>

**CITY OF VICTORIA, TEXAS**

*ALL NONMAJOR GOVERNMENTAL FUNDS*

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

*For the year ended September 30, 2010*

	Total Nonmajor Special Revenue Funds	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
<b>REVENUES</b>			
Taxes	\$ 1,101,294	\$ -	\$ 1,101,294
Intergovernmental	2,428,423	-	2,428,423
Fines and forfeitures	51,830	-	51,830
Investment income	873	680	1,553
Miscellaneous	159,265	-	159,265
<b>Total revenues</b>	<u>3,741,685</u>	<u>680</u>	<u>3,742,365</u>
<b>EXPENDITURES</b>			
Current			
General government	1,458,119	-	1,458,119
Public safety	918,391	-	918,391
Highways and streets	381,969	-	381,969
Culture and recreation	887,404	-	887,404
Capital outlay	-	523,292	523,292
<b>Total expenditures</b>	<u>3,645,883</u>	<u>523,292</u>	<u>4,169,175</u>
Excess (deficiency) of revenues over expenditures	95,802	(522,612)	(426,810)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	132,454	-	132,454
Transfers out	(327,421)	(25,605)	(353,026)
<b>Total other financing sources (uses)</b>	<u>(194,967)</u>	<u>(25,605)</u>	<u>(220,572)</u>
Change in fund balances	(99,165)	(548,217)	(647,382)
Fund balances at beginning of year	<u>753,475</u>	<u>769,647</u>	<u>1,523,122</u>
<b>Fund balances at end of year</b>	<u>\$ 654,310</u>	<u>\$ 221,430</u>	<u>\$ 875,740</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.

**Parks Improvement** - Used to account for funds donated to the City for our parks. Currently holds funds from the Ethel Lee Tracy Foundation and the Estate of Billie Ray Slotnick. The planned use of the funds will be for items that need repair or replacement of play equipment in the future.

**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 2010, this tax was allocated as follows: for operations of the Community Center not to exceed \$327,420; to the Chamber of Commerce Tourist and Visitor Information Program, funding not to exceed \$750,000; to the Cultural Council for promotion of the arts, funding not to exceed \$26,000; for Texas Settlement Independence Region not to exceed \$4,000; for Victoria Regional Museum Association \$27,000; for Victoria Symphony not to exceed \$13,500; for Victoria Bach Festival not to exceed \$10,000; for Children's Discovery Museum not to exceed \$5,000; for the Theatre Victoria not to exceed \$55,260; for the Quilt Guild not to exceed \$2,400; for the Victoria Ballet Theatre not to exceed \$7,500; and for professional services \$4,125.

**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.

**Energy Efficiency Conservation Block Grant** - Used to account for funds received from the U.S. Department of Energy to assist with implementation of energy efficiency and conservation strategies in order to reduce energy use and fossil fuel emissions and improve energy efficiency. The City had building lights and traffic signal lights retrofitted, as well as an Energy Management System installed at the Victoria Public Library.

**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.

**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.

**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.

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

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

**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.

**Homeland Security Grant** - Used to support the implementation of Homeland Security strategies to address the identified planning, organization, equipment, training and exercise needs for acts of terrorism and other catastrophic events. Funds have recently been used to purchase the necessary equipment to enhance the City's radio system for the Police Department.

**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, 2010*

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	Project Safe Neighborhood	GCRAC EMS/Trauma System Grant	GCRPC Grant	STEP Grant	HOME Contract
<b>ASSETS</b>					
Cash and cash equivalents	\$ -	\$ 8,233	\$ 334,122	\$ -	\$ 9,500
Receivables (net)					
Other	-	-	-	-	-
Due from other funds	-	-	-	-	-
<b>Total assets</b>	<u>\$ -</u>	<u>\$ 8,233</u>	<u>\$ 334,122</u>	<u>\$ -</u>	<u>\$ 9,500</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ -	\$ 6,275	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-
Deferred revenue	-	1,958	334,122	-	9,500
<b>Total liabilities</b>	<u>-</u>	<u>8,233</u>	<u>334,122</u>	<u>-</u>	<u>9,500</u>
<b>Fund balances</b>					
Unreserved, undesignated	-	-	-	-	-
<b>Total liabilities and fund balances</b>	<u>\$ -</u>	<u>\$ 8,233</u>	<u>\$ 334,122</u>	<u>\$ -</u>	<u>\$ 9,500</u>

<u>EMS Local Project Grant</u>	<u>Parks Improvement</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>
\$ -	\$ 109,834	\$ 8,339	\$ -	\$ -	\$ -	\$ 388,823	\$ 58,809
-	-	-	27,029	125,662	25,943	242,730	-
-	-	-	<u>27,300</u>	-	-	-	-
<u>\$ -</u>	<u>\$ 109,834</u>	<u>\$ 8,339</u>	<u>\$ 54,329</u>	<u>\$ 125,662</u>	<u>\$ 25,943</u>	<u>\$ 631,553</u>	<u>\$ 58,809</u>
\$ -	\$ -	\$ 550	\$ 949	\$ 28,084	\$ -	\$ 194,991	\$ 94
-	-	-	53,380	97,578	25,943	51,133	-
-	<u>108,451</u>	<u>7,789</u>	-	-	-	-	-
-	<u>108,451</u>	<u>8,339</u>	<u>54,329</u>	<u>125,662</u>	<u>25,943</u>	<u>246,124</u>	<u>94</u>
-	<u>1,383</u>	-	-	-	-	<u>385,429</u>	<u>58,715</u>
<u>\$ -</u>	<u>\$ 109,834</u>	<u>\$ 8,339</u>	<u>\$ 54,329</u>	<u>\$ 125,662</u>	<u>\$ 25,943</u>	<u>\$ 631,553</u>	<u>\$ 58,809</u>

(continued)

**CITY OF VICTORIA, TEXAS**

*NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS*

*COMBINING BALANCE SHEET*

*September 30, 2010*

	Office of Justice Grants	K-9 Unit Program	Energy Efficiency Conservation Block Grant	Victoria Kids Recycle	Municipal Court Special Revenue
<b>ASSETS</b>					
Cash and cash equivalents	\$ 54,361	\$ 2,790	\$ -	\$ -	\$ 166,391
Receivables					
Other	11,546	-	20,939	-	-
Due from other funds	-	-	-	-	-
<b>Total assets</b>	<b><u>\$ 65,907</u></b>	<b><u>\$ 2,790</u></b>	<b><u>\$ 20,939</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 166,391</u></b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities					
Accounts payable	\$ -	\$ -	\$ 20,939	\$ -	\$ 454
Due to other funds	-	-	-	-	-
Deferred revenue	<u>65,907</u>	<u>2,790</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total liabilities</b>	<b><u>65,907</u></b>	<b><u>2,790</u></b>	<b><u>20,939</u></b>	<b><u>-</u></b>	<b><u>454</u></b>
Fund balance					
Unreserved, undesignated	-	-	-	-	<u>165,937</u>
<b>Total liabilities and fund balances</b>	<b><u>\$ 65,907</u></b>	<b><u>\$ 2,790</u></b>	<b><u>\$ 20,939</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 166,391</u></b>

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<u>F.H.L.B. Grant</u>	<u>Lone Star Libraries Grant</u>	<u>Community Development Block Grant</u>	<u>Homeland Security Grant</u>	<u>Emergency Management</u>	<u>Total</u>
\$ -	\$ -	\$ 12,705	\$ -	\$ 118,515	\$ 1,272,422
-	-	5,296	185,383	3,716	648,244
-	-	-	-	-	27,300
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,001</u>	<u>\$ 185,383</u>	<u>\$ 122,231</u>	<u>\$ 1,947,966</u>
\$ -	\$ -	\$ 18,001	\$ 267	\$ 79,385	\$ 349,989
-	-	-	185,116	-	413,150
-	-	-	-	-	530,517
-	-	18,001	185,383	79,385	1,293,656
-	-	-	-	42,846	654,310
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,001</u>	<u>\$ 185,383</u>	<u>\$ 122,231</u>	<u>\$ 1,947,966</u>

(concluded)

**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, 2010

	Project Safe Neighborhood	GCRAC EMS/Trauma System Grant	GCRPC Grant	STEP Grant	HOME Contract
<b>REVENUES</b>					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	2,309	-
Fines and forfeitures	-	-	-	-	-
Investment income	-	-	294	-	-
Miscellaneous	7,157	14,103	10,156	-	-
<b>Total revenues</b>	<u>7,157</u>	<u>14,103</u>	<u>10,450</u>	<u>2,309</u>	<u>-</u>
<b>EXPENDITURES</b>					
General government	-	-	-	-	-
Public safety	9,183	14,103	10,450	2,309	-
Highways and streets	-	-	-	-	-
Culture and recreation	-	-	-	-	-
<b>Total expenditures</b>	<u>9,183</u>	<u>14,103</u>	<u>10,450</u>	<u>2,309</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	(2,026)	-	-	-	-
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	2,026	-	-	-	-
Transfers out	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>2,026</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balances	-	-	-	-	-
Fund balance at beginning of year	-	-	-	-	-
<b>Fund balance at end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

EMS Local Project Grant	Parks Improvement	LEOSE Training Grant	Auto Theft Grant	TCEQ Grant	MPO Grant	Motel Tax	Forfeiture Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,101,294	\$ -
-	-	9,153	113,871	357,949	224,600	-	37
-	-	-	-	-	-	-	9,120
-	-	-	-	-	-	579	-
<u>5,639</u>	<u>7,580</u>	<u>2,775</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,962</u>	<u>-</u>
<u>5,639</u>	<u>7,580</u>	<u>11,928</u>	<u>113,871</u>	<u>357,949</u>	<u>224,600</u>	<u>1,111,835</u>	<u>9,157</u>
-	-	-	-	357,949	224,600	-	-
6,854	-	11,928	141,171	-	-	-	13,291
-	-	-	-	-	-	-	-
<u>-</u>	<u>7,580</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>849,501</u>	<u>-</u>
<u>6,854</u>	<u>7,580</u>	<u>11,928</u>	<u>141,171</u>	<u>357,949</u>	<u>224,600</u>	<u>849,501</u>	<u>13,291</u>
(1,215)	-	-	(27,300)	-	-	262,334	(4,134)
1,215	-	-	27,300	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(327,421)</u>	<u>-</u>
<u>1,215</u>	<u>-</u>	<u>-</u>	<u>27,300</u>	<u>-</u>	<u>-</u>	<u>(327,421)</u>	<u>-</u>
-	-	-	-	-	-	(65,087)	(4,134)
-	1,383	-	-	-	-	450,516	62,849
<u>\$ -</u>	<u>\$ 1,383</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 385,429</u>	<u>\$ 58,715</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, 2010

	Office of Justice Grants	K-9 Unit Program	Energy Efficiency Conservation Block Grant	Victoria Kids Recycle	Municipal Court Special Revenue
<b>REVENUES</b>					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	425,603	-	381,969	-	-
Fines and forfeitures	-	-	-	-	42,710
Investment income	-	-	-	-	-
Miscellaneous	-	-	-	1,553	10,888
<b>Total revenues</b>	<u>425,603</u>	<u>-</u>	<u>381,969</u>	<u>1,553</u>	<u>53,598</u>
<b>EXPENDITURES</b>					
General government	-	-	-	1,553	103,545
Public safety	425,603	-	-	-	-
Highways and streets	-	-	381,969	-	-
Culture and recreation	-	-	-	-	-
<b>Total expenditures</b>	<u>425,603</u>	<u>-</u>	<u>381,969</u>	<u>1,553</u>	<u>103,545</u>
Excess (deficiency) of revenues over expenditures	-	-	-	-	(49,947)
<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	-	-	-	-	(49,947)
Fund balance at beginning of year	-	-	-	-	215,884
<b>Fund balance at end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 165,937</u>

<u>F.H.L.B. Grant</u>	<u>Lone Star Libraries Grant</u>	<u>Community Development Block Grant</u>	<u>Homeland Security Grant</u>	<u>Emergency Management</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,101,294
-	30,323	681,020	185,383	16,206	2,428,423
-	-	-	-	-	51,830
-	-	-	-	-	873
<u>89,452</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>159,265</u>
<u>89,452</u>	<u>30,323</u>	<u>681,020</u>	<u>185,383</u>	<u>16,206</u>	<u>3,741,685</u>
89,452	-	681,020	-	-	1,458,119
-	-	-	185,383	98,116	918,391
-	-	-	-	-	381,969
-	<u>30,323</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>887,404</u>
<u>89,452</u>	<u>30,323</u>	<u>681,020</u>	<u>185,383</u>	<u>98,116</u>	<u>3,645,883</u>
-	-	-	-	(81,910)	95,802
-	-	-	-	101,913	132,454
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(327,421)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>101,913</u>	<u>(194,967)</u>
-	-	-	-	20,003	(99,165)
-	-	-	-	22,843	753,475
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,846</u>	<u>\$ 654,310</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, 2010*

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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	\$ -	\$ 221,430	\$ 221,430
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
	\$ -	\$ -	\$ -
<b>Fund balances</b>			
Unreserved, undesignated reported in:			
Capital project funds	-	221,430	221,430
<b>Total fund balances</b>	-	221,430	221,430
<b>Total liabilities and fund balances</b>	\$ -	\$ 221,430	\$ 221,430

**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, 2010*

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	Capital Improvement Program	Streets and Drainage Use Bonds	Total
<b>REVENUES</b>			
Investment income	\$ 117	\$ 563	\$ 680
<b>EXPENDITURES</b>			
Capital outlay	410,685	112,607	523,292
Excess (deficiency) of revenues over expenditures	(410,568)	(112,044)	(522,612)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	(25,605)	-	(25,605)
Change in fund balances	(436,173)	(112,044)	(548,217)
Fund balances at beginning of year	436,173	333,474	769,647
<b>Fund balances at end of year</b>	<u>\$ -</u>	<u>\$ 221,430</u>	<u>\$ 221,430</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, 2010

With comparative totals for September 30, 2009

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,702,607	\$ 13,396,034
Investments	11,991,864	-
Receivables (net)		
Ad valorem taxes (prior years)	1,099,631	1,060,604
Franchise taxes	677,310	661,520
Sales taxes	1,025,794	899,081
Ambulance	1,671,107	1,706,184
Fines	316,060	328,351
Other	511,282	524,937
Due from other funds	362,944	2,833,406
Inventory	205,798	280,174
Returned checks	<u>16,991</u>	<u>15,574</u>
<b>Total assets</b>	<b><u>\$ 20,581,388</u></b>	<b><u>\$ 21,705,865</u></b>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities</b>		
Accounts payable	\$ 926,073	\$ 434,896
Accrued expenditures	1,859,392	1,905,022
Accrued compensated absences	14,793	22,228
Due to other governments	78,308	92,753
Due to other funds	225,036	602,416
Deferred revenue	<u>3,325,880</u>	<u>3,280,981</u>
<b>Total liabilities</b>	<u>6,429,482</u>	<u>6,338,296</u>
<b>Fund balances</b>		
Reserved for encumbrances	2,009,003	2,007,737
Reserved for inventory	205,798	280,174
Unreserved, undesignated	<u>11,937,105</u>	<u>13,079,658</u>
<b>Total fund balances</b>	<u>14,151,906</u>	<u>15,367,569</u>
<b>Total liabilities and fund balances</b>	<b><u>\$ 20,581,388</u></b>	<b><u>\$ 21,705,865</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, 2010**With comparative totals for the year ended September 30, 2009*

	2010		Variance Positive (Negative)	2009 Actual
	Final Budget	Actual		
<b>Taxes</b>				
Ad valorem taxes	\$ 13,077,953	\$ 13,018,812	\$ (59,141)	\$ 12,703,678
Penalty and interest	210,000	222,517	12,517	220,077
Franchise tax	4,712,585	4,665,101	(47,484)	4,657,347
Sales tax	13,694,224	11,978,185	(1,716,039)	13,046,352
Other	70,000	60,569	(9,431)	74,509
<b>Total taxes</b>	<b>31,764,762</b>	<b>29,945,184</b>	<b>(1,819,578)</b>	<b>30,701,963</b>
<b>Licenses and permits</b>				
Building	130,000	140,550	10,550	112,415
Electrical	45,100	34,101	(10,999)	37,618
Mechanical	30,000	24,731	(5,269)	44,144
Liquor	165,000	178,985	13,985	169,809
Plumbing	25,000	32,430	7,430	29,670
Vital statistics	165,000	147,723	(17,277)	162,748
Miscellaneous	90,735	104,272	13,537	98,438
<b>Total licenses and permits</b>	<b>650,835</b>	<b>662,792</b>	<b>11,957</b>	<b>654,842</b>
<b>Intergovernmental</b>	<b>2,350,801</b>	<b>2,172,243</b>	<b>(178,558)</b>	<b>2,194,626</b>
<b>Charges for services</b>				
Ambulance	1,650,000	1,671,107	21,107	1,676,239
Victoria Public Library	50,000	60,269	10,269	54,029
Parks and recreation	70,500	84,251	13,751	144,192
Miscellaneous	118,250	142,346	24,096	146,291
<b>Total charges for services</b>	<b>1,888,750</b>	<b>1,957,973</b>	<b>69,223</b>	<b>2,020,751</b>
<b>Fines and forfeitures</b>				
Court costs	162,000	121,809	(40,191)	139,324
Criminal and traffic court	900,000	725,117	(174,883)	810,333
Parking violations	11,000	14,722	3,722	13,055
<b>Total fines and forfeitures</b>	<b>1,073,000</b>	<b>861,648</b>	<b>(211,352)</b>	<b>962,712</b>
<b>Investment income</b>				
Interest	280,000	44,098	(235,902)	227,619
<b>Miscellaneous</b>				
Rents	1,800	2,153	353	1,875
Salvage and asset sales	25,000	84,670	59,670	120,539
Contributions and miscellaneous	176,841	291,144	114,303	230,606
<b>Total miscellaneous</b>	<b>203,641</b>	<b>377,967</b>	<b>174,326</b>	<b>353,020</b>
<b>Total revenues</b>	<b>\$ 38,211,789</b>	<b>\$ 36,021,905</b>	<b>\$ (2,189,884)</b>	<b>\$ 37,115,533</b>

**CITY OF VICTORIA, TEXAS***MAJOR GOVERNMENTAL FUNDS - GENERAL FUND**SCHEDULE OF EXPENDITURES**BUDGET (GAAP BASIS) AND ACTUAL**For the year ended September 30, 2010**With comparative totals for the year ended September 30, 2009*

	2010		Variance Positive (Negative)	2009 Actual
	Final Budget	Actual		
<b>General government</b>				
City manager and council				
Personnel	\$ 532,824	\$ 516,944	\$ 15,880	\$ 489,926
Maintenance and operations	68,712	43,703	25,009	61,587
Capital outlay	-	-	-	2,493
Total city manager and council	<u>601,536</u>	<u>560,647</u>	<u>40,889</u>	<u>554,006</u>
Legal - city attorney				
Personnel	414,405	393,244	21,161	339,306
Maintenance and operations	303,128	281,129	21,999	350,647
Capital outlay	<u>2,270</u>	<u>2,222</u>	<u>48</u>	<u>5,419</u>
Total legal - city attorney	<u>719,803</u>	<u>676,595</u>	<u>43,208</u>	<u>695,372</u>
Finance				
Personnel	425,257	425,831	(574)	414,657
Maintenance and operations	200,787	170,914	29,873	181,909
Capital outlay	<u>3,410</u>	<u>3,262</u>	<u>148</u>	<u>10,154</u>
Total finance	<u>629,454</u>	<u>600,007</u>	<u>29,447</u>	<u>606,720</u>
Municipal court				
Personnel	247,866	190,755	57,111	210,221
Maintenance and operations	<u>35,632</u>	<u>37,929</u>	<u>(2,297)</u>	<u>23,124</u>
Total municipal court	<u>283,498</u>	<u>228,684</u>	<u>54,814</u>	<u>233,345</u>
Human resources				
Personnel	358,936	331,257	27,679	341,421
Maintenance and operations	164,888	138,909	25,979	152,785
Capital outlay	<u>2,060</u>	<u>1,957</u>	<u>103</u>	<u>3,706</u>
Total human resources	<u>525,884</u>	<u>472,123</u>	<u>53,761</u>	<u>497,912</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, 2010

With comparative totals for the year ended September 30, 2009

	2010		Variance Positive (Negative)	2009 Actual
	Final Budget	Actual		
<b>General government - (continued)</b>				
Planning				
Personnel	\$ 428,154	\$ 428,292	\$ (138)	\$ 414,519
Maintenance and operations	404,075	352,563	51,512	343,626
Capital outlay	8,900	4,870	4,030	6,860
Total planning	841,129	785,725	55,404	765,005
Building services				
Personnel	273,146	285,279	(12,133)	254,895
Maintenance and operations	172,626	144,692	27,934	153,198
Capital outlay	6,700	6,344	356	1,557
Total building services	452,472	436,315	16,157	409,650
Custodial services				
Personnel	218,743	188,632	30,111	205,255
Maintenance and operations	39,018	38,312	706	35,872
Total custodial services	257,761	226,944	30,817	241,127
City secretary				
Personnel	159,271	141,702	17,569	154,463
Maintenance and operations	111,328	112,378	(1,050)	111,331
Capital outlay	3,410	3,153	257	10,320
Total city secretary	274,009	257,233	16,776	276,114
Public information office				
Personnel	152,116	145,710	6,406	136,259
Maintenance and operations	70,283	43,332	26,951	22,304
Capital outlay	5,750	4,928	822	-
Total public information office	228,149	193,970	34,179	158,563
Non-departmental				
Personnel	11,500	26,415	(14,915)	12,849
Maintenance and operations	914,366	871,164	43,202	1,131,849
Total non-departmental	925,866	897,579	28,287	1,144,698
<b>Total general government</b>	<b>5,739,561</b>	<b>5,335,822</b>	<b>403,739</b>	<b>5,582,512</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, 2010

With comparative totals for the year ended September 30, 2009

	2010		Variance Positive (Negative)	2009 Actual
	Final Budget	Actual		
<b>Public safety</b>				
Police				
Personnel	\$ 9,640,395	\$ 8,943,480	\$ 696,915	\$ 8,881,216
Maintenance and operations	1,910,687	1,600,826	309,861	1,779,369
Capital outlay	1,110,051	132,053	977,998	163,089
Total police	12,661,133	10,676,359	1,984,774	10,823,674
Fire				
Personnel	8,271,819	8,346,412	(74,593)	8,119,926
Maintenance and operations	1,980,904	1,847,991	132,913	2,255,355
Capital outlay	2,586,198	1,478,518	1,107,680	939,537
Total fire	12,838,921	11,672,921	1,166,000	11,314,818
Development center/inspections				
Personnel	686,009	615,821	70,188	488,867
Maintenance and operations	197,629	171,757	25,872	205,819
Capital outlay	25,602	24,606	996	18,882
Total development center/inspections	909,240	812,184	97,056	713,568
Code enforcement				
Personnel	207,518	185,460	22,058	235,119
Maintenance and operations	190,422	117,670	72,752	178,510
Capital outlay	1,350	1,254	96	10,969
Total code enforcement	399,290	304,384	94,906	424,598
Traffic control				
Personnel	459,634	430,566	29,068	403,797
Maintenance and operations	1,793,675	1,493,234	300,441	1,259,105
Capital outlay	168,271	167,095	1,176	75,210
Total traffic control	2,421,580	2,090,895	330,685	1,738,112
<b>Total public safety</b>	<b>29,230,164</b>	<b>25,556,743</b>	<b>3,673,421</b>	<b>25,014,770</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, 2010**With comparative totals for the year ended September 30, 2009*

	2010		Variance Positive (Negative)	2009 Actual
	Final Budget	Actual		
<b>Highways and streets</b>				
Engineering				
Personnel	\$ 700,805	\$ 652,865	\$ 47,940	\$ 706,914
Maintenance and operations	214,565	243,652	(29,087)	213,678
Capital outlay	<u>12,910</u>	<u>12,022</u>	<u>888</u>	<u>1,750</u>
Total engineering	<u>928,280</u>	<u>908,539</u>	<u>19,741</u>	<u>922,342</u>
Streets and drainage				
Personnel	1,570,901	1,464,188	106,713	1,460,206
Maintenance and operations	2,034,279	1,662,338	371,941	1,126,834
Capital outlay	<u>1,487,779</u>	<u>116,524</u>	<u>1,371,255</u>	<u>2,809,863</u>
Total streets and drainage	<u>5,092,959</u>	<u>3,243,050</u>	<u>1,849,909</u>	<u>5,396,903</u>
<b>Total highways and streets</b>	<u>6,021,239</u>	<u>4,151,589</u>	<u>1,869,650</u>	<u>6,319,245</u>
<b>Culture and recreation</b>				
Parks and recreation				
Personnel	1,751,618	1,634,154	117,464	1,602,355
Maintenance and operations	1,349,191	977,873	371,318	1,206,550
Capital outlay	<u>232,595</u>	<u>183,836</u>	<u>48,759</u>	<u>448,187</u>
Total parks and recreation	<u>3,333,404</u>	<u>2,795,863</u>	<u>537,541</u>	<u>3,257,092</u>
Public library				
Personnel	1,282,552	1,225,600	56,952	1,235,422
Maintenance and operations	502,099	425,201	76,898	464,372
Capital outlay	<u>466,955</u>	<u>453,013</u>	<u>13,942</u>	<u>356,104</u>
Total public library	<u>2,251,606</u>	<u>2,103,814</u>	<u>147,792</u>	<u>2,055,898</u>
<b>Total culture and recreation</b>	<u>5,585,010</u>	<u>4,899,677</u>	<u>685,333</u>	<u>5,312,990</u>
<b>Total expenditures</b>	<u>\$ 46,575,974</u>	<u>\$ 39,943,831</u>	<u>\$ 6,632,143</u>	<u>\$ 42,229,517</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:

**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. Proceeds to be used for street and drainage improvements and associated right-of-way acquisition, water and sewer line improvements, sidewalks, traffic control devices and street lights, and to pay costs of issuance of the Bonds.

**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. Proceeds to be used for street and drainage improvements and associated right-of-way acquisition, water and sewer line improvements, sidewalks, traffic control devices and street lights, and to pay costs of issuance of the Bonds.

**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. Proceeds to be used to make street improvements and to pay for professional services related to the issuance of the Certificates.

**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.

**2009A Streets, Sidewalk, Drainage, Traffic Control, and Water and Sewer Line Improvements Issue** - To accumulate monies for payment of the 2009A \$3,325,000 2.00% - 3.50% Certificates of Obligation, which are serial certificates due in annual installments of various amounts plus interest until maturity in 2017. Property tax is levied to finance debt service. Proceeds from the sale of the Certificates will be used (1) to construct, improve and repair City streets and sidewalks, together with drainage, utility line replacement, traffic and street signalization and lighting improvements; (2) to acquire and install communications equipment for various City departments including the Police Department, the Fire Department, the Parks Department and the Public Works Department; (3) to construct and equip a fire station, and (4) pay all or a portion of the City's contractual obligations for professional services rendered by engineers, attorneys, and financial advisors in connection with the above projects and the Certificates.

**2009B Streets, Sidewalk, Drainage, Traffic Control, and Water and Sewer Line Improvements Issue** - To accumulate monies for payment of the 2009B \$23,005,000 4.449% - 5.449% Certificates of Obligation "Build America Bonds-Direct Payment", which are serial and term certificates due in annual installments of various amounts plus interest until maturity in 2030. Property tax is levied to finance debt service. Proceeds from the sale of the Certificates will be used (1) to construct, improve and repair City streets and sidewalks, together with drainage, utility line replacement, traffic and street signalization and lighting improvements; (2) to acquire and install communications equipment for various City departments including the Police Department, the Fire Department, the Parks Department and the Public Works Department; (3) to construct and equip a fire station, and (4) pay all or a portion of the City's contractual obligations for professional services rendered by engineers, attorneys, and financial advisors in connection with the above projects and the Certificates.

**2010 General Obligation Refunding Issue** - To accumulate monies for payment of the 2010 advance refunding issue of \$8,715,000 2.00% - 4.00% 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 \$8,715,000 from the proceeds was deposited into an escrow account to pay a portion of the 2001 General Obligation Bonds as they become due. Property taxes levied in excess of actual requirements are legally restricted to servicing this debt.

**CITY OF VICTORIA, TEXAS**

*MAJOR GOVERNMENTAL FUNDS - DEBT SERVICE FUND*

*BALANCE SHEET*

*September 30, 2010*

*With comparative totals for September 30, 2009*

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	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,042,334	\$ 1,197,665
Receivables (net)		
Ad valorem taxes (prior years)	<u>461,088</u>	<u>416,364</u>
<b>Total assets</b>	<u>\$ 1,503,422</u>	<u>\$ 1,614,029</u>
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accrued interest payable	\$ 18,208	\$ -
Deferred revenue	<u>461,088</u>	<u>416,364</u>
<b>Total liabilities</b>	<u>479,296</u>	<u>416,364</u>
 <b>Fund balance</b>		
Unreserved, undesignated	<u>1,024,126</u>	<u>1,197,665</u>
<b>Total liabilities and fund balance</b>	<u>\$ 1,503,422</u>	<u>\$ 1,614,029</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, 2010

With comparative totals for the year ended September 30, 2009

	2010		Variance Positive (Negative)	2009 Actual
	Final Budget	Actual		
<b>REVENUES</b>				
Taxes				
Ad valorem - current				
1998 Issue	\$ -	\$ -	\$ -	\$ 909,051
1999 Issue	-	-	-	310,438
2000 Issue	653,423	652,226	(1,197)	675,372
2001 Issue	1,099,920	1,093,743	(6,177)	1,129,897
2003 Issue	417,880	417,258	(622)	425,484
2004 Issue	755,617	752,728	(2,889)	464,721
2005 Issues	1,669,153	1,664,181	(4,972)	1,366,126
2006 Issue	725,858	722,924	(2,934)	810,446
2007 Issue	414,888	414,486	(402)	661,189
2009 Issues	1,219,950	1,213,653	(6,297)	-
Ad valorem - delinquent	100,000	122,865	22,865	124,313
Intergovernmental	-	387,077	387,077	-
Investment income				
Interest	30,000	9,021	(20,979)	30,338
<b>Total revenues</b>	<u>7,086,689</u>	<u>7,450,162</u>	<u>363,473</u>	<u>6,907,375</u>
<b>EXPENDITURES</b>				
Debt service				
Principal retirement				
1998 Issue	-	-	-	905,000
1999 Issue	-	-	-	300,000
2000 Issue	650,000	650,000	-	625,000
2001 Issue	675,000	675,000	-	650,000
2003 Issue	260,000	260,000	-	250,000
2004 Issue	425,000	425,000	-	105,000
2005 Issues	680,000	680,000	-	315,000
2006 Issue	375,000	375,000	-	425,000
2007 Issue	-	-	-	230,000
2009 Issues	95,000	325,000	(230,000)	-
Interest				
1998 Issue	-	-	-	18,100
1999 Issue	-	-	-	15,000
2000 Issue	31,525	31,525	-	61,525
2001 Issue	472,225	472,225	-	498,225
2003 Issue	175,853	175,853	-	184,290
2004 Issue	363,114	363,114	-	366,264
2005 Issues	1,060,939	1,060,939	-	1,071,389
2006 Issue	382,075	382,075	-	401,200
2007 Issue	432,731	432,731	-	441,931
2009 Issues	1,177,415	1,185,417	(8,002)	-
Paying agents' fees and issue costs	21,713	290,890	(269,177)	32,687
<b>Total expenditures</b>	<u>7,277,590</u>	<u>7,784,769</u>	<u>(507,179)</u>	<u>6,895,611</u>
Excess (deficiency) of revenues over expenditures	(190,901)	(334,607)	(143,706)	11,764
<b>OTHER FINANCING SOURCES (USES)</b>				
Bonds issued	-	8,715,000	8,715,000	-
Premium on issuance of bonds	-	431,650	431,650	-
Payment to escrow	-	(8,985,582)	(8,985,582)	-
Total other financing sources (uses)	-	161,068	161,068	-
Changes in fund balance	(190,901)	(173,539)	8,571,294	11,764
Fund balance at beginning of year	1,197,665	1,197,665	-	1,185,901
<b>Fund balance at end of year</b>	<u>\$ 1,006,764</u>	<u>\$ 1,024,126</u>	<u>\$ 8,571,294</u>	<u>\$ 1,197,665</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, 2010**With comparative totals for the year ended September 30, 2009*

	2010			2009 Actual
	Final Budget	Actual	Variance Positive (Negative)	
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ -	\$ -	\$ 336,912
Investment income				
Interest	117	117	-	4,678
Miscellaneous	-	-	-	926,366
<b>Total revenues</b>	<u>117</u>	<u>117</u>	<u>-</u>	<u>1,267,956</u>
<b>EXPENDITURES</b>				
Capital outlay	<u>410,685</u>	<u>410,685</u>	<u>-</u>	<u>891,715</u>
Excess (deficiency) of revenues over expenditures	(410,568)	(410,568)	-	376,241
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>(25,605)</u>	<u>(25,605)</u>	<u>-</u>	<u>-</u>
Change in fund balance	(436,173)	(436,173)	-	376,241
Fund balance at beginning of year	<u>436,173</u>	<u>436,173</u>	<u>-</u>	<u>59,932</u>
<b>Fund balance at end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 436,173</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, 2010**With comparative totals for the year ended September 30, 2009*

	2010			2009 Actual
	Final Budget	Actual	Variance Positive (Negative)	
<b>REVENUES</b>				
Investment income				
Interest	\$ 477	\$ 563	\$ 86	\$ 15,865
Miscellaneous income	-	-	-	4,192,069
<b>Total revenues</b>	<u>477</u>	<u>563</u>	<u>86</u>	<u>4,207,934</u>
<b>EXPENDITURES</b>				
Capital outlay	<u>112,607</u>	<u>112,607</u>	-	<u>4,290,589</u>
Excess (deficiency) of revenues over expenditures	(112,130)	(112,044)	86	(82,655)
<b>OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balance	(112,130)	(112,044)	86	(82,655)
Fund balance at beginning of year	<u>333,474</u>	<u>333,474</u>	-	<u>416,129</u>
<b>Fund balance at end of year</b>	<u>\$ 221,344</u>	<u>\$ 221,430</u>	<u>\$ 86</u>	<u>\$ 333,474</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, 2010**With comparative totals for the year ended September 30, 2009*

	2010		Variance Positive (Negative)	2009 Actual
	Final Budget	Actual		
<b>REVENUES</b>				
Intergovernmental	\$ 2,562,037	\$ 1,936,037	\$ (626,000)	\$ -
Investment income				
Interest	98,700	102,150	3,450	373,276
Miscellaneous income	3,617,703	1,091,498	(2,526,205)	4,908,166
<b>Total revenues</b>	<u>6,278,440</u>	<u>3,129,685</u>	<u>(3,148,755)</u>	<u>5,281,442</u>
<b>EXPENDITURES</b>				
Current				
General government	-	49,050	(49,050)	-
Capital outlay	21,197,026	10,339,354	10,857,672	11,173,205
Debt service				
Bond issue costs	390,224	390,224	-	-
<b>Total expenditures</b>	<u>21,587,250</u>	<u>10,778,628</u>	<u>10,808,622</u>	<u>11,173,205</u>
Excess (deficiency) of revenues over expenditures	(15,308,810)	(7,648,943)	7,659,867	(5,891,763)
<b>OTHER FINANCING SOURCES (USES)</b>				
Bonds issued	26,330,000	26,330,000	-	-
Premium on issuance of bonds	83,584	83,584	-	-
Transfers in	3,667,885	4,008,517	340,632	-
Transfers out	(1,010,000)	(1,009,349)	651	(2,500,000)
Total other financing sources (uses)	<u>29,071,469</u>	<u>29,412,752</u>	<u>341,283</u>	<u>(2,500,000)</u>
Change in fund balance	13,762,659	21,763,809	8,001,150	(8,391,763)
Fund balance at beginning of year, as restated	<u>13,303,623</u>	<u>13,303,623</u>	<u>-</u>	<u>21,695,386</u>
<b>Fund balance at end of year</b>	<u>\$ 27,066,282</u>	<u>\$ 35,067,432</u>	<u>\$ 8,001,150</u>	<u>\$ 13,303,623</u>

## **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, 2010*

	Community Center	700 Main Center	Education & Government Channel	Total Nonmajor Enterprise Funds
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 1,049,204	\$ 206,581	\$ 59	\$ 1,255,844
Receivables (net)	-	21	-	21
Due from other funds	51,133	-	-	51,133
Returned checks	812	-	-	812
Restricted assets				
Cash and cash equivalents	615,361	-	-	615,361
Investments	600,267	-	-	600,267
<b>Total current assets</b>	<u>2,316,777</u>	<u>206,602</u>	<u>59</u>	<u>2,523,438</u>
Noncurrent assets				
Capital assets				
Land and other assets not being depreciated	175,160	224,598	-	399,758
Buildings, improvements, and equipment (net)	<u>2,087,778</u>	<u>1,532,026</u>	<u>27,098</u>	<u>3,646,902</u>
<b>Total noncurrent assets</b>	<u>2,262,938</u>	<u>1,756,624</u>	<u>27,098</u>	<u>4,046,660</u>
<b>Total assets</b>	<u>4,579,715</u>	<u>1,963,226</u>	<u>27,157</u>	<u>6,570,098</u>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	10,231	6,638	-	16,869
Accrued expenses	20,814	-	-	20,814
Accrued compensated absences	1,057	-	-	1,057
Due to other funds	807	-	59	866
Customer deposits	<u>34,335</u>	-	-	<u>34,335</u>
<b>Total current liabilities</b>	<u>67,244</u>	<u>6,638</u>	<u>59</u>	<u>73,941</u>
Noncurrent liabilities				
Accrued compensated absences	<u>12,460</u>	-	-	<u>12,460</u>
<b>Total liabilities</b>	<u>79,704</u>	<u>6,638</u>	<u>59</u>	<u>86,401</u>
<b>NET ASSETS</b>				
Invested in capital assets	2,262,938	1,756,624	27,098	4,046,660
Unrestricted net assets	<u>2,237,073</u>	<u>199,964</u>	-	<u>2,437,037</u>
<b>Total net assets</b>	<u>\$ 4,500,011</u>	<u>\$ 1,956,588</u>	<u>\$ 27,098</u>	<u>\$ 6,483,697</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, 2010*

	Community Center	700 Main Center	Education & Government Channel	Total Nonmajor Enterprise Funds
<b>OPERATING REVENUES</b>				
Charges for services	\$ 222,105	\$ 203,824	\$ -	\$ 425,929
<b>OPERATING EXPENSES</b>				
Personnel	295,764	-	-	295,764
Materials and supplies	59,752	674	-	60,426
Maintenance	27,603	16,290	-	43,893
Heat, lights and power	73,114	68,611	-	141,725
Miscellaneous services	38,986	15,660	-	54,646
Contractual services	32,815	-	-	32,815
Depreciation	109,884	102,011	6,803	218,698
<b>Total operating expenses</b>	<u>637,918</u>	<u>203,246</u>	<u>6,803</u>	<u>847,967</u>
Operating income (loss) before nonoperating revenues (expenses) and contributions and transfers	(415,813)	578	(6,803)	(422,038)
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment income	4,080	62	-	4,142
Loss on disposition of capital assets	(194)	-	-	(194)
Net nonoperating revenues (expenses)	<u>3,886</u>	<u>62</u>	<u>-</u>	<u>3,948</u>
Income before contributions and transfers	(411,927)	640	(6,803)	(418,090)
Contributions and transfers				
Capital contributions	-	11,437	-	11,437
Transfers in	327,421	-	3,447	330,868
Transfers out	(19,800)	(21,617)	-	(41,417)
Total contributions and transfers	<u>307,621</u>	<u>(10,180)</u>	<u>3,447</u>	<u>300,888</u>
Change in net assets	(104,306)	(9,540)	(3,356)	(117,202)
Total net assets at beginning of year	<u>4,604,317</u>	<u>1,966,128</u>	<u>30,454</u>	<u>6,600,899</u>
<b>Total net assets at end of year</b>	<u>\$ 4,500,011</u>	<u>\$ 1,956,588</u>	<u>\$ 27,098</u>	<u>\$ 6,483,697</u>

**CITY OF VICTORIA, TEXAS**  
**ALL NONMAJOR ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
*For the year ended September 30, 2010*

	Community Center	700 Main Center	Education & Government Channel	Total Nonmajor Enterprise Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 222,105	\$ 203,817	\$ -	\$ 425,922
Cash paid to suppliers for goods and services	(235,136)	(107,886)	(1,445)	(344,467)
Cash paid to employees for services	(291,726)	-	-	(291,726)
<b>Net cash provided (used) by operating activities</b>	<u>(304,757)</u>	<u>95,931</u>	<u>(1,445)</u>	<u>(210,271)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Increase (decrease) in customer deposits	650	-	-	650
Borrowings from (to) other funds	115,365	-	1,504	116,869
Transfers in from other funds	327,421	-	3,447	330,868
Transfers out to other funds	(19,800)	(21,617)	-	(41,417)
<b>Net cash provided (used) by noncapital financing activities</b>	<u>423,636</u>	<u>(21,617)</u>	<u>4,951</u>	<u>406,970</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition and construction of capital assets	(8,380)	(21,322)	(3,447)	(33,149)
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(8,380)</u>	<u>(21,322)</u>	<u>(3,447)</u>	<u>(33,149)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of investments	(600,000)	-	-	(600,000)
Investment income	3,809	62	-	3,871
<b>Net cash provided (used) by investing activities</b>	<u>(596,191)</u>	<u>62</u>	<u>-</u>	<u>(596,129)</u>
Net increase (decrease) in cash and cash equivalents	(485,692)	53,054	59	(432,579)
Cash and cash equivalents at beginning of year	<u>2,150,257</u>	<u>153,527</u>	<u>-</u>	<u>2,303,784</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 1,664,565</u>	<u>\$ 206,581</u>	<u>\$ 59</u>	<u>\$ 1,871,205</u>

**CITY OF VICTORIA, TEXAS**

ALL NONMAJOR ENTERPRISE FUNDS

COMBINING STATEMENT OF CASH FLOWS

For the year ended September 30, 2010

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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)	\$ (415,813)	\$ 578	\$ (6,803)	\$ (422,038)
Adjustments to reconcile operating income to net cash provided (used) by operating activities				
Depreciation	109,884	102,011	6,803	218,698
Changes in assets and liabilities				
(Increase) decrease in other receivables	-	(7)	-	(7)
Increase (decrease) in accounts payable	(2,866)	(6,651)	(1,445)	(10,962)
Increase (decrease) in accrued expenses	1,896	-	-	1,896
Increase (decrease) in compensated absences	<u>2,142</u>	<u>-</u>	<u>-</u>	<u>2,142</u>
Total adjustments	<u>111,056</u>	<u>95,353</u>	<u>5,358</u>	<u>211,767</u>
<b>Net cash provided (used) by operating activities</b>	<b><u>\$ (304,757)</u></b>	<b><u>\$ 95,931</u></b>	<b><u>\$ (1,445)</u></b>	<b><u>\$ (210,271)</u></b>



**WATER AND WASTEWATER FUND**

**CITY OF VICTORIA, TEXAS**  
**MAJOR ENTERPRISE FUND**  
**WATER AND WASTEWATER FUND**  
**BALANCE SHEET**  
*September 30, 2010*  
*With comparative totals for September 30, 2009*

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 6,944,176	\$ 7,316,005
Receivables (net)		
Accounts	1,918,546	1,949,289
Other	2,465	8,460
Inventory	209,114	123,913
Returned checks	2,432	5,191
Restricted assets		
Cash and cash equivalents	8,980,255	8,004,836
Investments	300,109	-
Total current assets	<u>18,357,097</u>	<u>17,407,694</u>
Noncurrent assets		
Capital assets		
Buildings	35,779,845	35,779,845
Water and wastewater distribution system	109,751,917	103,628,167
Improvements other than buildings	1,385,993	1,172,298
Machinery and equipment	2,126,914	1,979,670
Total capital assets	<u>149,044,669</u>	<u>142,559,980</u>
Less accumulated depreciation	<u>60,204,598</u>	<u>53,552,857</u>
Subtotal	88,840,071	89,007,123
Land and water rights	3,144,980	2,877,143
Construction in progress	<u>3,194,297</u>	<u>3,632,841</u>
Net capital assets	<u>95,179,348</u>	<u>95,517,107</u>
Other assets		
Bond issue costs (net)	1,400,640	1,049,542
Special deposit with Guadalupe-Blanco River Authority	<u>82,673</u>	<u>82,673</u>
Total other assets	<u>1,483,313</u>	<u>1,132,215</u>
Total noncurrent assets	<u>96,662,661</u>	<u>96,649,322</u>
<b>Total assets</b>	<u>115,019,758</u>	<u>114,057,016</u>

**CITY OF VICTORIA, TEXAS**  
**MAJOR ENTERPRISE FUND**  
**WATER AND WASTEWATER FUND**  
**BALANCE SHEET**  
*September 30, 2010*  
*With comparative totals for September 30, 2009*

	<u>2010</u>	<u>2009</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	\$ 1,446,474	\$ 788,708
Accrued expenses	329,661	286,985
Accrued compensated absences	14,011	18,746
Due to other funds	36,559	42,112
Accrued interest payable	985,468	1,041,550
Current portion of waterworks and sewer system revenue bonds	<u>3,915,000</u>	<u>3,765,000</u>
Total current liabilities	<u>6,727,173</u>	<u>5,943,101</u>
Noncurrent liabilities		
Waterworks and sewer system revenue bonds (net of current portion)	69,125,000	66,365,000
Deferred financing costs (net of amortization)	2,048,718	745,066
Accrued compensated absences	<u>165,204</u>	<u>139,293</u>
Total noncurrent liabilities	<u>71,338,922</u>	<u>67,249,359</u>
<b>Total liabilities</b>	<u>78,066,095</u>	<u>73,192,460</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	28,346,237	32,492,688
Unrestricted net assets	<u>8,607,426</u>	<u>8,371,868</u>
<b>Total net assets</b>	<u>\$ 36,953,663</u>	<u>\$ 40,864,556</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, 2010**With comparative totals for the year ended September 30, 2009*

	<u>2010</u>	<u>2009</u>
<b>OPERATING REVENUES</b>		
Water sales	\$ 11,251,363	\$ 12,384,404
Sewer service	10,481,909	10,254,294
Tap and connection fees	209,145	234,255
Miscellaneous	<u>30,886</u>	<u>17,014</u>
<b>Total operating revenues</b>	<u>21,973,303</u>	<u>22,889,967</u>
<b>OPERATING EXPENSES</b>		
Personnel	4,506,775	3,946,560
Materials and supplies	1,002,776	1,413,680
Maintenance	754,710	805,780
Heat, lights, and power	991,500	1,119,656
Miscellaneous services	1,243,528	1,127,207
Contractual services	3,148,773	3,885,119
Computer services	146,807	166,816
Depreciation	<u>6,673,618</u>	<u>3,545,914</u>
<b>Total operating expenses</b>	<u>18,468,487</u>	<u>16,010,732</u>
Operating income (loss) before nonoperating revenues (expenses) and contributions and transfers	3,504,816	6,879,235
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment income	24,320	160,751
Interest and fiscal charges	(2,846,486)	(3,151,985)
Loss on disposition of capital assets	<u>(1,471)</u>	<u>(12,988)</u>
Net nonoperating revenues (expenses)	<u>(2,823,637)</u>	<u>(3,004,222)</u>
Income before contributions and transfers	681,179	3,875,013
Contributions and transfers		
Capital contributions	273,053	705,899
Transfers in	1,089,507	119,100
Transfers out	<u>(5,954,632)</u>	<u>(2,175,163)</u>
Total contributions and transfers	<u>(4,592,072)</u>	<u>(1,350,164)</u>
Change in net assets	(3,910,893)	2,524,849
Total net assets at beginning of year	<u>40,864,556</u>	<u>38,339,707</u>
<b>Total net assets at end of year</b>	<u>\$ 36,953,663</u>	<u>\$ 40,864,556</u>

**CITY OF VICTORIA, TEXAS**

MAJOR ENTERPRISE FUND

WATER AND WASTEWATER FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2010

With comparative totals for the year ended September 30, 2009

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	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 22,012,800	\$ 22,606,421
Cash paid to suppliers for goods and services	(7,558,271)	(8,784,567)
Cash paid to employees for services	(4,442,923)	(3,868,782)
<b>Net cash provided (used) by operating activities</b>	<u>10,011,606</u>	<u>9,953,072</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Borrowings from (to) other funds	(5,553)	(6,264)
Transfers in from other funds	1,089,507	119,100
Transfers out to other funds	(5,954,632)	(2,175,163)
<b>Net cash provided (used) by noncapital financing activities</b>	<u>(4,870,678)</u>	<u>(2,062,327)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(5,221,535)	(5,144,713)
Proceeds from issuance of revenue bonds	32,140,000	6,555,000
Principal paid on revenue bonds	(29,230,000)	(3,400,000)
Interest paid on revenue bonds	(1,945,064)	(3,218,940)
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(4,256,599)</u>	<u>(5,208,653)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales and maturities of investments	-	11,181,427
Purchase of investments	(300,000)	(9,200,000)
Rebatable arbitrage payments	(4,950)	(6,325)
Investment income	24,211	160,615
<b>Net cash provided (used) by investing activities</b>	<u>(280,739)</u>	<u>2,135,717</u>
Net increase (decrease) in cash and cash equivalents	603,590	4,817,809
Cash and cash equivalents at beginning of year	<u>15,320,841</u>	<u>10,503,032</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 15,924,431</u>	<u>\$ 15,320,841</u>

**CITY OF VICTORIA, TEXAS**

MAJOR ENTERPRISE FUND

WATER AND WASTEWATER FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2010

With comparative totals for the year ended September 30, 2009

---

	<u>2010</u>	<u>2009</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ 3,504,816	\$ 6,879,235
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	6,673,618	3,545,914
Changes in assets and liabilities		
(Increase) decrease in accounts receivable	30,743	(285,231)
(Increase) decrease in other receivables	5,995	3,038
(Increase) decrease in inventory	(85,201)	(123,913)
(Increase) decrease in returned checks	2,759	(1,353)
Increase (decrease) in accounts payable	(184,976)	(142,396)
Increase (decrease) in accrued expenses	42,676	57,973
Increase (decrease) in compensated absences	21,176	19,805
Total adjustments	<u>6,506,790</u>	<u>3,073,837</u>
<b>Net cash provided (used) by operating activities</b>	<b><u>\$ 10,011,606</u></b>	<b><u>\$ 9,953,072</u></b>

**COMMUNITY CENTER FUND**

**CITY OF VICTORIA, TEXAS**  
**NONMAJOR ENTERPRISE FUND**  
**COMMUNITY CENTER FUND**  
**BALANCE SHEET**  
*September 30, 2010*  
*With comparative totals for September 30, 2009*

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 1,049,204	\$ 1,002,466
Due from other funds	51,133	167,561
Returned checks	812	812
Restricted assets		
Cash and cash equivalents	615,361	1,147,791
Investments	<u>600,267</u>	<u>-</u>
Total current assets	<u>2,316,777</u>	<u>2,318,630</u>
Noncurrent assets		
Capital assets		
Buildings	3,476,311	3,467,931
Infrastructure	288,581	288,581
Machinery and equipment	<u>106,228</u>	<u>107,553</u>
Total capital assets	3,871,120	3,864,065
Less accumulated depreciation	<u>1,783,342</u>	<u>1,674,593</u>
Subtotal	2,087,778	2,189,472
Land	<u>175,160</u>	<u>175,160</u>
Net capital assets	<u>2,262,938</u>	<u>2,364,632</u>
Total noncurrent assets	<u>2,262,938</u>	<u>2,364,632</u>
<b>Total assets</b>	<u>4,579,715</u>	<u>4,683,262</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	10,231	13,097
Accrued expenses	20,814	18,918
Accrued compensated absences	1,057	1,349
Due to other funds	807	1,870
Customer deposits	<u>34,335</u>	<u>33,685</u>
Total current liabilities	<u>67,244</u>	<u>68,919</u>
Noncurrent liabilities		
Accrued compensated absences	<u>12,460</u>	<u>10,026</u>
<b>Total liabilities</b>	<u>79,704</u>	<u>78,945</u>
<b>NET ASSETS</b>		
Invested in capital assets	2,262,938	2,364,632
Unrestricted net assets	<u>2,237,073</u>	<u>2,239,685</u>
<b>Total net assets</b>	<u>\$ 4,500,011</u>	<u>\$ 4,604,317</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, 2010

With comparative totals for the year ended September 30, 2009

	<u>2010</u>	<u>2009</u>
<b>OPERATING REVENUES</b>		
Rental fees	\$ 221,666	\$ 212,336
Miscellaneous	439	599
<b>Total operating revenues</b>	<u>222,105</u>	<u>212,935</u>
<b>OPERATING EXPENSES</b>		
Personnel	295,764	275,528
Materials and supplies	59,752	26,822
Maintenance	27,603	24,796
Heat, lights, and power	73,114	78,808
Miscellaneous services	38,986	53,623
Contractual services	32,815	12,031
Depreciation	109,884	113,733
<b>Total operating expenses</b>	<u>637,918</u>	<u>585,341</u>
Operating income (loss) before nonoperating revenues (expenses) and transfers	(415,813)	(372,406)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment income	4,080	13,151
Noncapital contributions	-	54,826
Loss on disposition of capital assets	(194)	(319)
Net nonoperating revenues (expenses)	<u>3,886</u>	<u>67,658</u>
Income (loss) before transfers	(411,927)	(304,748)
Transfers		
Transfers in	327,421	615,746
Transfers out	(19,800)	(19,800)
Total transfers	<u>307,621</u>	<u>595,946</u>
Change in net assets	(104,306)	291,198
Total net assets at beginning of year	<u>4,604,317</u>	<u>4,313,119</u>
<b>Total net assets at end of year</b>	<u>\$ 4,500,011</u>	<u>\$ 4,604,317</u>

**CITY OF VICTORIA, TEXAS**  
**NONMAJOR ENTERPRISE FUND**  
**COMMUNITY CENTER FUND**  
**STATEMENT OF CASH FLOWS**  
For the year ended September 30, 2010  
With comparative totals for the year ended September 30, 2009

	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 222,105	\$ 212,781
Cash paid to suppliers for goods and services	(235,136)	(201,746)
Cash paid to employees for services	<u>(291,726)</u>	<u>(269,150)</u>
<b>Net cash provided (used) by operating activities</b>	<u>(304,757)</u>	<u>(258,115)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Increase (decrease) in customer deposits	650	700
Noncapital contributions	-	54,826
Borrowings from (to) other funds	115,365	58,368
Transfers in from other funds	327,421	615,746
Transfers out to other funds	<u>(19,800)</u>	<u>(19,800)</u>
<b>Net cash provided (used) by noncapital financing activities</b>	<u>423,636</u>	<u>709,840</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	<u>(8,380)</u>	<u>(20,381)</u>
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(8,380)</u>	<u>(20,381)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(600,000)	-
Investment income	<u>3,809</u>	<u>13,151</u>
<b>Net cash provided (used) by investing activities</b>	<u>(596,191)</u>	<u>13,151</u>
Net increase (decrease) in cash and cash equivalents	(485,692)	444,495
Cash and cash equivalents at beginning of year	<u>2,150,257</u>	<u>1,705,762</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 1,664,565</u>	<u>\$ 2,150,257</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ (415,813)	\$ (372,406)
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	109,884	113,733
Changes in assets and liabilities		
(Increase) decrease in returned checks	-	(154)
Increase (decrease) in accounts payable	(2,866)	(5,666)
Increase (decrease) in accrued expenses	1,896	3,517
Increase (decrease) in compensated absences	<u>2,142</u>	<u>2,861</u>
Total adjustments	<u>111,056</u>	<u>114,291</u>
<b>Net cash provided (used) by operating activities</b>	<u>\$ (304,757)</u>	<u>\$ (258,115)</u>

**700 MAIN CENTER FUND**

**CITY OF VICTORIA, TEXAS**  
**NONMAJOR ENTERPRISE FUND**  
**700 MAIN CENTER FUND**  
**BALANCE SHEET**  
*September 30, 2010*  
*With comparative totals for September 30, 2009*

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 206,581	\$ 153,527
Receivables (net)		
Other	<u>21</u>	<u>14</u>
Total current assets	<u>206,602</u>	<u>153,541</u>
Noncurrent assets		
Capital assets		
Buildings	2,518,610	2,485,851
Improvements other than buildings	78,216	78,216
Machinery and equipment	<u>114,957</u>	<u>114,957</u>
Total capital assets	<u>2,711,783</u>	<u>2,679,024</u>
Less accumulated depreciation	<u>1,179,757</u>	<u>1,077,746</u>
Subtotal	1,532,026	1,601,278
Land	<u>224,598</u>	<u>224,598</u>
Net capital assets	<u>1,756,624</u>	<u>1,825,876</u>
<b>Total assets</b>	<u>1,963,226</u>	<u>1,979,417</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	<u>6,638</u>	<u>13,289</u>
<b>NET ASSETS</b>		
Invested in capital assets	1,756,624	1,825,876
Unrestricted net assets	<u>199,964</u>	<u>140,252</u>
<b>Total net assets</b>	<u>\$ 1,956,588</u>	<u>\$ 1,966,128</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, 2010

With comparative totals for the year ended September 30, 2009

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	<u>2010</u>	<u>2009</u>
<b>OPERATING REVENUES</b>		
Rental fees	\$ 203,824	\$ 351,596
<b>OPERATING EXPENSES</b>		
Materials and supplies	674	1,129
Maintenance	16,290	18,099
Heat, lights, and power	68,611	64,729
Miscellaneous services	15,660	15,601
Depreciation	<u>102,011</u>	<u>95,503</u>
<b>Total operating expenses</b>	<u>203,246</u>	<u>195,061</u>
Operating income (loss) before nonoperating revenues (expenses) and contributions and transfers	578	156,535
<b>NONOPERATING REVENUES</b>		
Investment income	<u>62</u>	<u>557</u>
Net nonoperating revenues (expenses)	<u>62</u>	<u>557</u>
Income (loss) before contributions and transfers	640	157,092
Contributions and transfers		
Capital contributions	11,437	-
Transfers out	<u>(21,617)</u>	<u>(21,617)</u>
Total contributions and transfers	<u>(10,180)</u>	<u>(21,617)</u>
Change in net assets	(9,540)	135,475
Total net assets at beginning of year	<u>1,966,128</u>	<u>1,830,653</u>
<b>Total net assets at end of year</b>	<u>\$ 1,956,588</u>	<u>\$ 1,966,128</u>

**CITY OF VICTORIA, TEXAS**  
**NONMAJOR ENTERPRISE FUND**  
**700 MAIN CENTER FUND**  
**STATEMENT OF CASH FLOWS**  
*For the year ended September 30, 2010*  
*With comparative totals for the year ended September 30, 2009*

	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 203,817	\$ 353,103
Cash paid to suppliers for goods and services	<u>(107,886)</u>	<u>(93,164)</u>
<b>Net cash provided (used) by operating activities</b>	<u>95,931</u>	<u>259,939</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>(21,322)</u>	<u>(263,183)</u>
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(21,322)</u>	<u>(263,183)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment income	<u>62</u>	<u>557</u>
<b>Net cash provided (used) by investing activities</b>	<u>62</u>	<u>557</u>
Net increase (decrease) in cash and cash equivalents	53,054	(24,304)
Cash and cash equivalents at beginning of year	<u>153,527</u>	<u>177,831</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 206,581</u>	<u>\$ 153,527</u>

**CITY OF VICTORIA, TEXAS**  
**NONMAJOR ENTERPRISE FUND**  
**700 MAIN CENTER FUND**  
**STATEMENT OF CASH FLOWS**  
*For the year ended September 30, 2010*  
*With comparative totals for the year ended September 30, 2009*

	<u>2010</u>	<u>2009</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ 578	\$ 156,535
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	102,011	95,503
Changes in assets and liabilities		
(Increase) decrease in other receivables	(7)	1,507
Increase (decrease) in accounts payable	<u>(6,651)</u>	<u>6,394</u>
Total adjustments	<u>95,353</u>	<u>103,404</u>
<b>Net cash provided (used) by operating activities</b>	<u>\$ 95,931</u>	<u>\$ 259,939</u>



**ENVIRONMENTAL SERVICES FUND**

**CITY OF VICTORIA, TEXAS**  
**MAJOR ENTERPRISE FUND**  
**ENVIRONMENTAL SERVICES FUND**  
**BALANCE SHEET**  
*September 30, 2010*  
*With comparative totals for September 30, 2009*

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 1,778,838	\$ 897,979
Receivables (net)		
Accounts	200,543	176,704
Other	106,620	294,286
Restricted assets		
Cash and cash equivalents	2,535,026	6,301,999
Investments	<u>2,701,201</u>	<u>-</u>
Total current assets	<u>7,322,228</u>	<u>7,670,968</u>
Noncurrent assets		
Capital assets		
Buildings	120,012	120,012
Infrastructure	1,364,238	124,287
Improvements other than buildings	561,623	561,623
Machinery and equipment	<u>1,327,349</u>	<u>1,264,382</u>
Total capital assets	3,373,222	2,070,304
Less accumulated depreciation	<u>1,122,055</u>	<u>953,472</u>
Subtotal	2,251,167	1,116,832
Land	799,931	799,931
Construction in progress	<u>71,392</u>	<u>316,157</u>
Net capital assets	<u>3,122,490</u>	<u>2,232,920</u>
Total noncurrent assets	<u>3,122,490</u>	<u>2,232,920</u>
<b>Total assets</b>	<u>10,444,718</u>	<u>9,903,888</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	199,525	404,498
Accrued expenses	97,838	91,586
Accrued compensated absences	4,065	5,392
Due to other governments	96,502	92,573
Due to other funds	<u>6,360</u>	<u>38,218</u>
Total current liabilities	<u>404,290</u>	<u>632,267</u>
Noncurrent liabilities		
Accrued compensated absences	47,929	40,069
Estimated landfill closure and postclosure care cost	<u>2,982,260</u>	<u>2,877,064</u>
Total noncurrent liabilities	<u>3,030,189</u>	<u>2,917,133</u>
<b>Total liabilities</b>	<u>3,434,479</u>	<u>3,549,400</u>
<b>NET ASSETS</b>		
Invested in capital assets	3,122,490	2,232,920
Unrestricted net assets	<u>3,887,749</u>	<u>4,121,568</u>
<b>Total net assets</b>	<u>\$ 7,010,239</u>	<u>\$ 6,354,488</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, 2010**With comparative totals for the year ended September 30, 2009*

	<u>2010</u>	<u>2009</u>
<b>OPERATING REVENUES</b>		
Garbage fees	\$ 3,207,679	\$ 3,322,018
Other garbage fees	673,083	12,734
Landfill closure	-	47,513
Miscellaneous	<u>247,377</u>	<u>863,263</u>
<b>Total operating revenues</b>	<u>4,128,139</u>	<u>4,245,528</u>
<b>OPERATING EXPENSES</b>		
Personnel	1,282,631	1,449,050
Materials and supplies	222,671	206,321
Maintenance	2,018	1,504
Heat, lights and power	17,561	16,865
Miscellaneous services	553,804	993,619
Contractual services	46,080	175,446
Computer services	34,470	39,168
Monitoring costs	-	40,837
Tipping fees	749,187	612,226
Landfill closure and postclosure care cost	105,196	105,196
Depreciation	<u>168,583</u>	<u>150,116</u>
<b>Total operating expenses</b>	<u>3,182,201</u>	<u>3,790,348</u>
Operating income (loss) before nonoperating revenues (expenses) and transfers	945,938	455,180
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment income	<u>19,998</u>	<u>91,948</u>
Net nonoperating revenues (expenses)	<u>19,998</u>	<u>91,948</u>
Income before transfers	965,936	547,128
Transfers		
Transfers in	46,115	150,116
Transfers out	<u>(356,300)</u>	<u>(356,300)</u>
Total transfers	<u>(310,185)</u>	<u>(206,184)</u>
Change in net assets	655,751	340,944
Total net assets at beginning of year	<u>6,354,488</u>	<u>6,013,544</u>
<b>Total net assets at end of year</b>	<u>\$ 7,010,239</u>	<u>\$ 6,354,488</u>

**CITY OF VICTORIA, TEXAS**

MAJOR ENTERPRISE FUND

ENVIRONMENTAL SERVICES FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2010

With comparative totals for the year ended September 30, 2009

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	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 4,291,966	\$ 4,010,882
Cash paid to suppliers for goods and services	(1,826,835)	(1,798,632)
Cash paid to employees for services	<u>(1,269,846)</u>	<u>(1,477,073)</u>
<b>Net cash provided (used) by operating activities</b>	<u>1,195,285</u>	<u>735,177</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Borrowings from (to) other funds	(31,858)	(664,999)
Transfers in from other funds	46,115	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>(342,043)</u>	<u>(871,183)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	<u>(1,058,153)</u>	<u>(1,049,261)</u>
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(1,058,153)</u>	<u>(1,049,261)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales and maturities of investments	-	6,407,292
Purchase of investments	(2,700,000)	(3,400,000)
Investment income	<u>18,797</u>	<u>91,948</u>
<b>Net cash provided (used) by investing activities</b>	<u>(2,681,203)</u>	<u>3,099,240</u>
Net increase (decrease) in cash and cash equivalents	(2,886,114)	1,913,973
Cash and cash equivalents at beginning of year	<u>7,199,978</u>	<u>5,286,005</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 4,313,864</u>	<u>\$ 7,199,978</u>

**CITY OF VICTORIA, TEXAS**

MAJOR ENTERPRISE FUND

ENVIRONMENTAL SERVICES FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2010

With comparative totals for the year ended September 30, 2009

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	<u>2010</u>	<u>2009</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ 945,938	\$ 455,180
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	168,583	150,116
Changes in assets and liabilities		
(Increase) decrease in accounts receivable	(23,839)	(1,323)
(Increase) decrease in other receivables	187,666	(233,323)
Increase (decrease) in accounts payable	(204,973)	288,488
Increase (decrease) in due to other governments	3,929	(1,134)
Increase (decrease) in accrued expenses	6,252	(23,425)
Increase (decrease) in compensated absences	6,533	(4,598)
Increase (decrease) in landfill closure and postclosure care cost	<u>105,196</u>	<u>105,196</u>
Total adjustments	<u>249,347</u>	<u>279,997</u>
<b>Net cash provided (used) by operating activities</b>	<u>\$ 1,195,285</u>	<u>\$ 735,177</u>



**EDUCATION & GOVERNMENT CHANNEL FUND**

**CITY OF VICTORIA, TEXAS**  
**NONMAJOR ENTERPRISE FUND**  
**EDUCATION & GOVERNMENT CHANNEL FUND**  
**BALANCE SHEET**  
September 30, 2010  
With comparative totals for September 30, 2009

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 59	\$ -
Due from other funds	-	1,445
Total current assets	<u>59</u>	<u>1,445</u>
Noncurrent assets		
Capital assets		
Machinery and equipment	40,465	37,018
Total capital assets	40,465	37,018
Less: Accumulated depreciation	13,367	6,564
Net capital assets	<u>27,098</u>	<u>30,454</u>
<b>Total assets</b>	<u>27,157</u>	<u>31,899</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	-	1,445
Due to other funds	59	-
Total current liabilities	<u>59</u>	<u>1,445</u>
<b>NET ASSETS</b>		
Invested in capital assets	<u>27,098</u>	<u>30,454</u>
<b>Total net assets</b>	<u>\$ 27,098</u>	<u>\$ 30,454</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, 2010

With comparative totals for September 30, 2009

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	<u>2010</u>	<u>2009</u>
<b>OPERATING REVENUES</b>	<u>\$ -</u>	<u>\$ -</u>
<b>OPERATING EXPENSES</b>		
Materials and supplies	-	658
Contractual services	-	3,881
Depreciation	<u>6,803</u>	<u>4,745</u>
<b>Total operating expenses</b>	<u>6,803</u>	<u>9,284</u>
Operating income (loss) before nonoperating revenues (expenses) and transfers	(6,803)	(9,284)
<b>NONOPERATING REVENUES</b>		
Investment income	<u>-</u>	<u>3</u>
Net nonoperating revenues (expenses)	<u>-</u>	<u>3</u>
Income (loss) before transfers	(6,803)	(9,281)
Transfers		
Transfer in	<u>3,447</u>	<u>22,004</u>
Total transfers	<u>3,447</u>	<u>22,004</u>
Change in net assets	(3,356)	12,723
Total net assets at beginning of year	<u>30,454</u>	<u>17,731</u>
<b>Total net assets at end of year</b>	<u><u>\$ 27,098</u></u>	<u><u>\$ 30,454</u></u>

**CITY OF VICTORIA, TEXAS**

NONMAJOR ENTERPRISE FUND

EDUCATION &amp; GOVERNMENT CHANNEL FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2010

With comparative totals for the year ended September 30, 2009

	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash paid to suppliers for goods and services	\$ (1,445)	\$ (3,094)
<b>Net cash provided (used) by operating activities</b>	<u>(1,445)</u>	<u>(3,094)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Borrowings from (to) other funds	1,504	(1,445)
Transfers in from other funds	<u>3,447</u>	<u>22,004</u>
<b>Net cash provided (used) by noncapital financing activities</b>	<u>4,951</u>	<u>20,559</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	<u>(3,447)</u>	<u>(20,855)</u>
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(3,447)</u>	<u>(20,855)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment income	<u>-</u>	<u>3</u>
<b>Net cash provided (used) by investing activities</b>	<u>-</u>	<u>3</u>
Net increase (decrease) in cash and cash equivalents	59	(3,387)
Cash and cash equivalents at beginning of year	<u>-</u>	<u>3,387</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 59</u>	<u>\$ -</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ (6,803)	\$ (9,284)
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	6,803	4,745
Changes in assets and liabilities		
Increase (decrease) in accounts payable	<u>(1,445)</u>	<u>1,445</u>
Total adjustments	<u>5,358</u>	<u>6,190</u>
<b>Net cash provided (used) by operating activities</b>	<u>\$ (1,445)</u>	<u>\$ (3,094)</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, 2010*

	<u>V.E.S.</u>	<u>Information Technology</u>	<u>Communications</u>
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 597,997	\$ 494,949	\$ 164,236
Investments	-	-	-
Receivables (net)			
Other	70,733	-	12,850
Due from other funds	-	-	-
Inventory	89,526	-	-
Restricted assets			
Cash and cash equivalents	-	-	-
<b>Total current assets</b>	<u>758,256</u>	<u>494,949</u>	<u>177,086</u>
Noncurrent assets			
Capital assets			
Land and other assets not being depreciated	134,007	-	39,168
Buildings, improvements, and equipment (net)	<u>6,658,537</u>	<u>598,573</u>	<u>1,971,696</u>
<b>Total noncurrent assets</b>	<u>6,792,544</u>	<u>598,573</u>	<u>2,010,864</u>
<b>Total assets</b>	<u>7,550,800</u>	<u>1,093,522</u>	<u>2,187,950</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	17,250	2,555	1,170
Accrued expenses	8,182	51,426	3,670
Accrued compensated absences	6,502	38,939	3,344
Due to other funds	990	936	-
Claims payable	-	-	-
<b>Total current liabilities</b>	<u>32,924</u>	<u>93,856</u>	<u>8,184</u>
<b>Total liabilities</b>	<u>32,924</u>	<u>93,856</u>	<u>8,184</u>
<b>NET ASSETS</b>			
Invested in capital assets	6,792,544	598,573	2,010,864
Unrestricted net assets	<u>725,332</u>	<u>401,093</u>	<u>168,902</u>
<b>Total net assets</b>	<u>\$ 7,517,876</u>	<u>\$ 999,666</u>	<u>\$ 2,179,766</u>

<u>Purchasing</u>	<u>Safety Management</u>	<u>Workers' Compensation</u>	<u>Print Shop</u>	<u>Employee Health Plan</u>	<u>Total</u>
\$ 206,525	\$ 308,739	\$ 331,877	\$ 79,543	\$ 4,099,238	\$ 6,283,104
-	-	-	-	2,500,908	2,500,908
10	3,526	-	925	55,003	143,047
-	-	-	-	246,355	246,355
84,543	-	-	19,344	-	193,413
-	-	35,000	-	-	35,000
<u>291,078</u>	<u>312,265</u>	<u>366,877</u>	<u>99,812</u>	<u>6,901,504</u>	<u>9,401,827</u>
-	-	-	-	-	173,175
<u>86,043</u>	<u>5,287</u>	<u>-</u>	<u>26,814</u>	<u>-</u>	<u>9,346,950</u>
<u>86,043</u>	<u>5,287</u>	<u>-</u>	<u>26,814</u>	<u>-</u>	<u>9,520,125</u>
<u>377,121</u>	<u>317,552</u>	<u>366,877</u>	<u>126,626</u>	<u>6,901,504</u>	<u>18,921,952</u>
3,239	2,164	5,333	727	248	32,686
11,130	7,120	-	4,316	-	85,844
9,479	5,321	-	3,344	-	66,929
1,078	1,919	-	838	-	5,761
-	-	168,629	-	213,687	382,316
<u>24,926</u>	<u>16,524</u>	<u>173,962</u>	<u>9,225</u>	<u>213,935</u>	<u>573,536</u>
<u>24,926</u>	<u>16,524</u>	<u>173,962</u>	<u>9,225</u>	<u>213,935</u>	<u>573,536</u>
86,043	5,287	-	26,814	-	9,520,125
<u>266,152</u>	<u>295,741</u>	<u>192,915</u>	<u>90,587</u>	<u>6,687,569</u>	<u>8,828,291</u>
<u>\$ 352,195</u>	<u>\$ 301,028</u>	<u>\$ 192,915</u>	<u>\$ 117,401</u>	<u>\$ 6,687,569</u>	<u>\$ 18,348,416</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, 2010*

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	<u>V.E.S.</u>	<u>Information Technology</u>	<u>Communications</u>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 4,223,072	\$ 1,306,661	\$ 240,056
Miscellaneous	70,414	-	-
<b>Total operating revenues</b>	<u>4,293,486</u>	<u>1,306,661</u>	<u>240,056</u>
<b>OPERATING EXPENSES</b>			
Personnel	115,997	716,651	59,100
Materials and supplies	1,239,855	26,865	17,753
Maintenance	12,580	71,531	13,517
Heat, lights, and power	23,475	-	-
Reinsurance premiums	-	-	-
Miscellaneous services	415,472	91,945	33,651
Contractual services	862,558	-	-
Computer services	-	-	12,499
Court costs, judgments, and damages	-	-	-
Claims expense	-	-	-
Wellness program	-	-	-
Depreciation	1,742,857	159,298	201,013
<b>Total operating expenses</b>	<u>4,412,794</u>	<u>1,066,290</u>	<u>337,533</u>
Operating income (loss) before nonoperating revenues (expenses) and transfers	(119,308)	240,371	(97,477)
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment income	610	142	126
Gain (loss) on disposition of capital assets	(52,983)	-	(9,740)
Net nonoperating revenues (expenses)	<u>(52,373)</u>	<u>142</u>	<u>(9,614)</u>
Income (loss) before transfers	(171,681)	240,513	(107,091)
Transfers			
Transfers out	-	-	-
Change in net assets	(171,681)	240,513	(107,091)
Total net assets at beginning of year	<u>7,689,557</u>	<u>759,153</u>	<u>2,286,857</u>
<b>Total net assets at end of year</b>	<u>\$ 7,517,876</u>	<u>\$ 999,666</u>	<u>\$ 2,179,766</u>

<u>Purchasing</u>	<u>Safety Management</u>	<u>Workers' Compensation</u>	<u>Print Shop</u>	<u>Employee Health Plan</u>	<u>Total</u>
\$ 220,058	\$ 512,525	\$ 372,874	\$ 143,155	\$ 6,158,443	\$ 13,176,844
-	139,931	17,716	-	190,477	418,538
<u>220,058</u>	<u>652,456</u>	<u>390,590</u>	<u>143,155</u>	<u>6,348,920</u>	<u>13,595,382</u>
158,597	90,485	-	88,400	-	1,229,230
5,286	1,851	-	2,804	-	1,294,414
4,102	-	-	3,339	-	105,069
4,539	-	-	-	-	28,014
-	467,419	-	-	249,268	716,687
12,578	17,268	-	15,436	-	586,350
2,080	8,538	-	-	253,684	1,126,860
31,720	12,499	-	6,098	-	62,816
-	6,323	-	-	-	6,323
-	-	320,622	-	4,133,734	4,454,356
-	-	13,205	-	33,928	47,133
<u>7,350</u>	<u>2,605</u>	<u>-</u>	<u>6,421</u>	<u>-</u>	<u>2,119,544</u>
<u>226,252</u>	<u>606,988</u>	<u>333,827</u>	<u>122,498</u>	<u>4,670,614</u>	<u>11,776,796</u>
(6,194)	45,468	56,763	20,657	1,678,306	1,818,586
-	18	499	-	14,294	15,689
-	-	-	-	-	(62,723)
-	<u>18</u>	<u>499</u>	<u>-</u>	<u>14,294</u>	<u>(47,034)</u>
(6,194)	45,486	57,262	20,657	1,692,600	1,771,552
-	-	(199,000)	-	(400,000)	(599,000)
(6,194)	45,486	(141,738)	20,657	1,292,600	1,172,552
<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>
<u>\$ 352,195</u>	<u>\$ 301,028</u>	<u>\$ 192,915</u>	<u>\$ 117,401</u>	<u>\$ 6,687,569</u>	<u>\$ 18,348,416</u>

**CITY OF VICTORIA, TEXAS**  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
For the year ended September 30, 2010

	V.E.S.	Information Technology	Communications
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from other funds	\$ 4,582,592	\$ 1,306,661	\$ 248,194
Cash paid to suppliers for goods and services	(2,780,276)	(202,356)	(79,005)
Cash paid to employees for services	(115,475)	(711,267)	(58,949)
<b>Net cash provided (used) by operating activities</b>	<u>1,686,841</u>	<u>393,038</u>	<u>110,240</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers out to other funds	-	-	-
Borrowings from other funds	-	239	-
Repayments to other funds	(1,266)	-	(3,493)
<b>Net cash provided (used) by noncapital financing activities</b>	<u>(1,266)</u>	<u>239</u>	<u>(3,493)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and construction of capital assets	(1,707,857)	(307,259)	(35,193)
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(1,707,857)</u>	<u>(307,259)</u>	<u>(35,193)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of investments	-	-	-
Investment income	610	142	126
<b>Net cash provided (used) by investing activities</b>	<u>610</u>	<u>142</u>	<u>126</u>
Net increase (decrease) in cash and cash equivalents	(21,672)	86,160	71,680
Cash and cash equivalents at beginning of year	619,669	408,789	92,556
<b>Cash and cash equivalents at end of year</b>	<u>\$ 597,997</u>	<u>\$ 494,949</u>	<u>\$ 164,236</u>

<u>Purchasing</u>	<u>Safety Management</u>	<u>Workers' Compensation</u>	<u>Print Shop</u>	<u>Employee Health Plan</u>	<u>Total</u>
\$ 220,048	\$ 648,930	\$ 390,590	\$ 143,292	\$ 6,384,265	\$ 13,924,572
(58,165)	(512,997)	(293,061)	(29,887)	(5,064,196)	(9,019,943)
<u>(157,903)</u>	<u>(87,867)</u>	<u>-</u>	<u>(90,778)</u>	<u>-</u>	<u>(1,222,239)</u>
3,980	48,066	97,529	22,627	1,320,069	3,682,390
-	-	(199,000)	-	(400,000)	(599,000)
-	1,919	-	586	-	2,744
<u>(3,214)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,973)</u>
(3,214)	1,919	(199,000)	586	(400,000)	(604,229)
(32,701)	(1,253)	-	(16,232)	-	(2,100,495)
<u>(32,701)</u>	<u>(1,253)</u>	<u>-</u>	<u>(16,232)</u>	<u>-</u>	<u>(2,100,495)</u>
-	-	-	-	(2,500,000)	(2,500,000)
-	18	499	-	13,386	14,781
-	18	499	-	(2,486,614)	(2,485,219)
(31,935)	48,750	(100,972)	6,981	(1,566,545)	(1,507,553)
<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>
<u>\$ 206,525</u>	<u>\$ 308,739</u>	<u>\$ 366,877</u>	<u>\$ 79,543</u>	<u>\$ 4,099,238</u>	<u>\$ 6,318,104</u>

(continued)

**CITY OF VICTORIA, TEXAS**  
*INTERNAL SERVICE FUNDS*  
**COMBINING STATEMENT OF CASH FLOWS**  
*For the year ended September 30, 2010*

	<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)	\$ (119,308)	\$ 240,371	\$ (97,477)
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation	1,742,857	159,298	201,013
Changes in assets and liabilities			
(Increase) decrease in other receivables	19,278	-	8,138
(Increase) decrease in due from other funds	269,828	-	-
(Increase) decrease in inventory	(23,953)	-	-
Increase (decrease) in accounts payable	(202,383)	(12,015)	(1,585)
Increase (decrease) in accrued expenses	765	658	151
Increase (decrease) in compensated absences	(243)	4,726	-
Increase (decrease) in claims payable	-	-	-
Total adjustments	<u>1,806,149</u>	<u>152,667</u>	<u>207,717</u>
<b>Net cash provided (used) by operating activities</b>	<u>\$ 1,686,841</u>	<u>\$ 393,038</u>	<u>\$ 110,240</u>

<u>Purchasing</u>	<u>Safety Management</u>	<u>Workers' Compensation</u>	<u>Print Shop</u>	<u>Employee Health Plan</u>	<u>Total</u>
\$ (6,194)	\$ 45,468	\$ 56,763	\$ 20,657	\$ 1,678,306	\$ 1,818,586
7,350	2,605	-	6,421	-	2,119,544
(10)	(3,526)	-	137	(4,871)	19,146
-	-	-	-	40,216	310,044
1,969	-	-	1,634	-	(20,350)
171	901	(45,476)	(3,844)	(1,115)	(265,346)
596	(325)	-	(1,976)	-	(131)
98	2,943	-	(402)	-	7,122
-	-	86,242	-	(392,467)	(306,225)
<u>10,174</u>	<u>2,598</u>	<u>40,766</u>	<u>1,970</u>	<u>(358,237)</u>	<u>1,863,804</u>
<u>\$ 3,980</u>	<u>\$ 48,066</u>	<u>\$ 97,529</u>	<u>\$ 22,627</u>	<u>\$ 1,320,069</u>	<u>\$ 3,682,390</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, 2010

With comparative totals for September 30, 2009

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 597,997	\$ 619,669
Receivables		
Other	70,733	90,011
Due from other funds	-	269,828
Inventory	<u>89,526</u>	<u>65,573</u>
Total current assets	<u>758,256</u>	<u>1,045,081</u>
Noncurrent assets		
Capital assets		
Buildings	364,797	364,797
Infrastructure	93,179	93,179
Improvements other than buildings	10,659	10,659
Machinery and equipment	<u>15,064,675</u>	<u>14,613,216</u>
Total capital assets	15,533,310	15,081,851
Less accumulated depreciation	<u>8,874,773</u>	<u>8,335,331</u>
Subtotal	6,658,537	6,746,520
Land	<u>134,007</u>	<u>134,007</u>
Net capital assets	<u>6,792,544</u>	<u>6,880,527</u>
<b>Total assets</b>	<u>7,550,800</u>	<u>7,925,608</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	17,250	219,633
Accrued expenses	8,182	7,417
Accrued compensated absences	6,502	6,745
Due to other funds	<u>990</u>	<u>2,256</u>
<b>Total liabilities</b>	<u>32,924</u>	<u>236,051</u>
<b>NET ASSETS</b>		
Invested in capital assets	6,792,544	6,880,527
Unrestricted net assets	<u>725,332</u>	<u>809,030</u>
<b>Total net assets</b>	<u>\$ 7,517,876</u>	<u>\$ 7,689,557</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, 2010

With comparative totals for the year ended September 30, 2009

	<u>2010</u>	<u>2009</u>
<b>OPERATING REVENUES</b>		
Charges for services	\$ 4,223,072	\$ 4,824,771
Miscellaneous	<u>70,414</u>	<u>111,242</u>
<b>Total operating revenues</b>	<u>4,293,486</u>	<u>4,936,013</u>
<b>OPERATING EXPENSES</b>		
Personnel	115,997	115,007
Materials and supplies	1,239,855	1,184,625
Maintenance	12,580	7,234
Heat, lights, and power	23,475	18,858
Miscellaneous services	415,472	359,902
Contractual services	862,558	932,263
Depreciation	<u>1,742,857</u>	<u>1,223,254</u>
<b>Total operating expenses</b>	<u>4,412,794</u>	<u>3,841,143</u>
Operating income (loss) before nonoperating revenues (expenses)	(119,308)	1,094,870
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment income	610	3,543
Loss on disposition of capital assets	<u>(52,983)</u>	<u>(197,311)</u>
Net nonoperating revenues (expenses)	<u>(52,373)</u>	<u>(193,768)</u>
Change in net assets	(171,681)	901,102
Total net assets at beginning of year	<u>7,689,557</u>	<u>6,788,455</u>
<b>Total net assets at end of year</b>	<u>\$ 7,517,876</u>	<u>\$ 7,689,557</u>

**CITY OF VICTORIA, TEXAS**

INTERNAL SERVICE FUND

V.E.S. FUND

**STATEMENT OF CASH FLOWS**

For the year ended September 30, 2010

With comparative totals for the year ended September 30, 2009

	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from other funds	\$ 4,582,592	\$ 5,473,538
Cash paid to suppliers for goods and services	(2,780,276)	(2,959,649)
Cash paid to employees for services	(115,475)	(112,465)
<b>Net cash provided (used) by operating activities</b>	<u>1,686,841</u>	<u>2,401,424</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Borrowings from other funds	-	1,879
Repayments to other funds	(1,266)	-
<b>Net cash provided (used) by noncapital financing activities</b>	<u>(1,266)</u>	<u>1,879</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(1,707,857)	(2,286,015)
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(1,707,857)</u>	<u>(2,286,015)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment income	610	3,543
Net increase (decrease) in cash and cash equivalents	(21,672)	120,831
Cash and cash equivalents at beginning of year	619,669	498,838
<b>Cash and cash equivalents at end of year</b>	<u>\$ 597,997</u>	<u>\$ 619,669</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ (119,308)	\$ 1,094,870
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	1,742,857	1,223,254
Changes in assets and liabilities		
(Increase) decrease in other receivables	19,278	82,270
(Increase) decrease in due from other funds	269,828	455,255
(Increase) decrease in inventory	(23,953)	65,577
Increase (decrease) in accounts payable	(202,383)	(522,344)
Increase (decrease) in accrued expenses	765	870
Increase (decrease) in compensated absences	(243)	1,672
Total adjustments	<u>1,806,149</u>	<u>1,306,554</u>
<b>Net cash provided (used) by operating activities</b>	<u>\$ 1,686,841</u>	<u>\$ 2,401,424</u>

**INFORMATION TECHNOLOGY FUND**

**CITY OF VICTORIA, TEXAS**  
*INTERNAL SERVICE FUND*  
*INFORMATION TECHNOLOGY FUND*  
**BALANCE SHEET**  
*September 30, 2010*  
*With comparative totals for September 30, 2009*

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 494,949	\$ 408,789
Total current assets	<u>494,949</u>	<u>408,789</u>
Noncurrent assets		
Capital assets		
Machinery and equipment	<u>1,353,773</u>	<u>1,133,168</u>
Total capital assets	<u>1,353,773</u>	<u>1,133,168</u>
Less accumulated depreciation	<u>755,200</u>	<u>682,556</u>
Net capital assets	<u>598,573</u>	<u>450,612</u>
<b>Total assets</b>	<u>1,093,522</u>	<u>859,401</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	2,555	14,570
Accrued expenses	51,426	50,768
Accrued compensated absences	38,939	34,213
Due to other funds	<u>936</u>	<u>697</u>
<b>Total liabilities</b>	<u>93,856</u>	<u>100,248</u>
<b>NET ASSETS</b>		
Invested in capital assets	598,573	450,612
Unrestricted net assets	<u>401,093</u>	<u>308,541</u>
<b>Total net assets</b>	<u>\$ 999,666</u>	<u>\$ 759,153</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, 2010

With comparative totals for the year ended September 30, 2009

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	<u>2010</u>	<u>2009</u>
<b>OPERATING REVENUES</b>		
Charges for services	\$ 1,306,661	\$ 1,413,549
Miscellaneous	<u>-</u>	<u>42,953</u>
<b>Total operating revenues</b>	<u>1,306,661</u>	<u>1,456,502</u>
<b>OPERATING EXPENSES</b>		
Personnel	716,651	704,343
Materials and supplies	26,865	119,886
Maintenance	71,531	60,118
Miscellaneous services	91,945	127,618
Depreciation	<u>159,298</u>	<u>95,184</u>
<b>Total operating expenses</b>	<u>1,066,290</u>	<u>1,107,149</u>
Operating income (loss) before nonoperating revenues (expenses)	240,371	349,353
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment income	142	1,530
Gain (loss) on disposition of capital assets	<u>-</u>	<u>73</u>
Net nonoperating revenues (expenses)	<u>142</u>	<u>1,603</u>
Change in net assets	240,513	350,956
Total net assets at beginning of year	<u>759,153</u>	<u>408,197</u>
<b>Total net assets at end of year</b>	<u>\$ 999,666</u>	<u>\$ 759,153</u>

**CITY OF VICTORIA, TEXAS**

INTERNAL SERVICE FUND

INFORMATION TECHNOLOGY FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2010

With comparative totals for the year ended September 30, 2009

	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from other funds	\$ 1,306,661	\$ 1,456,502
Cash paid to suppliers for goods and services	(202,356)	(302,593)
Cash paid to employees for services	(711,267)	(694,503)
<b>Net cash provided (used) by operating activities</b>	<u>393,038</u>	<u>459,406</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Borrowings from other funds	<u>239</u>	<u>446</u>
<b>Net cash provided (used) by noncapital financing activities</b>	<u>239</u>	<u>446</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	<u>(307,259)</u>	<u>(297,005)</u>
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(307,259)</u>	<u>(297,005)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment income	<u>142</u>	<u>1,530</u>
<b>Net cash provided (used) by investing activities</b>	<u>142</u>	<u>1,530</u>
Net increase (decrease) in cash and cash equivalents	86,160	164,377
Cash and cash equivalents at beginning of year	<u>408,789</u>	<u>244,412</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 494,949</u>	<u>\$ 408,789</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ 240,371	\$ 8,916
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	159,298	83,117
Changes in assets and liabilities		
(Increase) decrease in other receivables	-	374
Increase (decrease) in accounts payable	(12,015)	(11,818)
Increase (decrease) in accrued expenses	658	7,950
Increase (decrease) in compensated absences	4,726	3,821
Total adjustments	<u>152,667</u>	<u>83,444</u>
<b>Net cash provided (used) by operating activities</b>	<u>\$ 393,038</u>	<u>\$ 92,360</u>

**COMMUNICATIONS FUND**

**CITY OF VICTORIA, TEXAS**

INTERNAL SERVICE FUND

COMMUNICATIONS FUND

BALANCE SHEET

September 30, 2010

With comparative totals for September 30, 2009

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	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 164,236	\$ 92,556
Receivables		
Other	<u>12,850</u>	<u>20,988</u>
Total current assets	<u>177,086</u>	<u>113,544</u>
Noncurrent assets		
Capital assets		
Buildings	25,779	25,779
Infrastructure	2,501	2,501
Machinery and equipment	<u>3,823,476</u>	<u>3,841,200</u>
Total capital assets	3,851,756	3,869,480
Less accumulated depreciation	<u>1,880,060</u>	<u>1,722,224</u>
Subtotal	1,971,696	2,147,256
Land	<u>39,168</u>	<u>39,168</u>
Net capital assets	<u>2,010,864</u>	<u>2,186,424</u>
<b>Total assets</b>	<u>2,187,950</u>	<u>2,299,968</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	1,170	2,755
Accrued expenses	3,670	3,519
Accrued compensated absences	3,344	3,344
Due to other funds	<u>-</u>	<u>3,493</u>
<b>Total liabilities</b>	<u>8,184</u>	<u>13,111</u>
<b>NET ASSETS</b>		
Invested in capital assets	2,010,864	2,186,424
Unrestricted net assets	<u>168,902</u>	<u>100,433</u>
<b>Total net assets</b>	<u>\$ 2,179,766</u>	<u>\$ 2,286,857</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, 2010

With comparative totals for the year ended September 30, 2009

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	<u>2010</u>	<u>2009</u>
<b>OPERATING REVENUES</b>		
Charges for services	\$ 240,056	\$ 231,162
<b>OPERATING EXPENSES</b>		
Personnel	59,100	142,008
Materials and supplies	17,753	36,986
Maintenance	13,517	15,176
Miscellaneous services	33,651	31,589
Computer services	12,499	14,202
Depreciation	<u>201,013</u>	<u>200,646</u>
<b>Total operating expenses</b>	<u>337,533</u>	<u>440,607</u>
Operating income (loss) before nonoperating revenues (expenses)	(97,477)	(209,445)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment income	126	655
Loss on disposition of capital assets	<u>(9,740)</u>	<u>-</u>
Net nonoperating revenues (expenses)	<u>(9,614)</u>	<u>655</u>
Change in net assets	(107,091)	(208,790)
Total net assets at beginning of year	<u>2,286,857</u>	<u>2,495,647</u>
<b>Total net assets at end of year</b>	<u>\$ 2,179,766</u>	<u>\$ 2,286,857</u>

**CITY OF VICTORIA, TEXAS**

INTERNAL SERVICE FUND

COMMUNICATIONS FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2010

With comparative totals for the year ended September 30, 2009

	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from other funds	\$ 248,194	\$ 230,946
Cash paid to suppliers for goods and services	(79,005)	(99,226)
Cash paid to employees for services	(58,949)	(142,432)
<b>Net cash provided (used) by operating activities</b>	<u>110,240</u>	<u>(10,712)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Borrowings from other funds	-	2,565
Repayments to other funds	(3,493)	-
<b>Net cash provided (used) by noncapital financing activities</b>	<u>(3,493)</u>	<u>2,565</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(35,193)	(31,139)
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(35,193)</u>	<u>(31,139)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment income	126	655
<b>Net cash provided (used) by investing activities</b>	<u>126</u>	<u>655</u>
Net increase (decrease) in cash and cash equivalents	71,680	(38,631)
Cash and cash equivalents at beginning of year	92,556	131,187
<b>Cash and cash equivalents at end of year</b>	<u>\$ 164,236</u>	<u>\$ 92,556</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ (97,477)	\$ (209,445)
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	201,013	200,646
Changes in assets and liabilities		
(Increase) decrease in other receivables	8,138	(216)
Increase (decrease) in accounts payable	(1,585)	(1,273)
Increase (decrease) in accrued expenses	151	(424)
Total adjustments	<u>207,717</u>	<u>198,733</u>
<b>Net cash provided (used) by operating activities</b>	<u>\$ 110,240</u>	<u>\$ (10,712)</u>

**PURCHASING FUND**

**CITY OF VICTORIA, TEXAS**

INTERNAL SERVICE FUND

PURCHASING FUND

BALANCE SHEET

September 30, 2010

With comparative totals for September 30, 2009

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	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 206,525	\$ 238,460
Receivables		
Other	10	-
Inventory	<u>84,543</u>	<u>86,512</u>
Total current assets	<u>291,078</u>	<u>324,972</u>
Noncurrent assets		
Capital assets		
Buildings	140,719	109,342
Infrastructure	7,827	7,827
Improvements other than buildings	11,121	11,121
Machinery and equipment	<u>34,007</u>	<u>34,173</u>
Total capital assets	193,674	162,463
Less accumulated depreciation	<u>107,631</u>	<u>101,771</u>
Net capital assets	<u>86,043</u>	<u>60,692</u>
<b>Total assets</b>	<u>377,121</u>	<u>385,664</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	3,239	3,068
Accrued expenses	11,130	10,534
Accrued compensated absences	9,479	9,381
Due to other funds	<u>1,078</u>	<u>4,292</u>
<b>Total liabilities</b>	<u>24,926</u>	<u>27,275</u>
<b>NET ASSETS</b>		
Invested in capital assets	86,043	60,692
Unrestricted net assets	<u>266,152</u>	<u>297,697</u>
<b>Total net assets</b>	<u>\$ 352,195</u>	<u>\$ 358,389</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, 2010

With comparative totals for the year ended September 30, 2009

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	<u>2010</u>	<u>2009</u>
<b>OPERATING REVENUES</b>		
Charges for services	\$ 220,058	\$ 201,370
<b>OPERATING EXPENSES</b>		
Personnel	158,597	172,358
Materials and supplies	5,286	123,685
Maintenance	4,102	2,266
Heat, lights, and power	4,539	4,235
Miscellaneous services	12,578	18,974
Contractual services	2,080	8,580
Computer services	31,720	36,043
Depreciation	7,350	7,735
<b>Total operating expenses</b>	<u>226,252</u>	<u>373,876</u>
Operating income (loss) before nonoperating revenues (expenses)	(6,194)	(172,506)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment income	-	224
Loss on disposition of capital assets	-	(10,254)
Net nonoperating revenues (expenses)	<u>-</u>	<u>(10,030)</u>
Change in net assets	(6,194)	(182,536)
Total net assets at beginning of year	<u>358,389</u>	<u>540,925</u>
<b>Total net assets at end of year</b>	<u>\$ 352,195</u>	<u>\$ 358,389</u>

**CITY OF VICTORIA, TEXAS**

INTERNAL SERVICE FUND

PURCHASING FUND

## STATEMENT OF CASH FLOWS

For the year ended September 30, 2010

With comparative totals for the year ended September 30, 2009

	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from other funds	\$ 220,048	\$ 201,436
Cash paid to suppliers for goods and services	(58,165)	(62,467)
Cash paid to employees for services	(157,903)	(179,318)
<b>Net cash provided (used) by operating activities</b>	<u>3,980</u>	<u>(40,349)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Borrowings from other funds	-	4,104
Repayments to other funds	(3,214)	-
<b>Net cash provided (used) by noncapital financing activities</b>	<u>(3,214)</u>	<u>4,104</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(32,701)	(1,649)
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(32,701)</u>	<u>(1,649)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment income	-	224
<b>Net cash provided (used) by investing activities</b>	<u>-</u>	<u>224</u>
Net increase (decrease) in cash and cash equivalents	(31,935)	(37,670)
Cash and cash equivalents at beginning of year	<u>238,460</u>	<u>276,130</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 206,525</u>	<u>\$ 238,460</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ (6,194)	\$ (172,506)
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	7,350	7,735
Changes in assets and liabilities		
(Increase) decrease in other receivables	(10)	66
(Increase) decrease in inventory	1,969	134,953
Increase (decrease) in accounts payable	171	(3,637)
Increase (decrease) in accrued expenses	596	(2,987)
Increase (decrease) in compensated absences	98	(3,973)
Total adjustments	<u>10,174</u>	<u>132,157</u>
<b>Net cash provided (used) by operating activities</b>	<u>\$ 3,980</u>	<u>\$ (40,349)</u>

**SAFETY MANAGEMENT FUND**

**CITY OF VICTORIA, TEXAS**  
*INTERNAL SERVICE FUND*  
*SAFETY MANAGEMENT FUND*  
**BALANCE SHEET**  
*September 30, 2010*  
*With comparative totals for September 30, 2009*

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 308,739	\$ 259,989
Receivables		
Other	<u>3,526</u>	<u>-</u>
Total current assets	<u>312,265</u>	<u>259,989</u>
Noncurrent assets		
Capital assets		
Buildings	973	973
Machinery and equipment	<u>15,384</u>	<u>14,131</u>
Total capital assets	<u>16,357</u>	<u>15,104</u>
Less accumulated depreciation	<u>11,070</u>	<u>8,465</u>
Net capital assets	<u>5,287</u>	<u>6,639</u>
<b>Total assets</b>	<u>317,552</u>	<u>266,628</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	2,164	1,263
Accrued expenses	7,120	7,445
Accrued compensated absences	5,321	2,378
Due to other funds	<u>1,919</u>	<u>-</u>
<b>Total liabilities</b>	<u>16,524</u>	<u>11,086</u>
<b>NET ASSETS</b>		
Invested in capital assets	5,287	6,639
Unrestricted net assets	<u>295,741</u>	<u>248,903</u>
<b>Total net assets</b>	<u>\$ 301,028</u>	<u>\$ 255,542</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, 2010

With comparative totals for the year ended September 30, 2009

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	<u>2010</u>	<u>2009</u>
<b>OPERATING REVENUES</b>		
Charges for services	\$ 512,525	\$ 512,525
Miscellaneous	<u>139,931</u>	<u>157,834</u>
<b>Total operating revenues</b>	<u>652,456</u>	<u>670,359</u>
<b>OPERATING EXPENSES</b>		
Personnel	90,485	102,459
Materials and supplies	1,851	5,014
Reinsurance premiums	467,419	415,180
Miscellaneous services	17,268	20,619
Contractual services	8,538	12,734
Computer services	12,499	14,202
Court costs, judgments, and damages	6,323	2,110
Depreciation	<u>2,605</u>	<u>4,479</u>
<b>Total operating expenses</b>	<u>606,988</u>	<u>576,797</u>
Operating income (loss) before nonoperating revenues (expenses)	45,468	93,562
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment income	18	290
Loss on disposition of capital assets	<u>-</u>	<u>(8,247)</u>
Net nonoperating revenues (expenses)	<u>18</u>	<u>(7,957)</u>
Change in net assets	45,486	85,605
Total net assets at beginning of year	<u>255,542</u>	<u>169,937</u>
<b>Total net assets at end of year</b>	<u>\$ 301,028</u>	<u>\$ 255,542</u>

**CITY OF VICTORIA, TEXAS**

INTERNAL SERVICE FUND

SAFETY MANAGEMENT FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2010

With comparative totals for the year ended September 30, 2009

	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from other funds	\$ 648,930	\$ 670,359
Cash paid to suppliers for goods and services	(512,997)	(484,681)
Cash paid to employees for services	(87,867)	(99,346)
<b>Net cash provided (used) by operating activities</b>	<u>48,066</u>	<u>86,332</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Borrowings from other funds	1,919	-
Repayments to other funds	-	(1,666)
<b>Net cash provided (used) by noncapital financing activities</b>	<u>1,919</u>	<u>(1,666)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(1,253)	(973)
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(1,253)</u>	<u>(973)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment income	18	290
<b>Net cash provided (used) by investing activities</b>	<u>18</u>	<u>290</u>
Net increase (decrease) in cash and cash equivalents	48,750	83,983
Cash and cash equivalents at beginning of year	259,989	176,006
<b>Cash and cash equivalents at end of year</b>	<u>\$ 308,739</u>	<u>\$ 259,989</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ 45,468	\$ 93,562
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	2,605	4,479
Changes in assets and liabilities		
(Increase) decrease in other receivables	(3,526)	-
Increase (decrease) in accounts payable	901	(14,822)
Increase (decrease) in accrued expenses	(325)	735
Increase (decrease) in compensated absences	2,943	2,378
Total adjustments	<u>2,598</u>	<u>(7,230)</u>
<b>Net cash provided (used) by operating activities</b>	<u>\$ 48,066</u>	<u>\$ 86,332</u>

**WORKERS' COMPENSATION FUND**

**CITY OF VICTORIA, TEXAS**  
*INTERNAL SERVICE FUND*  
*WORKERS' COMPENSATION FUND*  
**BALANCE SHEET**  
*September 30, 2010*  
*With comparative totals for September 30, 2009*

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 331,877	\$ 432,849
Restricted assets		
Cash and cash equivalents	<u>35,000</u>	<u>35,000</u>
<b>Total assets</b>	<u>366,877</u>	<u>467,849</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	5,333	50,809
Claims payable	<u>168,629</u>	<u>82,387</u>
<b>Total liabilities</b>	<u>173,962</u>	<u>133,196</u>
<b>NET ASSETS</b>		
Unrestricted net assets	<u>192,915</u>	<u>334,653</u>
<b>Total net assets</b>	<u>\$ 192,915</u>	<u>\$ 334,653</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, 2010

With comparative totals for the year ended September 30, 2009

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	<u>2010</u>	<u>2009</u>
<b>OPERATING REVENUES</b>		
Charges for services	\$ 372,874	\$ 371,139
Miscellaneous	<u>17,716</u>	<u>18,586</u>
<b>Total operating revenues</b>	<u>390,590</u>	<u>389,725</u>
<b>OPERATING EXPENSES</b>		
Claims expense	320,622	258,219
Wellness program	<u>13,205</u>	<u>39,324</u>
<b>Total operating expenses</b>	<u>333,827</u>	<u>297,543</u>
Operating income (loss) before nonoperating revenues (expenses) and transfers	56,763	92,182
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment income	<u>499</u>	<u>5,906</u>
Income (loss) before transfers	57,262	98,088
Transfers		
Transfers out	<u>(199,000)</u>	<u>(740,000)</u>
Change in net assets	(141,738)	(641,912)
Total net assets at beginning of year	<u>334,653</u>	<u>976,565</u>
<b>Total net assets at end of year</b>	<u>\$ 192,915</u>	<u>\$ 334,653</u>

**CITY OF VICTORIA, TEXAS**

INTERNAL SERVICE FUND

WORKERS' COMPENSATION FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2010

With comparative totals for the year ended September 30, 2009

---

	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from other funds	\$ 390,590	\$ 389,725
Cash paid to suppliers for goods and services	<u>(293,061)</u>	<u>(343,415)</u>
<b>Net cash provided (used) by operating activities</b>	<u>97,529</u>	<u>46,310</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers out to other funds	<u>(199,000)</u>	<u>(740,000)</u>
<b>Net cash provided (used) by noncapital financing activities</b>	<u>(199,000)</u>	<u>(740,000)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment income	<u>499</u>	<u>5,906</u>
<b>Net cash provided (used) by investing activities</b>	<u>499</u>	<u>5,906</u>
Net increase (decrease) in cash and cash equivalents	(100,972)	(687,784)
Cash and cash equivalents at beginning of year	<u>467,849</u>	<u>1,155,633</u>
<b>Cash and cash equivalents at end of year</b>	<u><u>\$ 366,877</u></u>	<u><u>\$ 467,849</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ 56,763	\$ 92,182
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Changes in assets and liabilities		
Increase (decrease) in accounts payable	(45,476)	23,526
Increase (decrease) in claims payable	<u>86,242</u>	<u>(69,398)</u>
Total adjustments	<u>40,766</u>	<u>(45,872)</u>
<b>Net cash provided (used) by operating activities</b>	<u><u>\$ 97,529</u></u>	<u><u>\$ 46,310</u></u>

**PRINT SHOP FUND**

**CITY OF VICTORIA, TEXAS**  
*INTERNAL SERVICE FUND*  
*PRINT SHOP FUND*  
**BALANCE SHEET**  
*September 30, 2010*  
*With comparative totals for September 30, 2009*

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 79,543	\$ 72,562
Receivables		
Other	925	1,062
Inventory	<u>19,344</u>	<u>20,978</u>
Total current assets	<u>99,812</u>	<u>94,602</u>
Noncurrent assets		
Capital assets		
Machinery and equipment	98,792	82,560
Less accumulated depreciation	<u>71,978</u>	<u>65,557</u>
Net capital assets	<u>26,814</u>	<u>17,003</u>
<b>Total assets</b>	<u>126,626</u>	<u>111,605</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	727	4,571
Accrued expenses	4,316	6,292
Accrued compensated absences	3,344	3,746
Due to other funds	<u>838</u>	<u>252</u>
<b>Total liabilities</b>	<u>9,225</u>	<u>14,861</u>
<b>NET ASSETS</b>		
Invested in capital assets	26,814	17,003
Unrestricted net assets	<u>90,587</u>	<u>79,741</u>
<b>Total net assets</b>	<u>\$ 117,401</u>	<u>\$ 96,744</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, 2010

With comparative totals for the year ended September 30, 2009

---

	<u>2010</u>	<u>2009</u>
<b>OPERATING REVENUES</b>		
Charges for services	\$ 143,155	\$ 171,835
<b>OPERATING EXPENSES</b>		
Personnel	88,400	91,420
Materials and supplies	2,804	9,790
Maintenance	3,339	5,466
Miscellaneous services	15,436	26,659
Computer services	6,098	6,929
Depreciation	<u>6,421</u>	<u>3,831</u>
<b>Total operating expenses</b>	<u>122,498</u>	<u>144,095</u>
Operating income (loss) before nonoperating revenues (expenses)	20,657	27,740
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment income	<u>-</u>	<u>19</u>
Change in net assets	20,657	27,759
Total net assets at beginning of year	<u>96,744</u>	<u>68,985</u>
<b>Total net assets at end of year</b>	<u>\$ 117,401</u>	<u>\$ 96,744</u>

**CITY OF VICTORIA, TEXAS**

INTERNAL SERVICE FUND

PRINT SHOP FUND

**STATEMENT OF CASH FLOWS**

For the year ended September 30, 2010

With comparative totals for the year ended September 30, 2009

	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from other funds	\$ 143,292	\$ 172,641
Cash paid to suppliers for goods and services	(29,887)	(43,979)
Cash paid to employees for services	(90,778)	(90,911)
<b>Net cash provided (used) by operating activities</b>	<u>22,627</u>	<u>37,751</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Borrowings from other funds	<u>586</u>	<u>158</u>
<b>Net cash provided (used) by noncapital financing activities</b>	<u>586</u>	<u>158</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	<u>(16,232)</u>	<u>(7,595)</u>
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(16,232)</u>	<u>(7,595)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment income	<u>-</u>	<u>19</u>
<b>Net cash provided (used) by investing activities</b>	<u>-</u>	<u>19</u>
Net increase (decrease) in cash and cash equivalents	6,981	30,333
Cash and cash equivalents at beginning of year	<u>72,562</u>	<u>42,229</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 79,543</u>	<u>\$ 72,562</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ 20,657	\$ 27,740
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	6,421	3,831
Changes in assets and liabilities		
(Increase) decrease in other receivables	137	806
(Increase) decrease in inventory	1,634	302
Increase (decrease) in accounts payable	(3,844)	4,563
Increase (decrease) in accrued expenses	(1,976)	604
Increase (decrease) in compensated absences	(402)	(95)
Total adjustments	<u>1,970</u>	<u>10,011</u>
<b>Net cash provided (used) by operating activities</b>	<u>\$ 22,627</u>	<u>\$ 37,751</u>

**EMPLOYEE HEALTH PLAN FUND**

**CITY OF VICTORIA, TEXAS**  
*INTERNAL SERVICE FUND*  
*EMPLOYEE HEALTH PLAN FUND*  
**BALANCE SHEET**  
*September 30, 2010*  
*With comparative totals for September 30, 2009*

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 4,099,238	\$ 5,665,783
Investments	2,500,908	-
Receivables		
Other	55,003	50,132
Due from other funds	<u>246,355</u>	<u>286,571</u>
<b>Total assets</b>	<u>6,901,504</u>	<u>6,002,486</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	248	1,363
Claims payable	<u>213,687</u>	<u>606,154</u>
<b>Total liabilities</b>	<u>213,935</u>	<u>607,517</u>
<b>NET ASSETS</b>		
Unrestricted net assets	<u>6,687,569</u>	<u>5,394,969</u>
<b>Total net assets</b>	<u>\$ 6,687,569</u>	<u>\$ 5,394,969</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, 2010

With comparative totals for year ended September 30, 2009

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	<u>2010</u>	<u>2009</u>
<b>OPERATING REVENUES</b>		
Charges for services	\$ 6,158,443	\$ 5,908,984
Miscellaneous	190,477	46,572
<b>Total operating revenues</b>	<u>6,348,920</u>	<u>5,955,556</u>
<b>OPERATING EXPENSES</b>		
Reinsurance premiums	249,268	236,833
Contractual services	253,684	257,100
Claims expense	4,133,734	3,896,153
Wellness program	33,928	18,183
<b>Total operating expenses</b>	<u>4,670,614</u>	<u>4,408,269</u>
Operating income (loss) before nonoperating revenues (expenses) and transfers	1,678,306	1,547,287
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment income	14,294	38,629
Net nonoperating revenues (expenses)	<u>14,294</u>	<u>38,629</u>
Income (loss) before transfers	1,692,600	1,585,916
Transfers		
Transfers out	<u>(400,000)</u>	<u>-</u>
Change in net assets	1,292,600	1,585,916
Total net assets at beginning of year	<u>5,394,969</u>	<u>3,809,053</u>
<b>Total net assets at end of year</b>	<u>\$ 6,687,569</u>	<u>\$ 5,394,969</u>

**CITY OF VICTORIA, TEXAS**

INTERNAL SERVICE FUND

EMPLOYEE HEALTH PLAN FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2010

With comparative totals for the year ended September 30, 2009

	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from other funds	\$ 6,384,265	\$ 5,973,953
Cash paid to suppliers for goods and services	<u>(5,064,196)</u>	<u>(4,319,344)</u>
<b>Net cash provided (used) by operating activities</b>	<u>1,320,069</u>	<u>1,654,609</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers out to other funds	<u>(400,000)</u>	<u>-</u>
<b>Net cash provided (used) by noncapital financing activities</b>	<u>(400,000)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(2,500,000)	-
Investment income	<u>13,386</u>	<u>38,629</u>
<b>Net cash provided (used) by investing activities</b>	<u>(2,486,614)</u>	<u>38,629</u>
Net increase (decrease) in cash and cash equivalents	(1,566,545)	1,693,238
Cash and cash equivalents at beginning of year	<u>5,665,783</u>	<u>3,972,545</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 4,099,238</u>	<u>\$ 5,665,783</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ 1,678,306	\$ 1,547,287
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Changes in assets and liabilities		
(Increase) decrease in other receivables	(4,871)	1,544
(Increase) decrease in due from other funds	40,216	16,853
Increase (decrease) in accounts payable	(1,115)	(9,154)
Increase (decrease) in claims payable	<u>(392,467)</u>	<u>98,079</u>
Total adjustments	<u>(358,237)</u>	<u>107,322</u>
<b>Net cash provided (used) by operating activities</b>	<u>\$ 1,320,069</u>	<u>\$ 1,654,609</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, 2010*

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	<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	\$ 342,082	\$ 169,444	\$ 95,622	\$ 415,904
Total assets	<u>\$ 342,082</u>	<u>\$ 169,444</u>	<u>\$ 95,622</u>	<u>\$ 415,904</u>
Liabilities				
Accounts payable	\$ 576	\$ 113,143	\$ 37,612	\$ 76,107
Due to other agencies	<u>341,506</u>	<u>181,331</u>	<u>183,040</u>	<u>339,797</u>
Total liabilities	<u>\$ 342,082</u>	<u>\$ 294,474</u>	<u>\$ 220,652</u>	<u>\$ 415,904</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 trend information to help the reader understand how the City's financial performance and well-being have changed over time .....	171
<b>Revenue Capacity</b>	
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>	
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.....	197
<b>Demographic and Economic Information</b>	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments .....	205
<b>Operating Information</b>	
These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs .....	207

**CITY OF VICTORIA, TEXAS**  
**NET ASSETS BY COMPONENT (1)**  
*Last eight 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	2010
\$ 81,674,543	\$ 90,954,312	\$ 103,076,382	\$ 101,134,927
1,696,525	1,838,427	1,699,737	3,582,920
<u>22,718,779</u>	<u>24,267,168</u>	<u>25,988,151</u>	<u>26,775,847</u>
<u>\$ 106,089,847</u>	<u>\$ 117,059,907</u>	<u>\$ 130,764,270</u>	<u>\$ 131,493,694</u>
\$ 33,129,491	\$ 37,957,306	\$ 37,535,371	\$ 35,515,387
12,929,543	12,557,448	16,284,572	14,932,212
<u>\$ 46,059,034</u>	<u>\$ 50,514,754</u>	<u>\$ 53,819,943</u>	<u>\$ 50,447,599</u>
\$ 114,804,034	\$ 128,911,618	\$ 140,611,753	\$ 136,650,314
1,696,525	1,838,427	1,699,737	3,582,920
<u>35,648,322</u>	<u>36,824,616</u>	<u>42,272,723</u>	<u>41,708,059</u>
<u>\$ 152,148,881</u>	<u>\$ 167,574,661</u>	<u>\$ 184,584,213</u>	<u>\$ 181,941,293</u>

**CITY OF VICTORIA, TEXAS**

*CHANGES IN NET ASSETS (1)*

*Last eight 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
<b>Total expenses</b>	<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
<b>Total program revenues</b>	<u>9,264,400</u>	<u>8,658,187</u>	<u>9,046,508</u>	<u>11,548,920</u>
<b>Total governmental activities net program (expense) revenue</b>	(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
<b>Total general revenues and other changes in net assets</b>	<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	2010
\$ 6,309,381	\$ 6,931,856	\$ 7,644,809	\$ 7,634,811
21,011,764	21,735,079	23,007,338	24,156,480
6,536,201	7,823,283	7,914,392	14,827,929
4,567,261	5,103,708	5,127,406	5,358,952
<u>3,045,176</u>	<u>3,292,118</u>	<u>3,200,423</u>	<u>4,562,764</u>
<u>41,469,783</u>	<u>44,886,044</u>	<u>46,894,368</u>	<u>56,540,936</u>
1,500,177	1,984,766	2,559,383	2,411,387
3,462,799	5,061,946	3,830,282	3,549,406
1,764	-	-	-
1,291,701	199,493	300,970	311,471
1,483,014	1,782,897	1,802,260	2,868,795
<u>205,606</u>	<u>4,000,000</u>	<u>10,424,447</u>	<u>3,834,982</u>
<u>7,945,061</u>	<u>13,029,102</u>	<u>18,917,342</u>	<u>12,976,041</u>
(33,524,722)	(31,856,942)	(27,977,026)	(43,564,895)
17,365,758	18,731,119	19,676,691	20,178,350
13,028,689	13,545,220	13,046,352	11,978,185
4,887,453	4,678,027	4,657,347	4,665,101
1,127,701	1,306,496	1,127,564	1,196,969
2,333,774	2,062,275	792,410	305,323
(153,537)	-	-	-
987,575	577,458	715,111	1,084,532
-	-	-	-
<u>6,290,847</u>	<u>1,674,251</u>	<u>1,665,914</u>	<u>4,885,859</u>
<u>45,868,260</u>	<u>42,574,846</u>	<u>41,681,389</u>	<u>44,294,319</u>
<u>\$ 12,343,538</u>	<u>\$ 10,717,904</u>	<u>\$ 13,704,363</u>	<u>\$ 729,424</u>

(continued)

**CITY OF VICTORIA, TEXAS**  
**CHANGES IN NET ASSETS (1)**  
*Last eight 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	19,855,195	20,150,273	20,970,835	21,641,417
Program revenues				
Charges for services				
Water/wastewater	16,901,199	16,693,360	18,328,875	19,465,995
Environmental services	3,896,231	4,295,737	4,201,109	4,277,226
Other	425,254	326,391	320,235	338,111
Operating grants and contributions	-	-	-	-
Capital grants and contributions	2,724,564	430,569	214,564	2,722,436
Total program revenues	23,947,248	21,746,057	23,064,783	26,803,768
Total business-type activities net program (expense) revenue	4,092,053	1,595,784	2,093,948	5,162,351
General revenues and other changes in net assets				
Unrestricted investment earnings	423,519	343,789	436,387	713,215
Gain (loss) on disposition of capital assets	-	(241,662)	(371,506)	(41,675)
Miscellaneous	-	-	-	88,219
Transfers	(2,842,541)	(2,459,814)	(2,223,481)	(2,284,100)
Total general revenues and other changes in net assets	(2,419,022)	(2,357,687)	(2,158,600)	(1,524,341)
<b>Total business-type activities change in net assets</b>	<b>\$ 1,673,031</b>	<b>\$ (761,903)</b>	<b>\$ (64,652)</b>	<b>\$ 3,638,010</b>
<b>Total primary government change in net assets</b>	<b>\$ 8,241,137</b>	<b>\$ 4,617,625</b>	<b>\$ 3,221,263</b>	<b>\$ 12,002,286</b>

(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	2010
\$ 17,796,972	\$ 18,715,248	\$ 19,175,705	\$ 21,316,444
3,910,749	5,024,014	3,790,348	3,182,201
644,320	884,680	790,005	848,161
<u>22,352,041</u>	<u>24,623,942</u>	<u>23,756,058</u>	<u>25,346,806</u>
19,097,742	20,997,411	22,889,967	21,973,303
4,319,074	6,726,226	4,245,528	4,128,139
346,655	480,797	564,531	425,929
-	-	54,826	-
<u>774,028</u>	<u>1,800,876</u>	<u>705,899</u>	<u>284,490</u>
<u>24,537,499</u>	<u>30,005,310</u>	<u>28,460,751</u>	<u>26,811,861</u>
2,185,458	5,381,368	4,704,693	1,465,055
812,815	748,603	266,410	48,460
(194,343)	-	-	-
136,395	-	-	-
<u>(6,290,847)</u>	<u>(1,674,251)</u>	<u>(1,665,914)</u>	<u>(4,885,859)</u>
<u>(5,535,980)</u>	<u>(925,648)</u>	<u>(1,399,504)</u>	<u>(4,837,399)</u>
<u>\$ (3,350,522)</u>	<u>\$ 4,455,720</u>	<u>\$ 3,305,189</u>	<u>\$ (3,372,344)</u>
<u>\$ 8,993,016</u>	<u>\$ 15,173,624</u>	<u>\$ 17,009,552</u>	<u>\$ (2,642,920)</u>

(concluded)

**CITY OF VICTORIA, TEXAS**

*PROGRAM REVENUES BY FUNCTION/PROGRAM (1)*

*Last eight 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
Highways and streets	14,908	1,446,763	-	2,794,733
Culture and recreation				
Parks	39,919	38,635	30,534	32,453
Library	934,674	904,620	1,006,914	1,027,126
Other	100,334	97,108	83,777	71,872
Subtotal governmental activities	<u>9,264,400</u>	<u>8,658,187</u>	<u>9,046,508</u>	<u>11,548,920</u>
<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	-	-	-	-
Subtotal business-type activities	<u>23,947,248</u>	<u>21,746,057</u>	<u>23,064,783</u>	<u>26,803,768</u>
Total primary government	<u>\$ 33,211,648</u>	<u>\$ 30,404,244</u>	<u>\$ 32,111,291</u>	<u>\$ 38,352,688</u>

(1) Accrual basis of accounting

Fiscal Year			
2007	2008	2009	2010
\$ 2,599,379	\$ 4,342,863	\$ 3,959,110	\$ 3,676,509
1,819,087	548,526	562,958	1,754,661
338,684	2,125,551	1,498,958	2,147,401
1,450,870	1,448,287	1,997,342	2,367,421
232,401	339,910	140,475	12,684
161,801	4,000,000	10,410,473	2,667,991
33,906	136,490	144,192	224,017
1,183,038	86,475	79,009	90,592
125,895	1,000	124,825	34,765
<u>7,945,061</u>	<u>13,029,102</u>	<u>18,917,342</u>	<u>12,976,041</u>
19,855,925	22,798,287	23,595,866	22,246,356
4,319,074	6,726,226	4,245,528	4,128,139
230,517	224,297	267,761	222,105
131,983	247,701	351,596	215,261
-	8,799	-	-
<u>24,537,499</u>	<u>30,005,310</u>	<u>28,460,751</u>	<u>26,811,861</u>
<u>\$ 32,482,560</u>	<u>\$ 43,034,412</u>	<u>\$ 47,378,093</u>	<u>\$ 39,787,902</u>

**CITY OF VICTORIA, TEXAS***FUND BALANCES, GOVERNMENTAL FUNDS (1)**Last eight 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>	<u>2010</u>
\$ 2,841,648	\$ 3,790,753	\$ 2,007,737	\$ 2,009,003
-	252,156	280,174	205,798
<u>12,041,754</u>	<u>11,055,775</u>	<u>12,913,370</u>	<u>11,937,105</u>
<u>\$ 14,883,402</u>	<u>\$ 15,098,684</u>	<u>\$ 15,201,281</u>	<u>\$ 14,151,906</u>
\$ 22,936,937	\$ 10,449,047	\$ 1,869,318	\$ 29,200,456
782,553	786,064	753,475	654,310
933,505	1,185,901	1,197,665	1,024,126
<u>2,858,366</u>	<u>11,722,400</u>	<u>12,370,240</u>	<u>6,088,406</u>
<u>\$ 27,511,361</u>	<u>\$ 24,143,412</u>	<u>\$ 16,190,698</u>	<u>\$ 36,967,298</u>

**CITY OF VICTORIA, TEXAS**

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

*Last eight 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>	<u>39,367,396</u>	<u>37,733,940</u>	<u>41,371,426</u>	<u>47,523,232</u>
<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>	<u>52,936,096</u>	<u>50,714,794</u>	<u>49,712,012</u>	<u>54,189,353</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(13,568,700)</u>	<u>(12,980,854)</u>	<u>(8,340,586)</u>	<u>(6,666,121)</u>
<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>	<u>11,918,495</u>	<u>2,728,044</u>	<u>17,078,618</u>	<u>12,183,197</u>
<b>Change in fund balances</b>	<u>\$ (1,650,205)</u>	<u>\$ (10,252,810)</u>	<u>\$ 8,738,032</u>	<u>\$ 5,517,076</u>
<b>Debt service as a percentage of noncapital expenditures</b>	<u>14.42%</u>	<u>15.53%</u>	<u>14.75%</u>	<u>14.77%</u>

(1) Modified accrual basis of accounting

Fiscal Year			
2007	2008	2009	2010
\$ 36,551,459	\$ 38,384,785	\$ 38,607,055	\$ 38,100,542
727,532	787,190	654,842	662,792
3,325,215	4,411,652	4,127,236	6,923,780
1,697,048	1,764,291	2,020,751	1,957,973
1,413,887	1,254,294	1,025,175	913,478
2,436,372	1,852,377	654,772	156,822
757,739	4,559,666	10,580,086	1,628,730
<u>46,909,252</u>	<u>53,014,255</u>	<u>57,669,917</u>	<u>50,344,117</u>
5,634,109	6,162,416	7,079,966	6,842,991
21,705,108	25,752,199	25,516,863	26,475,134
4,882,077	4,961,785	6,319,245	4,533,558
4,825,620	5,952,544	5,758,754	5,787,081
11,154,436	18,826,980	16,355,509	10,862,646
3,150,000	3,325,000	3,805,000	3,390,000
2,824,445	3,117,121	3,057,924	4,103,879
23,900	185,803	32,687	681,114
<u>54,199,695</u>	<u>68,283,848</u>	<u>67,925,948</u>	<u>62,676,403</u>
(7,290,443)	(15,269,593)	(10,256,031)	(12,332,286)
-	9,995,000	-	35,045,000
-	195,519	-	515,234
-	-	-	(8,985,582)
6,902,090	2,641,257	5,691,053	7,275,415
(611,243)	(967,006)	(3,285,139)	(1,790,556)
-	-	-	-
-	-	-	-
<u>6,290,847</u>	<u>11,864,770</u>	<u>2,405,914</u>	<u>32,059,511</u>
<u>\$ (999,596)</u>	<u>\$ (3,404,823)</u>	<u>\$ (7,850,117)</u>	<u>\$ 19,727,225</u>
<u>15.13%</u>	<u>14.85%</u>	<u>14.83%</u>	<u>16.34%</u>

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

<u>Fiscal Year</u>	<u>Ad Valorem</u>	<u>Penalty and Interest</u>	<u>Franchise</u>	<u>Sales</u>	<u>Occupancy</u>
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
2010	20,072,876	222,517	4,665,101	11,978,185	1,101,294
Change 2001-2010	46.71%	12.72%	-6.04%	24.71%	51.42%

(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>
\$ 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
60,569	38,100,542
48.10%	30.41%

**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
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
2010	2009	1,974,650,575	1,040,285,268	36,499,046	531,303,700	77,203,060

(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: Tax Exempt Real Property</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Actual Taxable Value</u>	<u>Assessed Value (1) as a Percentage of Actual Value</u>
\$ 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%
523,724,650	3,136,216,999	0.645	3,136,216,999	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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Fiscal Year	City Direct Rates			Overlapping Rates		
	Debt Service	General Fund	Total	School District	Junior College	Navigation District
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
2010	0.2541	0.3909	0.6450	1.3227	0.1534	0.0306

SOURCE: Victoria County Appraisal District

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Overlapping Rates				
Victoria County	Road and Bridge	Ground Water District		Total
\$ 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
0.3436	0.0550	0.0096		1.9149

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

2010		
Taxpayer	Taxable Assessed Valuation	Percentage of Total City Taxable Assessed Valuation
AEP Texas Central Co.	\$ 27,746,800	0.88%
Victoria Hospital, L.L.C.	22,939,210	0.73%
James A. Wayne	20,281,260	0.65%
HEB Grocery Company	17,560,440	0.56%
VRMC Limited Partnership	16,220,380	0.52%
H.E.B. Grocery Company, L.P.	15,443,860	0.49%
HS Victoria, L.P.	14,398,550	0.46%
Berry Plastics Corporation	12,920,210	0.41%
First Victoria National Bank	12,735,150	0.41%
Dragon Rig Sales & Services, LT	12,647,770	0.40%
	<u>\$ 172,893,630</u>	<u>5.51%</u>

2001		
Taxpayer	Taxable Assessed Valuation	Percentage of Total City Taxable Assessed Valuation
AEP Central Power & Light Co.	\$ 23,951,290	1.22%
Carlisle Plastics, Inc.	23,014,840	1.17%
MRO Commercial, Inc.	20,611,540	1.05%
Southwestern Bell Telephone Co.	20,334,490	1.04%
Victoria Hospital, L.L.C.	18,534,380	0.94%
Central Power & Light Co.	18,453,300	0.94%
James A. Wayne	10,732,530	0.55%
H.E.B. Grocery	10,075,760	0.51%
Schlumberger Well Services	9,407,560	0.48%
VRMC Limited Partnership	9,048,840	0.46%
	<u>\$ 164,164,530</u>	<u>8.36%</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>
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	344,206	15,985,991	15,301,130	95.72%
2006	16,142,704	(25,271)	16,117,433	15,844,174	98.30%
2007	17,294,507	75,701	17,370,208	17,050,006	98.16%
2008	18,725,721	(3,700)	18,722,021	18,369,725	98.12%
2009	19,693,268	(4,176)	19,689,092	19,271,874	97.88%
2010	20,228,599	15,404	20,244,003	19,755,429	97.59%

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
\$ 222,545	\$ 13,642,667	99.80%
296,816	14,021,514	99.79%
250,879	14,559,878	99.77%
266,810	14,756,528	99.66%
631,530	15,932,660	99.67%
216,065	16,060,239	99.65%
238,133	17,288,139	99.53%
225,774	18,595,499	99.32%
230,734	19,502,608	99.05%
-	19,755,429	97.59%

**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>
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
2010	3,145,100,000	2,819,661,000	325,439,000	10.35%	2,691,000,000

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	\$ 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
17.49	1.67	21.85	2.22

**CITY OF VICTORIA, TEXAS**

**WATER AND SEWER RATES**

*Last ten fiscal years*

	Fiscal Year			
	2001	2002	2003	2004
<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
19-50	1.90	1.90	1.90	1.90
51-75	-	-	-	-
>51	2.05	2.05	2.05	2.05
76-100	-	-	-	-
>100	-	-	-	-
<b>Sewer Rates (per 2,000 gallons)</b>				
¾"	16.95	18.48	18.48	18.48
1"	42.30	46.11	46.11	46.11
1½"	84.59	92.20	92.20	92.20
2"	135.53	147.73	147.73	147.73
3"	271.05	295.44	295.44	295.44
4"	423.64	461.77	461.77	461.77
6"	847.27	923.52	923.52	923.52
8"	1,998.28	2,178.13	2,178.13	2,178.13
10"	4,236.33	4,617.60	4,617.60	4,617.60
<b>Sewer usage rate (1,000 gallons increments)</b>				
>2	1.90	2.07	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					
2005	2006	2007	2008	2009	2010
\$ 14.43	\$ 14.43	\$ 15.01	\$ 16.73	\$ 17.09	\$ 17.49
36.08	36.08	37.53	41.84	42.73	43.73
72.15	72.15	75.05	83.66	85.45	87.45
115.44	115.44	120.08	133.86	136.73	139.93
230.88	230.88	240.17	267.73	273.45	279.85
360.75	360.75	375.25	418.31	427.26	437.26
523.87	721.50	750.50	836.62	854.51	874.51
1,232.15	2,308.80	2,401.60	2,677.17	2,734.43	2,798.43
2,609.34	2,609.34	3,752.50	4,183.08	4,272.55	4,372.55
1.52	1.52	1.52	1.57	1.67	1.67
1.68	1.68	1.68	1.73	1.83	1.83
2.00	2.00	2.00	2.05	2.15	2.15
2.25	2.25	2.25	2.30	2.40	2.40
-	-	-	-	-	-
2.40	2.40	2.40	2.45	2.55	2.55
2.55	2.55	2.55	2.60	2.70	2.70
18.48	18.48	19.16	21.03	21.41	21.85
46.20	46.20	47.90	52.57	53.54	54.64
92.40	92.40	95.80	105.14	107.10	109.30
147.84	147.84	153.28	168.22	171.34	174.86
295.68	295.68	306.56	336.44	342.69	349.73
462.00	462.00	479.00	525.69	535.45	546.45
923.52	924.00	958.00	1,051.37	1,070.89	1,092.89
2,178.13	2,956.80	3,065.60	3,364.39	3,426.86	3,497.26
4,617.60	4,617.60	4,790.00	5,256.86	5,354.47	5,464.47
-	-	-	-	-	-
2.07	2.07	2.07	2.12	2.22	2.22
2.12	2.12	2.12	2.17	2.27	2.27
2.17	2.17	2.17	2.22	2.32	2.32
2.22	2.22	2.22	2.27	2.37	2.37
2.37	2.37	2.37	2.42	2.52	2.52
2.52	2.52	2.52	2.57	2.67	2.67

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

2010			
Customer	Type of Business	12-Month Water Consumption (In Thousands)	Percent of Total Billed
Citizens Medical Center	Hospital	50,397	1.60%
Detar Hospital	Hospital	28,698	0.91%
Victoria County Jail	Government	22,890	0.73%
Autumn Park	Apartment Complex	18,296	0.58%
VISD Stroman	School	14,942	0.48%
Creekstone	Apartment Complex	14,573	0.46%
Sage Creek	Apartment Complex	13,523	0.43%
Twin Pines	Business	13,355	0.42%
Living Centers	Business	11,292	0.36%
VISD Memorial	School	10,723	0.34%
2001			
Customer	Type of Business	12-Month Water Consumption (In Thousands)	Percent of Total Billed
Citizens Medical Center	Hospital	55,520	1.53%
City Park Zoological	Zoo	26,370	0.73%
MBS-Marbrisa Apartments	Apartment Complex	17,180	0.47%
Victoria Manor Apartments	Apartment Complex	14,510	0.40%
Victoria County Judge	County Jail	12,340	0.34%
Twin Pines Nursing Home	Nursing Home	10,150	0.28%
Carlisle Plastics, Inc.	Industrial	10,030	0.28%
Blueridge North & South	Apartment Complex	9,420	0.26%
Holiday Inn Victoria	Hotel	8,850	0.24%
Living Centers of America	Nursing Home	8,830	0.24%

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			
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	5.91%	2,232
2009	62,900,000	32,225,000	70,130,000	165,255,000	N/A	2,643
2010	61,375,000	30,475,000	73,040,000	164,890,000	N/A	2,630

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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Fiscal Year	General Bonded Debt Outstanding			Debt Service Monies Available	Net Bonded Debt
	Certificates of Obligation	General Obligation Bonds	Total		
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
2010	61,375,000	30,475,000	91,850,000	1,024,126	90,825,874

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>
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
2.90%	1,449



**CITY OF VICTORIA, TEXAS***DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**(UNAUDITED)**September 30, 2010*

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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 To City</u>
Direct Debt:				
City of Victoria	9/30/2010	<u>\$ 91,850,000</u>	100.00%	<u>\$ 91,850,000</u>
Overlapping Debt:				
Victoria County	9/30/2010	12,725,000	55.26%	7,031,835
Victoria County Junior College District	9/30/2010	14,810,000	60.77%	9,000,037
Victoria County Navigation District	9/30/2010	1,325,000	53.43%	707,948
Victoria Independent School District	9/30/2010	<u>177,584,636</u>	68.89%	<u>122,338,056</u>
Total Overlapping Debt		<u>206,444,636</u>		<u>139,077,875</u>
Total		<u>\$ 298,294,636</u>		<u>\$ 230,927,875</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*

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Debt limit	\$ 98,187,758	\$ 100,655,464	\$ 104,558,503	\$ 105,941,582
Total net debt applicable to limit	<u>51,258,435</u>	<u>48,685,725</u>	<u>51,098,653</u>	<u>48,335,110</u>
Legal debt margin	<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	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.

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 113,346,267	\$ 116,976,114	\$ 125,322,513	\$ 138,709,044	\$ 151,486,678	\$ 156,810,850
<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>90,825,874</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>	<u>\$ 65,984,976</u>
54.26%	58.37%	51.86%	51.48%	44.62%	57.92%

Legal Debt Margin Calculation for Fiscal Year 2010

Assessed value	\$ 3,136,216,999
Debt limit	156,810,850
Debt applicable to limit	
General obligation bonds	91,850,000
Less: Debt Service Fund Balance	<u>1,024,126</u>
Total amount of debt applicable to debt limit	<u>90,825,874</u>
Legal debt margin	<u>\$ 65,984,976</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
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
2010	21,997,623	11,794,869	10,202,754	4,861,457

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
\$	1,852,232	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
	1,768,460	2.10	2.12

**CITY OF VICTORIA, TEXAS**

*DEMOGRAPHIC AND ECONOMIC STATISTICS*

*(UNAUDITED)*

*Last ten fiscal years*

<u>Fiscal Year</u>	<u>(1) Population</u>	<u>(2) Personal Income (000's)</u>	<u>(2) Per Capita Personal Income</u>	<u>(3) School Enrollment</u>	<u>(4) Unemployment Rate</u>
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	2,362,864	37,788	13,610	3.6%
2009	62,530	N/A	N/A	13,786	6.1%
2010	62,701	N/A	N/A	13,854	7.6%

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

SOURCE: (1) Population figures for the years are estimates provided by the Planning Department  
 (2) U.S. Department of Commerce, Bureau of Economic Analysis - Estimates based on Victoria County Area statistical data. Data for 2009 and 2010 is not yet available.  
 (3) Victoria Independent School District as of October 18, 2010  
 (4) U.S. Department of Labor

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


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2010

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<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total Area Employment</u>
Victoria Independent School District	2,178	5.15%
Formosa Plastics	1,610	3.80%
The Inteplast Group	1,400	3.31%
Citizens Medical Center	994	2.35%
DeTar Helathcare System	926	2.19%
H.E.B.	646	1.53%
Calhoun Independent School District	640	1.51%
Dow-Seadrift Operations	617	1.46%
King Fisher Marine	604	1.43%
Invista	600	1.42%
	<u>10,215</u>	<u>24.14%</u>

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2001

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<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total Area Employment</u>
Victoria Independent School District	2,259	5.27%
The Inteplast Group	1,725	4.02%
Formosa Plastics	1,500	3.50%
Citizens Medical Center	1,280	2.98%
Koch-Invista	1,150	2.68%
Dow-Seadrift Operations	1,047	2.44%
Alcoa	963	2.25%
DeTar Healthcare System	922	2.15%
City of Victoria	609	1.42%
Calhoun Independent School District	592	1.38%
	<u>12,047</u>	<u>28.09%</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			
	2001	2002	2003	2004
General government				
City manager	10	10	10	10
Legal	4	4	5.5	5.5
Financial	7	7	7	7
Municipal court	6	7	6.5	6.5
Human resources	6	6	6	6
Planning	10	10	10	10
Development services administration	-	-	-	-
Geographic information system (GIS)	-	-	-	-
Building services	14	12	12	12
City secretary	3	3	3	3
Public information office	-	-	-	-
Public safety				
Police	142	143	143	143
Fire	110	109	109	109
Inspections	12	14	13	11
Code enforcement	-	-	-	-
Traffic control	9	9	9	9
Highways and streets				
Engineering	14	14	14	14
Streets and drainage	36	34	34	34
Culture and recreation				
Parks and recreation	31	34	34	34
Public library	25	28	29	29
Water/wastewater	76	76	77	74
Community center	6	6	6	6
Environmental services	43	44	44	50
Vehicle and equipment services	21	20	1	1
Information technology	7	7	8	8
Communications	3	3	2	2
Purchasing	5	5	4	4
Safety management	2	2	2	2
Print shop	2	2	2	2
<b>Total</b>	<b><u>604</u></b>	<b><u>609</u></b>	<b><u>591</u></b>	<b><u>592</u></b>

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.

Beginning with Fiscal Year 2010, Environmental Services began the phase in of once-a-week collection using automatic side-loader trucks, resulting in a decrease of personnel.

Previously accounted for in the City Manager Department, beginning in Fiscal Year 2009-2010, the Public Information Office will be accounted for in its own cost center.

As a result of an efficiency study performed on Planning Department operations, it was concluded that this cost center should be accounted for in various cost centers beginning with Fiscal Year 2009-2010 (Planning, Development Admin. & GIS).

Fiscal Year					
2005	2006	2007	2008	2009	2010
10	10	11	11	12	10
5.5	5.5	5.5	5.5	5.5	4.5
7	7	7	7	7	6
6.5	5.5	5.5	5.5	5.5	5.5
6	6	5	5	5	5
10	10	10	10	10	4
-	-	-	-	-	2
-	-	-	-	-	3
12	12	12	12	12	12
3	3	4	4	4	4
-	-	-	-	-	2
150	148	146	146	147	149
107	107	107	118	118	118
11	11	11	11	11	12
5	5	5	7	7	5
9	9	9	10	11	10
14	14	14	13	12	12
34	34	34	34	34	34
35	35	37	41	41	43
29	28	28	28	28	28
81	81	80	80	80	82
6	6	6	7	7	7
45	46	48	43	43	26
1	2	2	2	2	2
8	10	10	10	10	10
2	2	2	2	1	1
4	4	4	4	4	3
2	2	2	2	2	2
2	2	2	2	2	2
<u>605</u>	<u>605</u>	<u>607</u>	<u>620</u>	<u>621</u>	<u>604</u>

**CITY OF VICTORIA, TEXAS**

*OPERATING INDICATORS BY FUNCTION/PROGRAM*

*Last ten fiscal years*

Function/Program	Fiscal Year			
	2001	2002	2003	2004
General government				
Building permits issued	1,327	1,482	1,657	2,060
Building inspections conducted	10,813	10,756	10,035	11,344
Birth certificates registered	2,084	2,086	2,047	2,160
Death certificates registered	905	864	881	871
Birth certificates issued	6,287	6,364	6,283	4,785
Death certificates issued	6,662	6,551	6,648	6,564
Public safety				
Police				
Physical arrests	4,650	3,549	3,635	5,182
Parking violations	1,283	1,642	2,849	1,980
Traffic violations	14,117	13,317	8,802	12,355
Warrants issued	3,398	3,199	2,346	1,999
Fire				
Total Incidents	N/A	7,081	7,476	6,813
Fires	N/A	444	421	352
Rescue/Emergency Medical	N/A	5,193	5,413	5,070
Inspections	N/A	N/A	610	735
Streets and highways				
Street resurfacing (linear feet)	65,477	68,825	231,242	30,094
Culture and recreation				
Community center admissions (event contracts)				
Dome	117	103	118	111
Annex	161	195	169	176
Arena	35	36	34	26
Library				
Number of Items	126,795	133,390	139,301	141,709
Circulation	265,712	272,044	270,156	288,451
Gate Count	180,833	195,993	210,241	238,077
Water and wastewater				
Water				
Active water connections	20,586	20,856	21,318	21,474
Active sewer connections	19,515	19,597	19,819	19,969
Active garbage accounts	18,081	18,172	17,982	18,258
Average daily consumption (pumped) (in 000's)	9,954	10,240	10,036	9,467
Peak monthly consumption (in 000's)	419,968	347,861	261,682	255,920
Wastewater				
Average daily sewage treatment	7,095,660	7,686,430	6,833,000	8,218,447
Environmental services				
Refuse collection				
Refuse collected (tons per month)	N/A	N/A	2,301	2,303
Landfill tonnage accepted	149,477	137,954	151,828	154,458
Recyclables collected (tons per year)	N/A	N/A	668.42	603.97

NOTE: N/A denotes information not available

SOURCE: Various City departments

Fiscal Year					
2005	2006	2007	2008	2009	2010
1,371	1,294	1,147	1,345	1,433	1,627
13,349	10,415	11,062	9,883	6,138	6,066
2,098	2,255	2,374	2,376	1,998	2,146
944	983	1,003	984	795	885
6,927	6,567	7,246	7,251	6,569	6,043
7,147	7,677	6,863	6,767	5,698	5,295
4,911	5,775	4,427	4,461	4,044	3,152
1,527	939	1,080	641	472	368
12,728	13,726	14,303	14,482	12,143	7,303
3,035	3,279	4,583	5,520	1,812	1,879
7,087	7,175	7,355	8,152	8,551	8,455
458	493	381	557	621	349
5,326	5,393	5,706	6,166	7,930	6,568
827	830	874	1,210	1,279	1,555
44,088	24,990	29,756	31,178	12,907	16,250
118	107	120	116	120	98
161	155	136	120	133	102
30	29	29	23	27	14
142,319	145,318	148,764	138,804	140,599	141,887
285,435	279,679	276,357	284,919	313,099	271,281
230,218	226,171	228,114	242,388	263,730	336,580
21,700	21,861	21,962	22,041	22,129	22,071
20,085	20,235	20,435	20,532	20,461	20,587
18,432	18,655	18,131	19,233	19,018	19,014
9,591	10,067	8,615	9,584	10,718	8,617
313,298	349,686	233,143	372,618	354,264	319,293
7,029,795	6,469,471	8,812,263	6,837,775	6,038,356	7,370,000
2,248	2,240	2,473	2,139	1,723	1,936
135,049	166,475	160,048	140,508	140,791	102,657
612.39	742.45	691.52	479.13	269.56	196.31

**CITY OF VICTORIA, TEXAS**

*CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM*

*Last ten fiscal years*

Function/Program	Fiscal Year			
	2001	2002	2003	2004
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	303.77	303.42	307.31
Streetlights	3,815	6,055	6,058	6,070
Traffic signals	N/A	73	74	74
School zone flashers	N/A	58	58	58
Culture and recreation				
Acreage	750.0	750.0	750.0	750.0
Playgrounds	14	14	14	14
Baseball/softball diamonds	14	15	15	15
Community centers	1	1	1	1
Libraries	1	1	1	1
Water and wastewater				
Water				
Water mains (miles)	400.0	400.0	345.0	355.0
Wastewater				
Sanitary sewers (miles)	350.0	350.0	327.0	335.0
Storm sewers (miles)	438.6	440.6	444.3	447.3
Environmental services				
Refuse collection				
Collection trucks	15	16	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					
2005	2006	2007	2008	2009	2010
3	3	3	3	3	3
1	1	1	1	1	1
30	32	34	36	36	36
4	4	4	4	5	5
307.72	309.87	310.60	310.82	312.00	314.50
6,276	6367	6475	4359	4380	4429
74	76	76		78	78
58	58	58	58	61	61
750.0	750.0	748.0	748.0	748.0	748.0
14	14	14	15	15	15
15	15	27	27	21	19
1	1	1	1	1	1
1	1	1	1	1	1
356.6	361	361.5	361.5	363	365.8
336.4	337.2	337.6	337.6	337	342
449.9	450.9	451.2	451.2	450	452
16	16	17	17	11	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, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 3, 2011. 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis.

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

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 of noncompliance that are required to be reported under *Government Auditing Standards*.

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

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

*Harrison Waldrop + Wheeler, LLP*

March 3, 2011



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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, 2010. 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, 2010.

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

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

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

This 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 + Church, LLP*

March 3, 2011

**CITY OF VICTORIA, TEXAS**

*SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS*

*For the year ended September 30, 2010*

<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-09-MC-48-0510	\$ 557,581
Community Development Block Grant Recovery	14.253	B-09-MY-48-0510	<u>123,439</u>
Total U.S. Department of Housing and Urban Development			<u>681,020</u>
<b>U.S. Department of Transportation</b>			
<i>Passed Through Texas Department of Transportation</i>			
STEP - Wave	20.600	2010-CIOT-RFR-CIO-VICTPD-O	2,309
Metropolitan Planning Program	20.205	50-10XF0023	<u>224,600</u>
Total U.S. Department of Transportation			<u>226,909</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	97.073	2008-GE-T8-0034	185,383
Emergency Management Performance Grant	97.042	10TX-EMPG-0605	<u>16,206</u>
Total U.S. Department of Homeland Security			<u>201,589</u>
<b>U.S. Department of Energy</b>			
Energy Efficiency and Conservation Block Grant	81.128	DE-SC0002843	<u>381,969</u>
<b>U.S. Department of Justice</b>			
Justice Assistance Grant Program	16.738	2006-DJ-BX-0104	16,591
<i>Passed Through the Office of the Governor</i>			
<i>Criminal Justice Division</i>			
Edward Byrne Memorial Justice Assistance Grant - 2009 ARRA	16.803	SU-09-A10-22688-01	237,547
Edward Byrne Memorial Justice Assistance Grant - 2009 ARRA	16.803	SU-09-A10-23359-01	11,546
Edward Byrne Memorial Justice Assistance Grant - 2009 ARRA	16.804	2009-SB-B9-2825	<u>159,919</u>
Total U.S. Department of Justice			<u>425,603</u>
<b>TOTAL FEDERAL EXPENDITURES</b>			<u>1,917,090</u>

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

For the year ended September 30, 2010

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<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>STATE EXPENDITURES</b>			
<b>Texas Department of Transportation</b>			
<i>Passed Through Texas Automobile Theft Prevention Authority</i>			
Automobile Theft Grant	N/A	SA-T01-10070-10	<u>\$ 113,871</u>
<b>Texas Commission on Environmental Quality</b>			
Near Nonattainment	N/A	582-11-11225	<u>7,084</u>
Near Nonattainment	N/A	582-8-86231	<u>350,865</u>
Total Texas Commission on Environmental Quality			<u>357,949</u>
<b>Law Enforcement Officers Standards and Education</b>			
Training Grant	N/A	N/A	<u>9,153</u>
<b>Texas State Library and Archives Commission</b>			
LoanStar Library Grant	N/A	442-09504	<u>30,323</u>
<b>TOTAL STATE EXPENDITURES</b>			<u>511,296</u>
<b>TOTAL FEDERAL AND STATE EXPENDITURES</b>			<u>\$ 2,428,386</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, 2010*

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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, 2010*

**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, 14.253, 14.254	Community Development Block Grant-Entitlement Grants Cluster
81.128	Energy Efficiency and Conservation Block Grant
16.803 - 16.804	Edward Byrne Memorial Justice Assistance Grant - 2009 ARRA
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, 2010*

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None were reported.