



Comprehensive Annual Financial Report

Year Ended September 30, 2011
City of Victoria, Texas

CITY OF VICTORIA, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the year ended September 30, 2011

Prepared by the Finance Department
City of Victoria, Texas

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
City Administrators' Letter of Transmittal	i
Certificate of Achievement for Excellence in Financial Reporting	xiv
Organizational Chart	xv
Principal City Officials	xvi
FINANCIAL SECTION	
Independent Auditors' Report.....	1
Management's Discussion and Analysis	3
<u>Basic Financial Statements</u>	
Government-Wide Financial Statements	
Statement of Net Assets	18
Statement of Activities	20
Fund Financial Statements	
Balance Sheet - Governmental Funds	22
Reconciliation of Total Governmental Fund Balance to Net Assets of Governmental Activities.....	24
Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds.....	25
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	27
Statement of Net Assets - Proprietary Funds	28
Statement of Revenues, Expenses, and Changes in Fund Net Assets Proprietary Funds	29
Statement of Cash Flows - Proprietary Funds.....	30
Statement of Fiduciary Net Assets - Fiduciary Funds	34
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds	35
Statement of Net Assets - Component Units.....	36
Statement of Activities - Component Units	37
Notes to Financial Statements	39
<u>Required Supplementary Information</u>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget (GAAP Basis) and Actual - General Fund.....	68
Historical Pension and Other Postemployment Benefits Information.....	69
Notes to Required Supplementary Information	71

FINANCIAL SECTION - (Continued)

Combining and Individual Fund Statements and Schedules

Governmental Funds

Combining Statements

Combining Balance Sheet - All Nonmajor Governmental Funds 72

Combining Statement of Revenues, Expenditures, and Changes in Fund

Balances - All Nonmajor Governmental Funds 73

Nonmajor Special Revenue Funds 74

Combining Balance Sheet - Nonmajor Special Revenue Funds 77

Combining Statement of Revenues, Expenditures, and Changes

in Fund Balance - Nonmajor Special Revenue Funds 81

Individual Statements and Schedules

General Fund 85

Balance Sheet 86

Schedule of Revenues - Budget (GAAP Basis) and Actual 87

Schedule of Expenditures - Budget (GAAP Basis) and Actual 88

Debt Service Fund 92

Balance Sheet 94

Schedule of Revenues, Expenditures, and Changes in Fund

Balance - Budget (GAAP Basis) and Actual 95

Capital Project Funds 96

Capital Construction Fund (3035)

Schedule of Revenues, Expenditures, and Changes in Fund

Balance - Budget (GAAP Basis) and Actual 97

Capital Construction Fund (3036)

Schedule of Revenues, Expenditures, and Changes in Fund

Balance - Budget (GAAP Basis) and Actual 98

Capital Construction Fund (3037)

Schedule of Revenues, Expenditures, and Changes in Fund

Balance - Budget (GAAP Basis) and Actual 99

Proprietary Funds

Nonmajor Enterprise Funds 100

Combining Statements

Combining Statement of Net Assets - All Nonmajor Enterprise Funds 101

Combining Statement of Revenues, Expenses, and Changes

in Fund Net Assets - All Nonmajor Enterprise Funds 102

Combining Statement of Cash Flows - All Nonmajor Enterprise Funds 103

FINANCIAL SECTION - (Continued)

Combining and Individual Fund Statements and Schedules - (Continued)

Proprietary Funds - (Continued)

Individual Statements

Enterprise Funds

Water and Wastewater Fund	105
Balance Sheet	106
Statement of Revenues, Expenses, and Changes in Fund Net Assets	108
Statement of Cash Flows	109
Community Center Fund.....	111
Balance Sheet	112
Statement of Revenues, Expenses, and Changes in Fund Net Assets.....	113
Statement of Cash Flows	114
700 Main Center	115
Balance Sheet	116
Statement of Revenues, Expenses, and Changes in Fund Net Assets	117
Statement of Cash Flows	118
Environmental Services Fund.....	120
Balance Sheet	121
Statement of Revenues, Expenses, and Changes in Fund Net Assets.....	122
Statement of Cash Flows	123
Education & Government Channel Fund.....	125
Balance Sheet	126
Statement of Revenues, Expenses, and Changes in Fund Net Assets.....	127
Statement of Cash Flows	128
Internal Service Funds	129
Combining Statements	
Combining Statement of Net Assets - Internal Service Funds	130
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets - Internal Service Funds	132
Combining Statement of Cash Flows - Internal Service Funds.....	134
Individual Statements	
Vehicle and Equipment Services Fund	138
Balance Sheet.....	139
Statement of Revenues, Expenses, and Changes in Fund Net Assets.....	140
Statement of Cash Flows	141
Information Technology Fund	142
Balance Sheet.....	143
Statement of Revenues, Expenses, and Changes in Fund Net Assets.....	144
Statement of Cash Flows	145
Communications Fund	146
Balance Sheet.....	147
Statement of Revenues, Expenses, and Changes in Fund Net Assets.....	148
Statement of Cash Flows	149

FINANCIAL SECTION - (Continued)

Combining and Individual Fund Statements and Schedules - (Continued)

Proprietary Funds - (Continued)

Internal Service Funds - (Continued)

Individual Statements - (Continued)

Purchasing Fund	150
Balance Sheet.....	151
Statement of Revenues, Expenses, and Changes in Fund Net Assets.....	152
Statement of Cash Flows.....	153
Safety Management Fund	154
Balance Sheet.....	155
Statement of Revenues, Expenses, and Changes in Fund Net Assets.....	156
Statement of Cash Flows.....	157
Workers' Compensation Fund	158
Balance Sheet.....	159
Statement of Revenues, Expenses, and Changes in Fund Net Assets.....	160
Statement of Cash Flows.....	161
Print Shop Fund	162
Balance Sheet.....	163
Statement of Revenues, Expenses, and Changes in Fund Net Assets.....	164
Statement of Cash Flows.....	165
Employee Health Plan Fund.....	166
Balance Sheet.....	167
Statement of Revenues, Expenses, and Changes in Fund Net Assets.....	168
Statement of Cash Flows.....	169

Fiduciary Fund

Agency Fund	170
Statement of Changes in Assets and Liabilities - Agency Fund.....	171

STATISTICAL SECTION 172

Financial Trends

Net Assets by Component	173
Changes in Net Assets	175
Program Revenues by Function/Program	179
Fund Balances, Governmental Funds	181
Changes in Fund Balances, Governmental Funds	183
Tax Revenues by Source, Governmental Funds	185

STATISTICAL SECTION - (Continued)

Revenue Capacity

Assessed and Estimated Actual Value of Taxable Property.....	187
Direct and Overlapping Property Tax Rates	189
Principal Property Taxpayers (Unaudited)	191
Property Tax Levies and Collections	192
Water Produced and Consumed and Wastewater Treated.....	194
Water and Sewer Rates.....	196
Ten Largest Water Customers (Unaudited)	198

Debt Capacity

Ratios of Outstanding Debt by Type	199
Ratios of Net General Bonded Debt Outstanding	200
Direct and Overlapping Governmental Activities Debt (Unaudited).....	202
Legal Debt Margin Information	203
Pledged-Revenue Coverage.....	205

Demographic and Economic Information

Demographic and Economic Statistics (Unaudited)	207
Principal Employers (Unaudited)	208

Operating Information

Full-Time-Equivalent City Governmental Employees by Function/Program.....	209
Operating Indicators by Function/Program	211
Capital Asset Statistics by Function/Program	213

SINGLE AUDIT SECTION

Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards* 215

Independent Auditors' Report on Compliance with Requirements
That Could Have a Direct and Material Effect on Each Major
Program and on Internal Control Over Compliance in
Accordance with OMB Circular A-133..... 217

Schedule of Expenditures of Federal and State Awards..... 219

Notes to Schedule of Expenditures of Federal and State Awards 221

Schedule of Findings and Questioned Cost..... 222

Summary Schedule of Prior Audit Findings..... 223



CITY OF VICTORIA

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

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March 8, 2012

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, 2011, 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 Appeals 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 Central 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 Commission | 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, Recycling Collection, Water/Wastewater, and Streets and Drainage. The City owns and operates water pumping and distribution system, a surface water treatment facility, and a wastewater collection system. The City assumed operations of its Highway 59 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. 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 all hazard response 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

As a result of Texas's job growth and sales tax collections, both from business and consumer purchases, the Texas economy continues to improve and exceed other states. The Dallas Fed has stated: "*Texas is an oasis in a national economic desert devoid of life-giving job creation.*" As you may recall, Texas was one of the last States that went into the "*Great Recession*" and was one of the first States to come out. As we have for past years, we continue to outpace the rest of the United States in employment growth by a significant margin. Texas, the world's 12th largest economy, has almost as many people employed as we did before the recession began. *Note: the unemployment rate in Victoria for the first quarter of 2012 stood at 5.7% compared to Texas unemployment rate of 7.5% and US unemployment rate of 8.3% (Source: US Bureau of Labor Statistics).*

Economic Condition and Outlook - (Continued)

Just like Texas, Victoria is an oasis in the Crossroads of the Coastal Bend. Victoria's economy has improved since Fiscal Year 2009 and 2010. The announcement of Caterpillar's excavator assembly plant, which is expected to provide over 500 new jobs, along with its "*downstream suppliers companies*", which are expected to provide an additional 500 new jobs, has placed Victoria on a track of growth. In addition to Caterpillar, we have in our area, the Eagle Ford Shale project, new development occurring at the Port of Victoria and the future development of University of Houston-Victoria, which has all led to confidence in our community. This confidence is demonstrated not only with the increase in sales tax, but new housing growth and multi-family housing development. In addition, the Real Estate Center at Texas A&M University ranked Victoria the third highest employment growth rate in a Texas metropolitan area.

The City of Victoria, with a population of about 62,592, 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, manufacturing and industrial sectors, Victoria is a regional center for retail trade and health care. The City acts as a draw for, and services, a seven-county area with a population of nearly 175,000. The City's median household effective buying income is 90.3% and 89% of the state and national average respectively. The City's per capita retail sales are very strong at 147.3% of the state and 146% of the national level, which is evidence of the City's role as a regional trade center.

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, including Victoria. 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 2011 and Into the Future:

Every year the City strives to improve the current level of core services within available resources to serve its citizens of Victoria. Through strategic planning sessions, City Council priorities were established, which are tied directly or indirectly to the 2025 Comprehensive Plan:

- Continue to improve the City's overall infrastructure (Capital Improvement Program);
- Public safety;
- Street Maintenance
- Housing
- Environmental issues;
- Water and landfill issues;
- Routine capital expenditures;
- Maintain adequate fund balance/working capital reserves.

Major Initiatives – (Continued)

For Fiscal Year 2011 and Into the Future: - (Continued)

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 first objective of the CIP is to decide the most effective way to allocate our limited capital improvement resources to meet City goals. The CIP has a second benefit by coordinating capital improvement projects administered by different municipal departments.

The CIP is a plan with the knowledge that it will be 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 over \$300 million in major infrastructure projects to improve our streets, drainage, water and sewer service, and created a viable industrial park.

The Fiscal Year 2012 budget is proactive in supporting the City's Capital Improvement Program (CIP). The Capital Improvement Budget for Fiscal Year 2012 totals \$47,347,209 for all Construction Funds that include CIP projects. This budgeted amount does not, however, reflect all projects' capital expenditures for Fiscal Year 2012. 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 2012 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 2012 budget, along with new appropriations for new projects.

General Governmental Construction Fund Capital Projects - \$16,036,102

- Lone Tree Community Park Project: \$ 960,884
- SAP Software Upgrade Project: 450,000
- TxDOT Overpass Project: 3,477,671
- Transfer to Construction Fund 3035 for the SAP Upgrade Project: 250,000
- Sam Houston Street Construction Project: 9,938,032
- Red River Street Project: 573,874
- Transfer to Construction Fund 3046 for the TxDOT Overpass Project: 20,641
- Ethel L. Tracy Amphitheatre Project: 365,000

Utility Construction Fund Capital Projects - \$31,311,107:

- Downtown Utility Project No. 1 and 2, Ph II Project: \$ 1,280,221
- Downtown Utility Project No. 3 and 4, Ph II Project: 2,602,573
- Downtown Utility Project No. 5 and 7, Ph II Project: 2,037,808
- Downtown Utility Project No. 1 and 2, Ph III Project: 3,287,597
- Downtown Utility Project No. 3 and 4, Ph III Engineer Project: 262,908
- Wastewater Treatment Plant Project: 19,720,000
- Navarro/Huvar Street Sanitary Sewer Project: 1,330,000
- Conti Lane Sanitary Sewer Extension Project: 790,000

Major Initiatives - (Continued)

For Fiscal Year 2011 and Into the Future: - (Continued)

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 2012 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 a new fire station (i.e. Fire Station No. 6) in the future.

In 2011 the City went through an evaluation to improve the current Insurance Services Office (ISO) rating of the Fire Department. The Fire Department was able to improve from a rating of 4 to a rating of 2. The improvement will help some homeowners with a decrease in their homeowner's insurance premiums. The Fire Department continues to evaluate and monitor the changes in the City in order to stay ahead of the changing times.

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 2012 Street Reclaim & Overlay budget is funded for a total of \$2,600,000, which is \$1.3 million higher than the Fiscal Year 2011 Street Reclaim & Overlay Project. The Fiscal Year 2012 Street Rehabilitation and Overlay Program includes one-time funding of \$700,000.

The Fiscal Year 2012 Street Rehabilitation and Overlay Program consists of doing Phase I of the Greenbriar Subdivision Street Project (per the Capital Improvement Program Plan). Phase II of the Greenbriar Subdivision Street Project will be done in Fiscal Year 2013.

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.

Major Initiatives - (Continued)

For Fiscal Year 2011 and Into the Future: - (Continued)

Housing Initiatives (continued) - The City of Victoria 2011-2012 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, 2011 to September 30, 2012, the City of Victoria will utilize CDBG funds totaling \$585,137 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	\$ 67,000	11.5%
2. Public Services Programs	84,900	14.5%
3. Public Facilities Programs	288,537	49.3%
4. Affordable Housing	30,000	5.1%
5. Public Improvements	25,000	4.3%
6. Program Administration	<u>89,700</u>	15.3%
Total:	<u>\$585,137</u>	

Environmental Services - Many quality of life issues come before us each year; one of them is city beautification. The Fiscal Year 2012 Budget includes: (1) \$363,353 for the Weedy Lot & Demolition Program; up \$14,994 from Fiscal Year 2011, (2) partnering with Keep Victoria Beautiful, Inc. in promoting the beautification of Victoria, in the amount of \$50,000, and (3) partnering with Texas Land Management in managing the City's composting program.

City of Victoria strives to be a leader, within our geographical area, in implementing successful recycling programs. During Fiscal Year 2012, the City of Victoria will close its recycling center collection facilities and implement a new *Single Stream Curbside Recycling Program* and a *Household Hazardous Waste Program*.

The Single Stream Curbside Recycling Program – will require a new operating rate fee of \$1.28 per month; currently the recycling fee is 50¢ per month, therefore residents will see a net increase of 78¢ for the recycling program. The City of Victoria will contract with Waste Management to build and operate the recycling collection facility and City staff will pick-up all residential customers' recyclables twice a month.

The Household Hazardous Waste Program – will require a new operating rate fee of 65¢ per month. The program will consist of the following: City of Victoria will contract with Waste Management to implement and operate the Household Hazardous Waste Program; all residential customers would take part in the household hazardous waste program; and, all hazardous waste pickups will be scheduled and picked up at customer residences.

Fiscal Year 2012 budget includes the following service fee increases:

Residential Refuse Collection Fees	FY '11 Rates	FY '12 Rates	Increase in Rates
Residential Collection Services	\$13.75	\$13.75	\$ -
Brush & Bulky Collection Services	1.85	1.85	-
Yard Waste Collection Services	1.27	1.27	-
Recycling Center Collection Services	.50	.00	(.50)
Curbside Recycling Program	.00	1.28	1.28
Hazardous Waste Program	.00	.65	.65
Total:	\$17.37	\$18.80	\$1.43

Major Initiatives - (Continued)

For Fiscal Year 2011 and Into the Future: - (Continued)

Water and Wastewater - The City's wastewater is collected by the City and pumped to two separate treatment facilities. The larger facility, which is located on U.S. 59, has a capacity of 9.6 million gallons per day. The second plant, the Willow Street Plant, has a capacity of 2.5 million gallons per day.

The City began operating the two wastewater facilities in January 2011 after terminating the long-term operations contract with the Guadalupe Blanco River Authority. In addition, the City will soon begin design of a new wastewater treatment facility, which will be located on SW Ben Jordan and will have a capacity of treating 4.4 million gallons per day. This plant is scheduled to be complete and operational in 2015 and the Willow Street plant will then be decommissioned, which will leave the City with a total capacity of treating 14 million gallons per day.

In order to generate the additional revenue required to service the debt associated with the \$20 million Wastewater Treatment Plant Capital Improvement Project, Fiscal Year 2012 will implement a rate increase of \$0.47 per month on the water base rate for customers having a ¾" water meter and \$0.58 per month on the sewer base rate for customers having a ¾" meter. The rate increase for both the water and sewer base rates on accounts served by larger water meters are to be calculated by multiplying \$0.47 for water and \$0.58 for sewer by the factor representing the ratio of the larger meter's rated flow capacity in comparison with the rated flow capacity of a ¾" water meter.

The City uses surface water from the Guadalupe River as its primary source of potable water. The City has a permit issued by the Texas Commission on Environmental Quality that allows the City to withdraw up to 20,000 acre/feet per year from the Guadalupe River. This equates to approximately two times the City's average annual pumping rate. Additionally, the City has approximately four months of surface water in shallow alluvial groundwater supply stored in a system of off channel reservoirs. This water source provides a back-up supply to the City's primary Guadalupe River water source. All of this water is treated at the City's 25.2 Million Gallon per Day surface water treatment plant. 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. The aquifer is within the corporate limits of the City and varies in thickness from approximately 400 feet to approximately 900 feet.

The City owned and operated water production, treatment and distribution system consists of one surface water treatment plant, two remote storage and pumping facilities, elevated storage, ground storage and approximately 400 miles of water mains. Over the last several fiscal years, the City has purchased a total of 7,006.7 acre feet/year of additional water rights, which has added to the City's water supply options and allows for improved flexibility. The City continues to explore other possibilities for additional future water supplies for its citizens.

A complete listing of the City's water treatment, storage, and pumping facilities can be found in the 2009 Master Water Plan Update. A copy can be obtained by contacting the City's Public Works Department.

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. In addition to the increased acreage, the City has implemented new recycling and household hazardous waste programs, which will further extend the life of the landfill.

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.

Major Initiatives - (Continued)

For Fiscal Year 2011 and Into the Future: - (Continued)

Landfill (continued) - 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. The City has received \$80,000 of the \$110,000 agreed upon in the Contract, with the additional \$30,000 due by Fiscal Year 2012. In addition, the City will receive 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 Fiscal Year 2012 third quarter.

Over the next four fiscal years, numerous closure and post-closure capital improvements will be performed at a total estimated cost of \$6,191,270 (City's estimated portion \$2,080,959; Republic Waste \$4,110,311).

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 2012 Budget includes \$9,426,830 million in capital expenditures, of which \$4,864,079 million will be funded out of reoccurring revenues. The remaining \$4,562,751 million (*\$2.015 million General Fund, \$2.248 million Water/Wastewater Fund, and \$300K Technology Fund*) capital expenditures will be funded out of the one-time use of fund balance or working capital balance. The following table recaps the \$9,426,830 million capital expenditures for Fiscal Year 2012, compared to Fiscal Year 2011.

Capital Expenditures per Fund:	FY 2011		FY 2012		Increase/(Decrease)
General Fund	\$2,193,178	37.90%	\$3,798,216	40.29%	\$1,605,038
Special Revenue Funds	31,121	.54%	41,100	.44%	9,979
Water/Wastewater Fund	1,572,669	27.18%	3,028,767	32.13%	1,456,098
700 Main Center Fund	42,980	.74%	24,300	.26%	(18,680)
Community Center Fund	401,600	6.94%	73,045	.77%	(328,555)
Environmental Services Fund	54,610	.94%	37,200	.39%	(17,410)
Communications Fund	5,380	.09%	12,900	.14%	7,520
Information Technology Fund	143,860	2.49%	399,373	4.24%	255,513
Print Shop Fund	-	0.00%	4,999	.05%	4,999
Purchasing Fund	4,000	.07%	1,000	.01%	(3,000)
Safety Management Fund	-	0.00%	1,390	.02%	1,390
Vehicle & Equip. Services Fund	1,337,780	23.11%	2,004,540	21.26%	666,760
Total Capital Expenditures:	\$5,787,178		\$9,426,830		\$3,639,652

Major Initiatives - (Continued)

For Fiscal Year 2011 and Into the Future: - (Continued)

Maintaining Adequate Fund Balance – In prior years, Council set a policy of maintaining the General Fund fund balance at 15 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 2012 General Fund budget assumes a minimum fund balance of 20% of budgeted expenditures. The minimum fund balance (20% of \$43,609,412 budgeted expenditures) is projected to be \$8,721,882 which represents approximately 2.4 months of fund balance reserve. The estimated ending fund balance for Fiscal Year 2012 is \$11,596,745 which is approximately \$2,874,863 over the minimum fund balance amount. These funds will be reserved in order to address future contingencies, Police COPS grant, fund the City's capital improvement program or economic development programs as Council determines.

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).

Pay Program – Many companies remain wary and cautious of how to proceed in this economy. Consequently, employment levels may remain stagnant and some firms are still implementing a hiring freeze, including City of Victoria. 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.

Fortunately, Victoria's economy has improved since Fiscal Year 2010 (recession period). Sales tax revenue collections are strong and healthy; and, with Caterpillar building its new excavator plant at the Victoria Lone Tree Industrial Park and new housing/apartment development starting to occur, a pay program of a 3% across-the-board pay raise for Fiscal Year 2012 was approved, with a total cost for all City funds of \$867,996.

Parks and Recreation - The parks and recreation system continues to expand with the addition of an \$11 million youth sports complex, a two-mile hike-n-bike trail, and scheduled for completion in 2012 is a new 127-acre park including a splash-pad with water playground along with a pavilion, practice ball-fields and practice soccer fields. Other amenities include parking and restroom facilities. Funding source for the project is General Fund and Texas Parks and Wildlife Grant at an estimated cost of \$1,000,000. Also on the slate for completion in 2012, is an 1,870 sq.ft. amphitheatre stage, with a public viewing area to seat approximately 1,000, to be constructed at Ethel Lee Tracy Park. Funding Sources for the project are the General Fund, Cloyde & Ethel Lee Tracy Foundation, and M.G. & Lillie A. Johnson Foundation, at an estimated cost of \$365,000.

Major Initiatives - (Continued)

For Fiscal Year 2011 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 a major project beginning in the spring of 2012 to construct two overpasses on Loop 463, Salem Road to Mockingbird Lane.

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 2010, the City of Victoria created a Transportation Improvement Program (TIP). The TIP is a short-range list of proposed transportation improvement projects for the metropolitan area. The passage of the Intermodal Surface Transportation Efficiency Act of 1991 required the TIP to be developed by the Metropolitan Planning Organization in cooperation with the State (TxDOT) and local public transit operators. The TIP must cover a period of at least three years, and must be updated every two years. The TIP is required to prioritize projects by the year in which they will be implemented. The City of Victoria Transportation Improvement Program for Fiscal Years 2011-2014 can be viewed in its entirety at www.victoriampo.org/pdfs/FY2011-2014DraftTIP.pdf.

Texas Municipal Retirement System - In prior years, Texas Municipal Retirement System (TMRS) was dealing with two major issues. The first was the declining performance in the bond market and second was the actuarial accounting changes they have made over the past few years. Fortunately, TMRS was able to implement various investment strategies, adjust various actuarial assumptions, and restructure its internal accounting of retiree funds with recent legislative changes. All of these positive moves by TMRS have allowed City of Victoria to reduce its retirement funding cost from a 21% annual requirement to 18%. The Fiscal Year 2012 budget assumes an 18% TMRS retirement funding. The City is meeting its annual TMRS requirements and it is not expecting any major future increase in TMRS rates, other than normal adjustment for inflation factor.

Health and Dental Insurance Premiums - For the Fiscal Year 2012 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 2012 health insurance premium cost split at 81%/19%, compared to last year's split of 82/18. This change in health insurance premium cost split will increase the employee's health insurance premium cost by \$4.67 per month.

As for retiree health insurance premium cost, management anticipated a possible rate increase in its Medicare Supplement Insurance Program, but the Fiscal Year 2012 budget did not include any increase for those retirees age 65 and over who are program. Effective January 1, 2012, there was a \$7.00 per month per retiree overall increase to these premiums, with the increase split between the City and retiree varying based on the retiree's longevity with the City.

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.

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 (Fiscal Years 2005-2010); for Fiscal Year 2011 the tax rate was increased by 0.5¢, back to 0.65¢, and then lowered again in 2012 to 0.645¢.

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 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, 2011.

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 2011, 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.

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 2011, 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	\$2,954,599 (per scheduled equipment) \$1,000,000 newly purchased equipment \$5,000 rental cost per item \$5,000 deductible per occurrence
Comprehensive Property Damage	\$112,272,900 combined building and contents \$500,000 blanket extra expense \$112,272,900 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	\$4,139,334 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	\$634,711 per scheduled equipment \$20,000 pollutant cleanup per premises \$2,500 deductible
Crime Coverage	\$1,000,000 per occurrence \$2,500 deductible per occurrence

Risk Management - (Continued)

Boiler and Machinery	\$50,597,761 (per scheduled equipment)
	\$1,000,000 newly acq. loc.
	\$500,000 extra expense
	\$20,000 pollutant removal
	\$1,000 deductible per occurrence

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, 2010. This was the twenty-eighth 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, 2010

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.



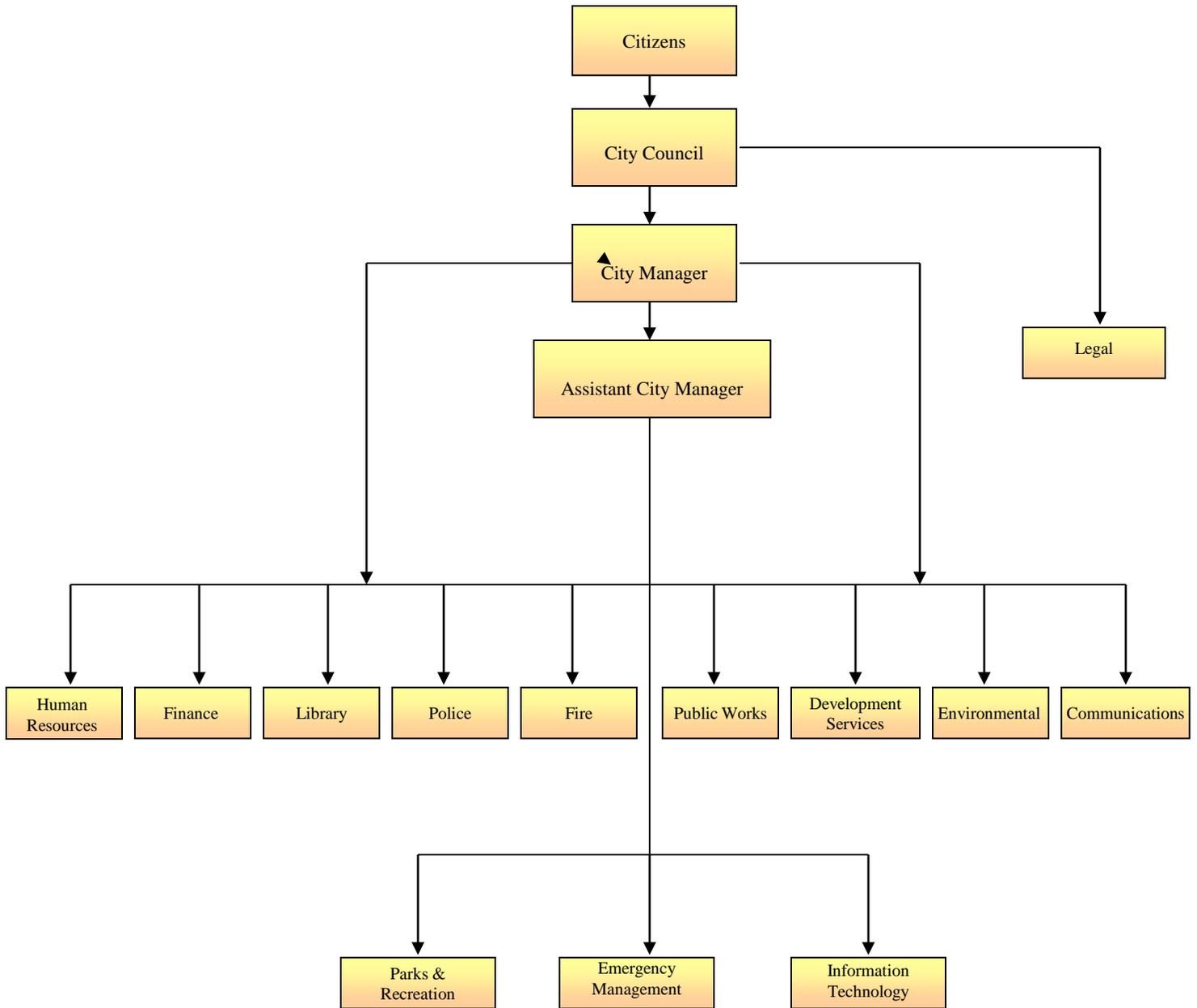
Linda C. Davison

President

Jeffrey R. Emer

Executive Director

City of Victoria, Texas
Organization Chart



PRINCIPAL CITY OFFICIALS

ELECTED OFFICIALS



Name	Position	Years of Service	Term Expires
<i>Front Row</i>			
Tom Halepaska	Council Member, Super District 6	7	May, 2013
Will Armstrong	Mayor (5 years prior service 1973-1979)	7	May, 2013
Denise Rangel	Council Member, District 1	2	May, 2012
<i>Back Row</i>			
David Hagan	Council Member, District 4	5	May, 2012
Gabriel Soliz	Council Member, District 2	2	May, 2012
Joe Truman	Council Member, Super District 5	2	May, 2013
Paul Polasek	Mayor Pro-Tem, District 3	5	May, 2012

ADMINISTRATIVE OFFICIALS

Name	Position	Years of Service	
		Current With City	Position
Charmelle Garrett	City Manager	21	1
Gilbert P. Reyna, Jr.	Director of Finance	16	15
Thomas Gwosdz	City Attorney	2	2
Cheryl Marthiljohni	Director of Human Resources	1	1
Rick Henrichs	Director of Information Technology	31	13
John Kaminski	Director of Development Services	23	14
Jeffrey Craig	Police Chief	0	0
Taner Drake	Fire Chief	0	0
Doug Cochran	Director of Parks and Recreation	22	13
Dayna Williams-Capone	Director of Public Library	4	2
Lynn Short	Director of Public Works	19	8
Jerry G. James	Director of Environmental Services	9	9
O.C. Garza	Director of Communications	10	2



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

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INDEPENDENT AUDITORS' 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, 2011, 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, 2011 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 7, 2012, 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, budgetary comparison information, and historical pension and other postemployment benefits information on pages 3 through 17 and 68 through 71 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.

Harrison, Waldrop & Whitt, LLP

March 7, 2012

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, 2011. 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.

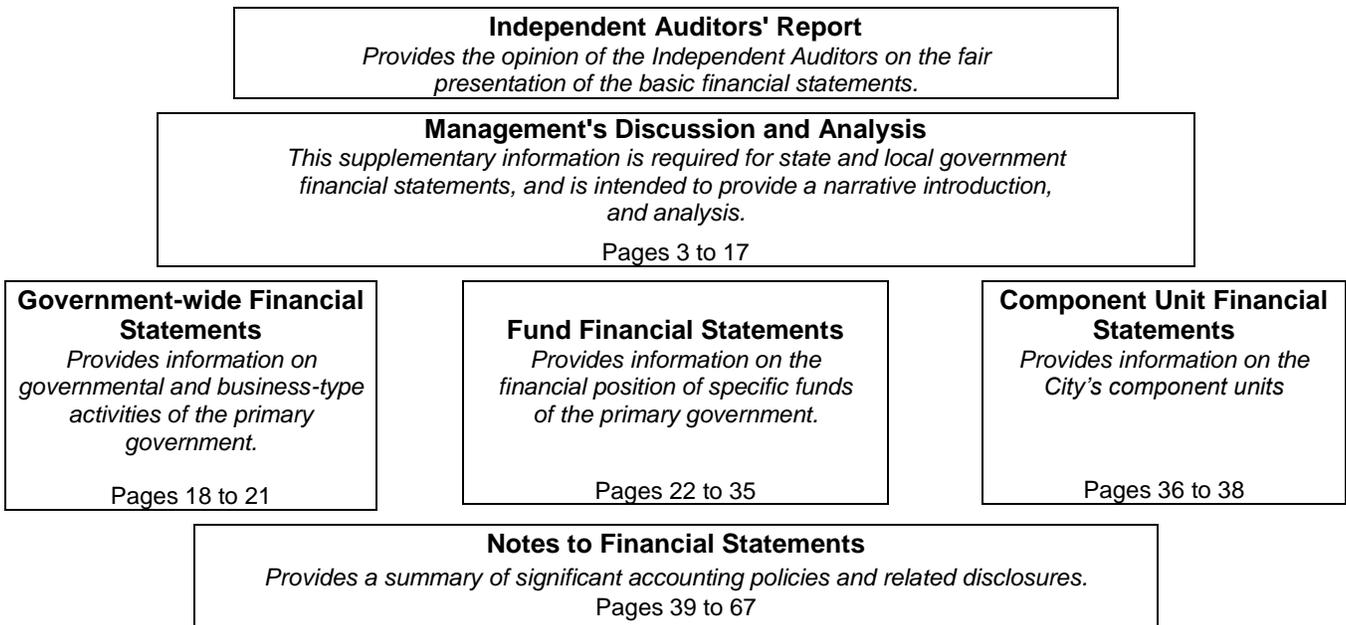
FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the fiscal year ended September 30, 2011, by \$180,509,857. Of this amount, \$36,504,998 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, 2011, the City's governmental funds reported combined ending fund balances of \$34,898,194, a decrease of \$16,221,010 (32%) in comparison with prior year. The unassigned fund balance is \$19,703,947 (see page 10 for further detail).
- At September 30, 2011, unassigned fund balance for the General Fund was \$14,342,229 or 37% of total General Fund expenditures.
- The total cost of all City activities was \$92,065,880 for the fiscal year. Net cost of all activities was \$46,821,247.
- During the year, the City's net expenses exceeded general revenues of the primary government by \$4,014,508. This represents a 2.2% decrease in net assets from the previous fiscal year.
- The City's outstanding long-term debt had a net increase of \$2,318,208. The main reason for the increase is due to the fact that during the fiscal year 2011, the City issued \$9.74 million in Pass-Through Toll Revenue and Limited Tax Bonds for improvements to the State Highway Loop 463.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Organization and Flow of Financial Section Information



OVERVIEW OF THE FINANCIAL STATEMENTS - (Continued)

Government-wide Financial Statements

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

Statement of Net Assets

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The statement of net assets can be found on pages 18 through 19.

Statement of Activities

The statement of activities presents information showing how the government's net assets changed during fiscal year 2011. 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 (pages 24 and 27).

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, Streets and Drainage Use Bonds 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 67 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 68 through 71 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 72 through 171 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 \$180,509,857 at the close of the fiscal year ended September 30, 2011.

At the end of fiscal year 2011, 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	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 56,162,029	\$ 70,418,674	\$ 27,101,236	\$ 29,642,291	\$ 83,263,265	\$ 100,060,965
Capital assets (net)	170,310,471	159,222,583	110,157,624	105,075,074	280,468,095	264,297,657
Total assets	<u>226,472,500</u>	<u>229,641,257</u>	<u>137,258,860</u>	<u>134,717,365</u>	<u>363,731,360</u>	<u>364,358,622</u>
Current and other liabilities	11,480,607	9,631,070	7,212,810	7,161,619	18,693,417	16,792,689
Noncurrent liabilities	94,509,294	88,516,493	70,018,792	74,381,571	164,528,086	162,898,064
Total liabilities	<u>105,989,901</u>	<u>98,147,563</u>	<u>77,231,602</u>	<u>81,543,190</u>	<u>183,221,503</u>	<u>179,690,753</u>
Net assets:						
Investment in capital assets, net of related debt	96,662,568	101,134,927	42,657,025	38,241,963	139,319,593	139,376,890
Restricted	4,685,266	3,582,920	-	-	4,685,266	3,582,920
Unrestricted	19,134,765	26,775,847	17,370,233	14,932,212	36,504,998	41,708,059
Total net assets	<u>\$ 120,482,599</u>	<u>\$ 131,493,694</u>	<u>\$ 60,027,258</u>	<u>\$ 53,174,175</u>	<u>\$ 180,509,857</u>	<u>\$ 184,667,869</u>

The largest portion of the City's fiscal year 2011 net assets (77.18% or \$139,319,593) 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 \$4,685,266 consisting of \$880,044 for debt service, \$2,191,244 for capital projects, \$1,381,867 for special programs related to culture and recreation, and \$232,111 for public safety programs. The remaining balance of \$36,504,998 may be used to meet the government's ongoing obligations to citizens and creditors; over all, the City's net assets decreased by \$4,014,508, which consists of a decrease of \$11,011,095 in governmental net assets and an increase of \$6,996,587 in business-type net assets.

City of Victoria, Texas

Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
REVENUES						
Program revenues:						
Charges for services	\$ 6,668,184	\$ 6,272,264	\$ 28,889,017	\$ 26,527,371	\$ 35,557,201	\$ 32,799,635
Operating grants and contributions	3,961,041	2,868,795	-	-	3,961,041	2,868,795
Capital grants and contributions	2,598,637	3,834,982	3,127,754	284,490	5,726,391	4,119,472
General revenues:						
Property taxes	20,330,192	20,178,350	-	-	20,330,192	20,178,350
Other taxes	21,191,478	17,840,255	-	-	21,191,478	17,840,255
Other	<u>1,241,355</u>	<u>1,389,855</u>	<u>43,714</u>	<u>48,460</u>	<u>1,285,069</u>	<u>1,438,315</u>
Total revenues	<u>55,990,887</u>	<u>52,384,501</u>	<u>32,060,485</u>	<u>26,860,321</u>	<u>88,051,372</u>	<u>79,244,822</u>
EXPENSES						
General government	8,885,981	7,634,811	-	-	8,885,981	7,634,811
Public safety	24,668,502	24,156,480	-	-	24,668,502	24,156,480
Highways and streets	26,226,457	14,827,929	-	-	26,226,457	14,827,929
Culture and recreation	5,579,848	5,358,952	-	-	5,579,848	5,358,952
Interest on long-term debt	4,187,138	4,562,764	-	-	4,187,138	4,562,764
Water/wastewater	-	-	18,628,230	18,589,868	18,628,230	18,589,868
Environmental services	-	-	3,219,898	3,182,201	3,219,898	3,182,201
Other	<u>-</u>	<u>-</u>	<u>813,330</u>	<u>848,161</u>	<u>813,330</u>	<u>848,161</u>
Total expenses	<u>69,547,926</u>	<u>56,540,936</u>	<u>22,661,458</u>	<u>22,620,230</u>	<u>92,209,384</u>	<u>79,161,166</u>
Change in net assets before transfers	(13,557,039)	(4,156,435)	9,399,027	4,240,091	(4,158,012)	83,656
Transfers	<u>2,545,944</u>	<u>4,885,859</u>	<u>(2,545,944)</u>	<u>(4,885,859)</u>	<u>-</u>	<u>-</u>
Change in net assets	(11,011,095)	729,424	6,853,083	(645,768)	(4,158,012)	83,656
Net assets - 10/01/10, as restated	<u>131,493,694</u>	<u>130,764,270</u>	<u>53,174,175</u>	<u>53,819,943</u>	<u>184,667,869</u>	<u>184,584,213</u>
Net assets - 9/30/11	<u>\$120,482,599</u>	<u>\$ 131,493,694</u>	<u>\$ 60,027,258</u>	<u>\$53,174,175</u>	<u>\$180,509,857</u>	<u>\$184,667,869</u>

GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)

The over-all decrease in net assets is \$4,158,012 which consists of a decrease of \$11,011,095 in governmental activities and an increase of \$6,853,083 in business-type activities. The decrease in the governmental type activities is mainly due to the issuance of the \$9.74 million Texas Pass-Through Toll Revenue and Limited Tax Bonds, Series 2011 (Bonds). The Bonds were issued for the construction of two over-passes located at an existing state highway known as Loop 463, per the City's Capital Improvement Program and Texas Department of Transportation (TxDOT) Pass-Through Toll Contract. Approximately 64% of the bond proceeds, funds from the Sales Tax Development Corporation, and left over bond proceeds from prior bond issues were transferred to TxDOT. The total transfer was approximately \$12.87 million. Once the project is completed, the asset will belong to the State of Texas and not the City.

Governmental Activities

**City of Victoria, Texas
2011 Expenses and Program Revenues - Governmental Activities**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>% of Total</u>	<u>Revenues</u>	<u>% of Total</u>	<u>Net (Expense) Revenue</u>
General government	\$ 8,885,981	12.78%	\$ 4,165,588	31.49%	(\$ 4,720,393)
Public safety	24,668,502	35.47%	4,973,607	37.60%	(19,694,895)
Highways and streets	26,226,457	37.71%	3,297,208	24.93%	(22,929,249)
Culture and recreation	5,579,848	8.02%	791,459	5.98%	(4,788,389)
Interest on long-term debt	<u>4,187,138</u>	6.02%	-	0.00%	<u>(4,187,138)</u>
	<u>\$69,547,926</u>		<u>\$13,227,862</u>		<u>(\$ 56,320,064)</u>

**City of Victoria, Texas
Revenue by Source - Governmental Activities**

<u>Description</u>	<u>Revenues</u>		<u>Revenues</u>	
	<u>2011</u>	<u>% of Total</u>	<u>2010</u>	<u>% of Total</u>
Charges for services	\$ 6,668,184	11.39%	\$ 6,272,264	10.95%
Operating grants and contributions	3,961,041	6.77%	2,868,795	5.01%
Capital grants and contributions	2,598,637	4.44%	3,834,982	6.70%
Property taxes	20,330,192	34.73%	20,178,350	35.23%
Sales taxes	14,768,729	25.23%	11,978,185	20.92%
Franchise taxes	4,761,009	8.13%	4,665,101	8.15%
Other taxes	1,661,740	2.84%	1,196,969	2.09%
Unrestricted investment earnings	128,013	0.22%	305,323	0.53%
Miscellaneous	1,113,342	1.90%	1,084,532	1.89%
Transfers	<u>2,545,944</u>	4.35%	<u>4,885,859</u>	8.53%
Total	<u>\$ 58,536,831</u>		<u>\$ 57,270,360</u>	

GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)

Business-type Activities

Fiscal year 2011 business-type activities increased the City's net assets by \$6,853,083. The net asset increase is due mainly to:

- 1) Increase in water sales due to the dry conditions Victoria experienced in FY 2011;
- 2) Increase in industrial charges due to rate increase; and,
- 3) As of January 1, 2011, the City of Victoria took over the operations of the U.S. Hwy 59 wastewater treatment plant, which was operated by Guadalupe Blanco River Authority through a service contract. The contract was not renewed and as a result, the U.S. Hwy 59 wastewater treatment plant assets were transferred to the City of Victoria, which resulted in a net capital contribution of \$3.58 million.

**City of Victoria, Texas
2011 Expenses and Program Revenues - Business-type Activities**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>% of Total</u>	<u>Program Revenues</u>	<u>% of Total</u>	<u>Net (Expense) Revenue</u>
Water/wastewater	\$18,628,230	82.20%	\$27,214,154	85.00%	\$8,585,924
Environmental services	3,219,898	14.21%	4,462,994	13.94%	1,243,096
Other	<u>813,330</u>	3.59%	<u>339,623</u>	1.06%	(<u>473,707</u>)
	<u>\$22,661,458</u>		<u>\$32,016,771</u>		<u>\$9,355,313</u>

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

<u>Description</u>	<u>Revenues 2011</u>	<u>% of Total</u>	<u>Revenues 2010</u>	<u>% of Total</u>
Charges for services	\$28,889,017	97.88%	\$26,527,371	120.72%
Capital grants and contributions	3,127,754	10.60%	284,490	1.29%
Unrestricted investment earnings	43,714	0.15%	48,460	0.22%
Transfers	(<u>2,545,944</u>)	(8.63%)	(<u>4,885,859</u>)	(22.23%)
Total	<u>\$29,514,541</u>		<u>\$21,974,462</u>	

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds

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

As of the end of fiscal year 2011, the City's governmental funds reported combined ending fund balances of \$34,898,194, a decrease of \$16,221,010. The main reason for the decrease in the City's governmental funds is due to the spending of bond monies on several capital improvement projects which were included in the City's Capital Improvement Program Plan.

The City's governmental funds combined fund balance of \$34,898,194 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 2011, unassigned fund balance of the General Fund was \$14,342,229 while total General Fund fund balance was \$16,228,299. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 37% of the total General Fund expenditures, while total fund balance represents 41% of that same amount.

The City's General Fund fund balance increased by \$2,076,393, which was mainly due to an increase in sales tax rebate revenue and decrease in personnel cost.

2. *The Capital Construction Fund (3037)* 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 2011, fund balance of the Capital Construction Fund (3037) was \$11,907,737.

The main reason for the decrease in the Capital Construction Fund (3037) 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 Capital Construction Fund (3036)* 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 2011, fund balance of the Capital Construction Fund (3036) was \$3,708,863. The main reason for the increase in the Capital Construction Fund (3036) fund balance is due to the issuance of the 2011 Pass-Through Toll Revenue and Limited Tax Bonds for \$9,740,000. The fund balance will be used to make the final construction payment to TxDOT, which will occur in fiscal year 2012, per TxDOT Pass-Through Toll Contract.

4. *The Debt Service Fund* is a debt service fund used to account for the General Obligation Bond and Certificate of Obligation Bond debt repayments and revenue collections. At the end of fiscal year 2011, fund balance of the Debt Service Fund was \$953,394. The main reason for the \$70,732 decrease in the Debt Service Fund fund balance is due to a planned lowering of the fund balance to an acceptable level as a result of IRS arbitrage guidelines and calculations.

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

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>2011 Unrestricted Net Assets</u>	<u>2010 Unrestricted Net Assets</u>
Water and Wastewater	\$10,364,281	\$ 8,607,426
Environmental Services	4,872,946	3,887,749
Other	<u>2,133,006</u>	<u>2,437,037</u>
Total	<u>\$17,370,233</u>	<u>\$14,932,212</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 2011 General Fund's original budget and fiscal year 2011 General Fund's final amended budget for expenditures was \$2,626,070. The \$2,626,070 is made up of the following: \$2,009,003 for fiscal year 2010 carryover encumbrances and \$617,067 in fiscal year 2011 various budget amendments.
- The City was planning to spend approximately \$2.53 million in one-time expenses; however, only \$2.08 million was spent or encumbered as of September 30, 2011. Two of the one-time expenditures did not occur, which consisted of \$300K for the 1 million gallon water tank project (Council decided to delete this project from the Capital Improvement Program) and \$143K for drainage mowing maintenance (due to the weather conditions, this expenditure was not needed).
- For fiscal year 2011, the General Fund's revenues came in \$381,016 higher than what was projected in the Fiscal Year 2011-2012 budget document. The increase was mainly due to sales tax revenue coming higher than expected.
- For fiscal year 2011, the General Fund's actual expenditures came in approximately \$1.4 million lower than what was projected in the Fiscal Year 2011-2012 budget document. This positive variance is mainly due to the following:
 - Personnel costs came in lower than expected;
 - Office supplies and other supplies costs came in lower than expected;
 - Street maintenance costs came in lower than expected;
 - Storm drainage maintenance costs came in lower than expected;
 - Various Parks department maintenance accounts came in lower than expected;
 - Contract labor costs came in lower than expected;
 - Parks department other structure – capital outlay costs came in lower than expected;
 - Library equipment maintenance costs came in lower than expected;
 - Central appraisal district costs came in lower than expected; and,
 - Street rehab program 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, 2011, amounts to \$280,468,095 (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 \$16,170,439 or 6.12% (an \$11,087,888 or 7.0% increase for governmental activities and \$5,082,551 or 4.84% increase for business-type activities).

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

City of Victoria, Texas Capital Asset Investment Activity Schedule

Capital Asset Description	Additions Governmental Activities	Deletions Governmental Activities	Additions Business-type Activities	Deletions Business-type Activities	Net Total
Land	\$ -	\$ -	\$ 33,275	\$ -	\$ 33,275
Buildings	2,240,533	5,479	236,343	43,954	2,427,443
Other structure improvements	308,598	32,656	27,257	-	303,199
Infrastructure - streets, drainage, traffic, and sidewalks, etc.	162,943	-	140,563	-	303,506
Construction in progress	21,818,783	9,103,686	6,070,582	4,546,236	14,239,443
Machinery, equipment, and vehicles	9,310,928	650,641	185,541	154,258	8,691,570
Water and wastewater distribution system	-	-	<u>18,802,723</u>	-	<u>18,802,723</u>
Total	<u>\$ 33,841,785</u>	<u>\$ 9,792,462</u>	<u>\$ 25,496,284</u>	<u>\$ 4,744,448</u>	44,801,159
					FY 2011 depreciation expense (18,546,408)
					FY 2011 accumulated depreciation on contributed assets (10,838,483)
					FY 2011 accumulated depreciation deletions 754,171
					Primary government beginning capital assets balance <u>264,297,656</u>
					Primary government ending capital assets balance <u>\$280,468,095</u>

CAPITAL ASSET AND DEBT ADMINISTRATION - (Continued)

Capital Assets - (Continued)

The following financial table represents the City's total capital assets as of September 30, 2011:

City of Victoria, Texas						
Capital Assets						
(Net of Depreciation)						
	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 3,841,610	\$ 3,841,610	\$ 4,377,944	\$ 4,344,669	\$ 8,219,554	\$ 8,186,279
Construction in progress	24,801,409	12,086,312	4,790,035	3,265,689	29,591,444	15,352,001
Machinery and equipment	19,048,092	12,583,429	1,403,356	1,593,215	20,451,448	14,176,644
Buildings	8,003,612	6,240,154	28,880,403	29,880,915	36,884,015	36,121,069
Improvements other than buildings	3,536,221	3,489,194	1,178,417	1,275,972	4,714,638	4,765,166
Infrastructure	111,079,527	120,981,884	1,487,918	1,480,229	112,567,445	122,462,113
Water and wastewater distribution system	-	-	68,039,551	63,234,384	68,039,551	63,234,384
Total	<u>\$170,310,471</u>	<u>\$159,222,583</u>	<u>\$110,157,624</u>	<u>\$105,075,073</u>	<u>\$280,468,095</u>	<u>\$264,297,656</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 2011, the City had total bonded debt outstanding of \$167,000,000. Of this amount, \$97,875,000 comprises debt backed by the full faith and credit of the government and \$69,125,000 secured solely by specific revenue sources (i.e., revenue bonds). In addition, the City had outstanding \$1,387,712 in compensated absences, \$139,000 in other post employment benefits payable, \$3,087,456 in estimated landfill closure and post-closure care cost; \$3,317,304 in net bond premium (discount), and \$1,991,208 in deferred financing costs as of September 30, 2011.

City of Victoria, Texas
Outstanding Debt, Net Bond Premium (Discount), and Deferred Financing Costs

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
General obligation bonds	\$ 38,135,000	\$ 30,475,000	\$ -	\$ -	\$ 38,135,000	\$ 30,475,000
Certificate of obligation bonds	59,740,000	61,375,000	-	-	59,740,000	61,375,000
Revenue bonds	-	-	69,125,000	73,040,000	69,125,000	73,040,000
Compensated absences	1,160,236	1,202,299	227,476	225,593	1,387,712	1,427,892
OPEB payable	113,481	-	25,519	-	139,000	-
Estimated landfill closure and post-closure care cost	-	-	3,087,456	2,982,260	3,087,456	2,982,260
Net bond premium (discount)	800,703	764,623	2,516,601	2,722,750	3,317,304	3,487,373
Deferred financing costs	(1,376,521)	(1,491,437)	(614,687)	(674,032)	(1,991,208)	(2,165,469)
Total	\$ 98,572,899	\$ 92,325,485	\$ 74,367,365	\$ 78,296,571	\$ 176,922,680	\$ 170,622,056

The City's debt had a net increase of \$6,300,624 or 4%. The key factors to this net increase are the following:

- Debt payments of \$3,715,000 in governmental activities bonds and \$3,915,000 in business-type activities bonds were made during fiscal year 2011,
- The City issued \$9.74 million in Pass-Through Toll Revenue and Limited Tax Bonds in fiscal year 2011 in order to fund the City's portion of the State Highway Loop 463 improvement project,
- Compensated absences liability decreased by \$40,180,
- Other post employment benefits payable increased by \$139,000,
- 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 \$90,204, and
- Deferred financing cost decreased by \$174,261.

Additional information on the City's debt can be found in Note 11 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- As a result of Texas' job growth and sales tax collections, both from business and consumer purchases, the Texas economy continues to improve and exceed other states. The Dallas Fed has stated: "*Texas is an oasis in a national economic desert devoid of life-giving job creation.*" As you may recall, Texas was one of the last States that went into the "*Great Recession*" and was one of the first States to come out. As we have for past years, we continue to outpace the rest of the United States in employment growth by a significant margin. Texas, the world's 12th largest economy, has almost as many people employed as we did before the recession began. *Note: the unemployment rate in Victoria for the first quarter of 2012 stood at 5.7% compared to Texas unemployment rate of 7.5% and US unemployment rate of 8.3% (Source: US Bureau of Labor Statistics).*

Just like Texas, Victoria is an oasis in the crossroads of the Coastal Bend. Victoria's economy has improved since fiscal years 2009 and 2010. The announcement of Caterpillar's excavator assembly plant, which is expected to provide over 500 new jobs, along with its "*downstream supplier companies*", which are expected to provide an additional 500 new jobs, has placed Victoria on a track of growth. In addition to Caterpillar, we have in our area the Eagle Ford Shale project, new development occurring at the Port of Victoria and the future development of University of Houston-Victoria, which has all led to confidence in our community. This confidence is demonstrated not only with the increase in sales tax, but new housing growth and multi-family housing development. In addition, the Real Estate Center at Texas A&M University ranked Victoria the third highest employment growth rate in a Texas metropolitan area.

One concern economists have is that while the U.S. and world economy improves, commodity prices will start to increase, which will eventually lead to inflationary pressures around the world, including Victoria. 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 place in order to set priorities and guide the City through planning of future capital improvements and other services.

- Victoria, the second oldest incorporated city in Texas, celebrated its 178th birthday in October 2002. More than 175,000 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 the first quarter of FY 2012, sales tax revenues came in approximately \$1.04K or 33.4% 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, 2010. The 2011-2012 total appraised value of all property in the City of Victoria, as rendered by the Victoria County Tax Appraisal District and adjusted for frozen taxable appraised values, is \$3,208,342,376; an increase of 2.6% or \$81 million over last year's tax roll (adjusted for frozen taxable appraised values) of \$3,127,366,042.
- The ad valorem tax rate for fiscal year 2012 was set at 64.50¢, a decrease of 0.50¢ from last year's tax rate of 65¢. The tax rate is allocated at 38.96¢ for maintenance and operating cost of the General Fund (a decrease of 0.50¢) and 25.54¢ for debt service (bond) payment (no change).
- 1,491 building permits were issued in fiscal year 2011, which represents a decrease of 136; however, in comparing FY 2010 year permit value amount to FY 2011 permit value amount, the total permit value amount increased by \$62.5 million or 125.8% over last year.

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

- The General Fund unassigned fund balance at September 30, 2011, came in \$6,341,046 above the minimum required unassigned fund balance of \$8,001,183, for a total year-end unassigned fund balance of \$14,342,229. The City has a policy of maintaining a minimum unassigned fund balance of 20% of total expenditures. The excess unassigned fund balance will be used during fiscal year 2012 on one-time/non-reoccurring expenditures, capital improvement projects, or at Council's discretion.
- Water and sewer base rates were increased in fiscal year 2012 in order to fund the debt service associated with the construction of a new wastewater treatment plant. More detailed information on this subject can be found in the City's FY 2012 budget.
- Effective January 1, 2011, the City has completed its transition of taking over the U.S. Hwy 59 wastewater treatment plant, which was operated by Guadalupe-Blanco River Authority (GBRA) through a service contract. The City is anticipating its net operating cost for the U.S. Hwy 59 wastewater treatment plant will be reduced by approximately \$600,000.
- During FY 2012, the City of Victoria will close its recycling center collection facilities and implement a new *Single Stream Curbside Recycling Program* and a *Household Hazardous Waste Program*.
 - i. *The Single Stream Curbside Recycling Program* - will require an operating rate fee of \$1.28/month; however, as a result of closing the recycling center collection facilities, the recycling center collection operating fee of 50¢/month will be used to offset the Single Stream Curbside Recycling Program monthly operating fee of \$1.28/month, a net increase of 78¢/month. The program will consist of the following:
 - a. Waste Management, Inc. will build and operate the recycling collection facility;
 - b. All residential customers would take part in the curbside recycling program;
 - c. All pickups will be done by the City; and,
 - d. Pickups will occur twice a month for each household (i.e. every other week).
 - ii. *The Household Hazardous Waste Program* - will require an operating rate fee of 65¢/month. The program will consist of the following:
 - a. City of Victoria will contract with Waste Management, Inc. to implement and operate the Household Hazardous Waste Program;
 - b. All residential customers would take part in the Household Hazardous Waste Program; and,
 - c. All hazardous waste pickups will be scheduled and picked up at the customer residences.
- 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 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-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 5th year of the contract term.

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

- The City's next five fiscal years Capital Improvement Program Projects consist of approximately \$99.81 million; FY 2012 - \$70.90 million, FY 2013 - \$8.36 million, FY 2014 - \$4.89 million, FY 2015 - \$7.66 million, and FY 2016 - \$8 million. More detailed information on this subject can be found in the City's FY 2012 budget.

Requests for Information

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



CITY OF VICTORIA, TEXAS
STATEMENT OF NET ASSETS
September 30, 2011

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 38,930,398	\$ 12,597,453	\$ 51,527,851	\$ 8,304,082
Investments	7,993,152	-	7,993,152	3,598,822
Receivables (net)	7,490,039	2,900,233	10,390,272	704,443
Internal balances	(233,640)	233,640	-	-
Due from primary government	-	-	-	1,022,127
Inventory	515,080	117,307	632,387	-
Returned checks	17,091	4,879	21,970	-
Restricted assets				
Cash and cash equivalents	35,000	8,453,682	8,488,682	-
Investments	-	1,499,509	1,499,509	-
Total current assets	<u>54,747,120</u>	<u>25,806,703</u>	<u>80,553,823</u>	<u>13,629,474</u>
Noncurrent assets				
Capital assets				
Land and other assets not being depreciated	28,643,019	9,167,979	37,810,998	6,724,254
Buildings, improvements, and equipment (net)	141,667,452	100,989,645	242,657,097	8,165,891
Bond issue costs (net)	<u>1,414,909</u>	<u>1,294,533</u>	<u>2,709,442</u>	<u>108,274</u>
Total noncurrent assets	<u>171,725,380</u>	<u>111,452,157</u>	<u>283,177,537</u>	<u>14,998,419</u>
Total assets	<u>226,472,500</u>	<u>137,258,860</u>	<u>363,731,360</u>	<u>28,627,893</u>

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
LIABILITIES				
Current liabilities				
Accounts payable	\$ 3,906,447	\$ 564,154	\$ 4,470,601	\$ 258,284
Accounts payable (payable from restricted assets)	-	470,151	470,151	-
Accrued expenses	1,671,879	230,358	1,902,237	-
Due to other governments	87,764	30,718	118,482	-
Due to component unit	500,000	522,127	1,022,127	-
Customer deposits	-	39,435	39,435	-
Claims payable	440,790	-	440,790	-
Unearned revenue	242,161	-	242,161	-
Accrued compensated absences	108,603	21,573	130,176	-
Accrued interest payable	567,963	1,004,294	1,572,257	93,535
Current portion of long-term obligations	3,955,000	4,330,000	8,285,000	830,000
Total current liabilities	<u>11,480,607</u>	<u>7,212,810</u>	<u>18,693,417</u>	<u>1,181,819</u>
Noncurrent liabilities				
Noncurrent portion of long-term obligations (net of deferred amounts)	93,344,182	66,696,914	160,041,096	4,842,439
Accrued compensated absences	1,051,631	208,903	1,260,534	-
Other post employment benefits payable	113,481	25,519	139,000	-
Estimated landfill closure and postclosure care cost	-	3,087,456	3,087,456	-
Total noncurrent liabilities	<u>94,509,294</u>	<u>70,018,792</u>	<u>164,528,086</u>	<u>4,842,439</u>
Total liabilities	<u>105,989,901</u>	<u>77,231,602</u>	<u>183,221,503</u>	<u>6,024,258</u>
NET ASSETS				
Invested in capital assets, net of related debt	96,662,568	42,657,025	139,319,593	9,217,706
Restricted for:				
Debt service	880,044	-	880,044	-
Capital projects	2,191,244	-	2,191,244	-
Public safety	232,111	-	232,111	-
Culture and recreation	1,381,867	-	1,381,867	-
Unrestricted net assets	<u>19,134,765</u>	<u>17,370,233</u>	<u>36,504,998</u>	<u>13,385,929</u>
Total net assets	<u>\$ 120,482,599</u>	<u>\$ 60,027,258</u>	<u>\$ 180,509,857</u>	<u>\$ 22,603,635</u>

The accompanying notes are an integral part of this statement.

CITY OF VICTORIA, TEXAS
STATEMENT OF ACTIVITIES
For the year ended September 30, 2011

Function/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government	\$ 8,885,981	\$ 2,571,837	\$ 1,593,751	\$ -
Public safety	24,668,502	3,720,774	1,252,833	-
Highways and streets	26,226,457	-	698,571	2,598,637
Culture and recreation	5,579,848	375,573	415,886	-
Interest on long-term debt	4,187,138	-	-	-
Total governmental activities	<u>69,547,926</u>	<u>6,668,184</u>	<u>3,961,041</u>	<u>2,598,637</u>
Business-type activities				
Water/wastewater	18,628,230	24,086,400	-	3,127,754
Environmental services	3,219,898	4,462,994	-	-
Other	813,330	339,623	-	-
Total business-type activities	<u>22,661,458</u>	<u>28,889,017</u>	<u>-</u>	<u>3,127,754</u>
Total primary government	<u>\$ 92,209,384</u>	<u>\$ 35,557,201</u>	<u>\$ 3,961,041</u>	<u>\$ 5,726,391</u>
Component Units	<u>\$ 4,103,046</u>	<u>\$ 26,750</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
\$ (4,720,393)	\$ -	\$ (4,720,393)	\$ -
(19,694,895)	-	(19,694,895)	-
(22,929,249)	-	(22,929,249)	-
(4,788,389)	-	(4,788,389)	-
(4,187,138)	-	(4,187,138)	-
<u>(56,320,064)</u>	<u>-</u>	<u>(56,320,064)</u>	<u>-</u>
-	8,585,924	8,585,924	-
-	1,243,096	1,243,096	-
-	<u>(473,707)</u>	<u>(473,707)</u>	-
-	9,355,313	9,355,313	-
<u>(56,320,064)</u>	<u>9,355,313</u>	<u>(46,964,751)</u>	<u>-</u>
-	-	-	<u>(4,076,296)</u>
13,110,287	-	13,110,287	-
7,219,905	-	7,219,905	-
14,768,729	-	14,768,729	7,406,492
4,761,009	-	4,761,009	-
1,661,740	-	1,661,740	-
128,013	43,714	171,727	98,527
1,113,342	-	1,113,342	3,980
<u>2,545,944</u>	<u>(2,545,944)</u>	<u>-</u>	<u>-</u>
<u>45,308,969</u>	<u>(2,502,230)</u>	<u>42,806,739</u>	<u>7,508,999</u>
(11,011,095)	6,853,083	(4,158,012)	3,432,703
<u>131,493,694</u>	<u>53,174,175</u>	<u>184,667,869</u>	<u>19,170,932</u>
<u>\$ 120,482,599</u>	<u>\$ 60,027,258</u>	<u>\$ 180,509,857</u>	<u>\$ 22,603,635</u>

CITY OF VICTORIA, TEXAS*BALANCE SHEET**GOVERNMENTAL FUNDS**September 30, 2011*

	<u>General</u>	<u>Debt Service</u>	<u>Capital Construction Fund (3036)</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 15,606,979	\$ 994,635	\$ 3,708,863
Investments	-	-	-
Receivables (net)	5,913,777	453,372	-
Due from other funds	1,051,462	-	-
Inventory	315,614	-	-
Returned checks	16,878	-	-
Total assets	<u>\$ 22,904,710</u>	<u>\$ 1,448,007</u>	<u>\$ 3,708,863</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 880,258	\$ -	\$ -
Accrued expenditures	1,626,280	-	-
Accrued interest payable	-	41,241	-
Accrued compensated absences	17,146	-	-
Due to other governments	87,764	-	-
Due to other funds	84,895	-	-
Due to component unit	500,000	-	-
Deferred revenue	3,480,068	453,372	-
Total liabilities	<u>6,676,411</u>	<u>494,613</u>	<u>-</u>
Fund balances			
Nonspendable			
Inventory	315,614	-	-
Restricted	-	953,394	3,708,863
Committed	1,570,456	-	-
Unassigned	14,342,229	-	-
Total fund balances	<u>16,228,299</u>	<u>953,394</u>	<u>3,708,863</u>
Total liabilities and fund balances	<u>\$ 22,904,710</u>	<u>\$ 1,448,007</u>	<u>\$ 3,708,863</u>

The accompanying notes are an integral part of this statement.

<u>Capital Construction Fund (3037)</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 6,214,308	\$ 2,384,080	\$ 28,908,865
7,993,152	-	7,993,152
-	852,731	7,219,880
-	117,998	1,169,460
-	-	315,614
-	-	16,878
<u>\$ 14,207,460</u>	<u>\$ 3,354,809</u>	<u>\$ 45,623,849</u>
\$ 2,299,723	\$ 583,922	\$ 3,763,903
-	3,360	1,629,640
-	-	41,241
-	-	17,146
-	-	87,764
-	425,465	510,360
-	-	500,000
-	242,161	4,175,601
<u>2,299,723</u>	<u>1,254,908</u>	<u>10,725,655</u>
-	-	315,614
11,907,737	2,099,901	18,669,895
-	-	1,570,456
-	-	14,342,229
<u>11,907,737</u>	<u>2,099,901</u>	<u>34,898,194</u>
<u>\$ 14,207,460</u>	<u>\$ 3,354,809</u>	<u>\$ 45,623,849</u>

CITY OF VICTORIA, TEXAS

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET ASSETS

OF GOVERNMENTAL ACTIVITIES

September 30, 2011

Total governmental fund balances	\$ 34,898,194
<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.	18,246,955
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.	1,581,091
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.	2,352,349
Capital assets used in governmental activities are reported as expenditures in governmental funds when purchased or constructed. The cost of these assets is \$275,585,782 and the accumulated depreciation is \$114,575,410.	161,010,372
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 \$2,021,087 and the accumulated amortization is \$606,178.	1,414,909
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	\$ (97,875,000)
Bond premiums	(800,703)
Deferred loss on refunding	1,376,521
Accrued interest on the bonds	(526,722)
Other post employment benefits payable	(113,481)
Compensated absences	(1,081,886)
	<u>(99,021,271)</u>
Net assets of governmental activities	<u>\$ 120,482,599</u>

The accompanying notes are an integral part of this statement.



CITY OF VICTORIA, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the year ended September 30, 2011

	General	Debt Service	Capital Construction Fund (3036)
REVENUES			
Taxes	\$ 32,945,173	\$ 7,237,449	\$ -
Licenses and permits	654,829	-	-
Intergovernmental	2,238,300	453,901	-
Charges for services	2,108,045	-	-
Fines and forfeitures	786,914	-	-
Investment income	41,243	5,756	7,641
Miscellaneous	297,184	-	250,000
Total revenues	<u>39,071,688</u>	<u>7,697,106</u>	<u>257,641</u>
EXPENDITURES			
Current			
General government	5,839,278	-	-
Public safety	24,558,229	-	-
Highways and streets	4,165,782	-	12,867,785
Culture and recreation	4,554,085	-	-
Capital outlay	-	-	-
Debt service			
Principal retirement	-	3,715,000	-
Interest and fiscal charges	-	4,037,313	-
Paying agents' fees and issue costs	-	15,525	188,284
Total expenditures	<u>39,117,374</u>	<u>7,767,838</u>	<u>13,056,069</u>
Excess (deficiency) of revenues over expenditures	(45,686)	(70,732)	(12,798,428)
OTHER FINANCING SOURCES (USES)			
Bonds issued	-	-	9,740,000
Premium on issuance of bonds	-	-	97,204
Transfers in	3,010,618	-	6,448,657
Transfers out	(888,539)	-	-
Total other financing sources (uses)	<u>2,122,079</u>	<u>-</u>	<u>16,285,861</u>
Change in fund balances	2,076,393	(70,732)	3,487,433
Fund balances at beginning of year	<u>14,151,906</u>	<u>1,024,126</u>	<u>221,430</u>
Fund balances at end of year	<u>\$ 16,228,299</u>	<u>\$ 953,394</u>	<u>\$ 3,708,863</u>

The accompanying notes are an integral part of this statement.

Capital Construction Fund (3037)	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 1,565,067	\$ 41,747,689
-	-	654,829
-	2,876,530	5,568,731
-	-	2,108,045
-	84,245	871,159
57,495	1,311	113,446
<u>2,050,110</u>	<u>915,335</u>	<u>3,512,629</u>
<u>2,107,605</u>	<u>5,442,488</u>	<u>54,576,528</u>
-	1,852,688	7,691,966
-	1,412,315	25,970,544
100,335	244,670	17,378,572
-	919,707	5,473,792
18,718,308	171,355	18,889,663
-	-	3,715,000
-	-	4,037,313
-	-	<u>203,809</u>
<u>18,818,643</u>	<u>4,600,735</u>	<u>83,360,659</u>
(16,711,038)	841,753	(28,784,131)
-	-	9,740,000
-	-	97,204
-	1,108,951	10,568,226
<u>(6,448,657)</u>	<u>(505,113)</u>	<u>(7,842,309)</u>
<u>(6,448,657)</u>	<u>603,838</u>	<u>12,563,121</u>
(23,159,695)	1,445,591	(16,221,010)
<u>35,067,432</u>	<u>654,310</u>	<u>51,119,204</u>
<u>\$ 11,907,737</u>	<u>\$ 2,099,901</u>	<u>\$ 34,898,194</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, 2011*

Total net change in fund balances - governmental funds \$ (16,221,010)

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

Internal service funds are used by the City to charge the costs of certain activities, such as insurance and vehicle and equipment services, to individual funds. The net loss of the internal service funds is reported with governmental activities. (101,461)

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 2010/2011 capital outlays is to increase net assets. 23,011,485

The net effect of various transactions involving capital assets (i.e., transfers, adjustments and dispositions) is to increase net assets. 226,819

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. (11,930,391)

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:

 2011 Pass-Through Toll Revenue and Limited Tax Bonds (9,740,000)

Current year payments on long-term debt are expenditures in the fund financial statements, but they serve to reduce long-term liabilities in the government-wide financial statements. In the current year, these amounts consist of:

 Bond principal retirement 3,715,000

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	(25,255)	
Other revenues	<u>171,729</u>	146,474

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	38,690	
Increase in other post employment benefits payable	(113,481)	
Decrease in accrued interest	14,333	
Decrease in loss on bond refunding	(114,916)	
Net increase in bond premium	(36,080)	
Net increase in bond issue costs	<u>93,443</u>	<u>(118,011)</u>

Change in net assets of governmental activities \$ (11,011,095)

The accompanying notes are an integral part of this statement.



CITY OF VICTORIA, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
September 30, 2011

	Business-type Activities			Total	Governmental Activities Internal Service Funds
	Water and Wastewater	Environmental Services	Other Enterprise Funds		
ASSETS					
Current assets					
Cash and cash equivalents	\$ 8,562,700	\$ 2,747,214	\$ 1,287,539	\$ 12,597,453	\$ 10,021,533
Receivables (net)	2,585,534	314,687	12	2,900,233	270,159
Due from other funds	146,601	31,040	55,999	233,640	29,859
Inventory	117,307	-	-	117,307	199,466
Returned checks	4,067	-	812	4,879	213
Restricted assets					
Cash and cash equivalents	2,409,426	5,075,063	969,193	8,453,682	35,000
Investments	1,499,509	-	-	1,499,509	-
Total current assets	<u>15,325,144</u>	<u>8,168,004</u>	<u>2,313,555</u>	<u>25,806,703</u>	<u>10,556,230</u>
Noncurrent assets					
Capital assets					
Land and other assets not being depreciated	7,968,290	799,931	399,758	9,167,979	173,175
Buildings, improvements, and equipment (net)	95,252,831	2,132,378	3,604,436	100,989,645	9,126,924
Bond issue costs (net)	1,294,533	-	-	1,294,533	-
Total noncurrent assets	<u>104,515,654</u>	<u>2,932,309</u>	<u>4,004,194</u>	<u>111,452,157</u>	<u>9,300,099</u>
Total assets	<u>119,840,798</u>	<u>11,100,313</u>	<u>6,317,749</u>	<u>137,258,860</u>	<u>19,856,329</u>
LIABILITIES					
Current liabilities					
Accounts payable	384,056	62,356	117,742	564,154	142,544
Accounts payable (payable from restricted assets)	470,151	-	-	470,151	-
Accrued expenses	176,787	42,852	10,719	230,358	42,239
Accrued compensated absences	16,217	4,172	1,184	21,573	5,729
Due to other governments	-	30,718	-	30,718	-
Due to other funds	-	-	-	-	922,599
Due to component unit	500,000	22,127	-	522,127	-
Customer deposits	-	-	39,435	39,435	-
Claims payable	-	-	-	-	440,790
Accrued interest payable	1,004,294	-	-	1,004,294	-
Current portion of revenue bonds	4,330,000	-	-	4,330,000	-
Total current liabilities	<u>6,881,505</u>	<u>162,225</u>	<u>169,080</u>	<u>7,212,810</u>	<u>1,553,901</u>
Noncurrent liabilities					
Revenue bonds (net)	66,696,914	-	-	66,696,914	-
Accrued compensated absences	157,036	40,398	11,469	208,903	55,473
Other post employment benefits payable	20,540	4,979	-	25,519	-
Estimated landfill closure and postclosure care cost	-	3,087,456	-	3,087,456	-
Total noncurrent liabilities	<u>66,874,490</u>	<u>3,132,833</u>	<u>11,469</u>	<u>70,018,792</u>	<u>55,473</u>
Total liabilities	<u>73,755,995</u>	<u>3,295,058</u>	<u>180,549</u>	<u>77,231,602</u>	<u>1,609,374</u>
NET ASSETS					
Invested in capital assets, net of related debt	35,720,522	2,932,309	4,004,194	42,657,025	9,300,099
Unrestricted net assets	10,364,281	4,872,946	2,133,006	17,370,233	8,946,856
Total net assets	<u>\$ 46,084,803</u>	<u>\$ 7,805,255</u>	<u>\$ 6,137,200</u>	<u>\$ 60,027,258</u>	<u>\$ 18,246,955</u>

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, 2011

	Business-type Activities			Total	Governmental Activities Internal Service Funds
	Water and Wastewater	Environmental Services	Other Enterprise Funds		
OPERATING REVENUES					
Charges for services	\$ 23,839,111	\$ 4,214,079	\$ 339,623	\$ 28,392,813	\$ 11,547,890
Miscellaneous	247,289	248,915	-	496,204	307,922
Total operating revenues	<u>24,086,400</u>	<u>4,462,994</u>	<u>339,623</u>	<u>28,889,017</u>	<u>11,855,812</u>
OPERATING EXPENSES					
Personnel	4,834,231	1,144,687	281,457	6,260,375	1,151,378
Materials and supplies	1,282,173	272,160	36,245	1,590,578	1,779,486
Maintenance	919,795	2,698	40,253	962,746	307,934
Heat, lights and power	1,506,046	19,011	142,931	1,667,988	27,178
Reinsurance premiums	-	-	-	-	760,739
Miscellaneous services	1,385,142	605,441	56,812	2,047,395	537,125
Contractual services	1,064,214	35,302	23,659	1,123,175	1,191,988
Computer services	121,656	28,565	-	150,221	52,055
Court costs, judgments and damages	-	-	-	-	4,523
Claims expense	-	-	-	-	4,288,729
Wellness program	-	-	-	-	14,281
Tipping fees	-	707,744	-	707,744	-
Landfill closure and postclosure care cost	-	105,196	-	105,196	-
Depreciation	4,484,336	299,094	220,122	5,003,552	1,612,466
Total operating expenses	<u>15,597,593</u>	<u>3,219,898</u>	<u>801,479</u>	<u>19,618,970</u>	<u>11,727,882</u>
Operating income (loss) before nonoperating revenues (expenses) and contributions and transfers	8,488,807	1,243,096	(461,856)	9,270,047	127,930
NONOPERATING REVENUES (EXPENSES)					
Investment income	21,968	17,792	3,954	43,714	14,567
Interest and fiscal charges	(3,017,114)	-	-	(3,017,114)	-
Loss on disposition of capital assets	(13,523)	-	(32,128)	(45,651)	(43,708)
Net nonoperating revenues (expenses)	<u>(3,008,669)</u>	<u>17,792</u>	<u>(28,174)</u>	<u>(3,019,051)</u>	<u>(29,141)</u>
Income before contributions and transfers	5,480,138	1,260,888	(490,030)	6,250,996	98,789
Contributions and transfers					
Capital contributions	3,127,754	-	-	3,127,754	-
Transfers in	67,672	40,428	330,000	438,100	99,751
Transfers out	(2,271,000)	(506,300)	(186,467)	(2,963,767)	(300,001)
Total contributions and transfers	<u>924,426</u>	<u>(465,872)</u>	<u>143,533</u>	<u>602,087</u>	<u>(200,250)</u>
Change in net assets	6,404,564	795,016	(346,497)	6,853,083	(101,461)
Total net assets at beginning of year, as restated	<u>39,680,239</u>	<u>7,010,239</u>	<u>6,483,697</u>	<u>53,174,175</u>	<u>18,348,416</u>
Total net assets at end of year	<u>\$ 46,084,803</u>	<u>\$ 7,805,255</u>	<u>\$ 6,137,200</u>	<u>\$ 60,027,258</u>	<u>\$ 18,246,955</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, 2011

	Business-type Activities		
	Water and Wastewater	Environmental Services	Other Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers/other funds	\$ 23,420,242	\$ 4,455,470	\$ 339,632
Cash paid to suppliers for goods and services	(6,013,262)	(1,873,874)	(199,027)
Cash paid to employees for services	(4,972,527)	(1,202,118)	(292,416)
Net cash provided (used) by operating activities	<u>12,434,453</u>	<u>1,379,478</u>	<u>(151,811)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Increase (decrease) in customer deposits	-	-	5,100
Borrowings from (to) other funds	(183,160)	(15,273)	(5,732)
Borrowings from (to) component unit	500,000	-	-
Transfers in from other funds	67,672	40,428	330,000
Transfers out to other funds	(2,271,000)	(506,300)	(186,467)
Net cash provided (used) by noncapital financing activities	<u>(1,886,488)</u>	<u>(481,145)</u>	<u>142,901</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(7,368,853)	(108,913)	(209,784)
Principal paid on revenue bonds	(3,915,000)	-	-
Interest paid on revenue bonds	(3,038,985)	-	-
Net cash provided (used) by capital and related financing activities	<u>(14,322,838)</u>	<u>(108,913)</u>	<u>(209,784)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sales and maturities of investments	-	2,700,000	600,000
Purchase of investments	(1,197,662)	-	-
Investment income	20,230	18,993	4,221
Net cash provided (used) by investing activities	<u>(1,177,432)</u>	<u>2,718,993</u>	<u>604,221</u>
Net increase (decrease) in cash and cash equivalents	(4,952,305)	3,508,413	385,527
Cash and cash equivalents at beginning of year	<u>15,924,431</u>	<u>4,313,864</u>	<u>1,871,205</u>
Cash and cash equivalents at end of year	<u>\$ 10,972,126</u>	<u>\$ 7,822,277</u>	<u>\$ 2,256,732</u>

The accompanying notes are an integral part of this statement.

<u>Total</u>	<u>Governmental Activities Internal Service Funds</u>
\$ 28,215,344	\$ 11,944,983
(8,086,163)	(8,801,759)
<u>(6,467,061)</u>	<u>(1,200,710)</u>
13,662,120	1,942,514
5,100	-
(204,165)	1,016,589
500,000	-
438,100	-
<u>(2,963,767)</u>	<u>(300,001)</u>
<u>(2,224,732)</u>	<u>716,588</u>
(7,687,550)	(1,436,148)
(3,915,000)	-
<u>(3,038,985)</u>	<u>-</u>
<u>(14,641,535)</u>	<u>(1,436,148)</u>
3,300,000	2,500,908
(1,197,662)	-
43,444	14,567
<u>2,145,782</u>	<u>2,515,475</u>
(1,058,365)	3,738,429
<u>22,109,500</u>	<u>6,318,104</u>
<u>\$ 21,051,135</u>	<u>\$ 10,056,533</u>

(continued)

CITY OF VICTORIA, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended September 30, 2011

	Business-type Activities		
	Water and Wastewater	Environmental Services	Other Enterprise Funds
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 8,488,807	\$ 1,243,096	\$ (461,856)
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation	4,484,336	299,094	220,122
Changes in assets and liabilities			
(Increase) decrease in accounts receivable	(638,278)	(10,893)	-
(Increase) decrease in other receivables	(26,245)	3,369	9
(Increase) decrease in inventory	91,807	-	-
(Increase) decrease in returned checks	(1,635)	-	-
(Increase) decrease in due from other funds	-	-	-
(Increase) decrease in deposits	82,673	-	-
Increase (decrease) in accounts payable	91,284	(137,169)	100,873
Increase (decrease) in accrued expenses	(152,874)	(54,986)	(10,095)
Increase (decrease) in compensated absences	(5,962)	(7,424)	(864)
Increase (decrease) in due to other governments	-	(65,784)	-
Increase (decrease) in claims payable	-	-	-
Increase (decrease) in other post employment benefits payable	20,540	4,979	-
Increase (decrease) in landfill closure and postclosure care cost	-	105,196	-
Total adjustments	<u>3,945,646</u>	<u>136,382</u>	<u>310,045</u>
Net cash provided (used) by operating activities	<u>\$ 12,434,453</u>	<u>\$ 1,379,478</u>	<u>\$ (151,811)</u>
Reconciliation of cash and cash equivalents			
Unrestricted			
Cash and cash equivalents	\$ 8,562,700	\$ 2,747,214	\$ 1,287,539
Restricted			
Cash and cash equivalents	<u>2,409,426</u>	<u>5,075,063</u>	<u>969,193</u>
Total	<u>\$ 10,972,126</u>	<u>\$ 7,822,277</u>	<u>\$ 2,256,732</u>

Noncash capital and related financing activities

The Water and Wastewater Fund received a noncash contribution relating to capital asset additions of \$3,578,754 for fiscal year 2011.

The accompanying notes are an integral part of this statement.

<u>Total</u>	<u>Governmental Activities Internal Service Funds</u>
\$ 9,270,047	\$ 127,930
5,003,552	1,612,466
(649,171)	-
(22,867)	(127,112)
91,807	(6,053)
(1,635)	(213)
-	216,496
82,673	-
54,988	109,858
(217,955)	(43,605)
(14,250)	(5,727)
(65,784)	-
-	58,474
25,519	-
<u>105,196</u>	<u>-</u>
<u>4,392,073</u>	<u>1,814,584</u>
<u>\$ 13,662,120</u>	<u>\$ 1,942,514</u>
\$ 12,597,453	\$ 10,021,533
<u>8,453,682</u>	<u>35,000</u>
<u>\$ 21,051,135</u>	<u>\$ 10,056,533</u>

(concluded)

CITY OF VICTORIA, TEXAS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
September 30, 2011

	Private Purpose Trust	Agency
	<u> </u>	<u> </u>
ASSETS		
Cash and cash equivalents	\$ 15,797	\$ 213,988
Total assets	<u> 15,797</u>	<u> 213,988</u>
LIABILITIES		
Liabilities		
Accounts payable	-	1,559
Due to other agencies	-	212,429
Total liabilities	<u> -</u>	<u> 213,988</u>
NET ASSETS		
Unrestricted net assets	<u> \$ 15,797</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, 2011

	Private Purpose Trust
ADDITIONS	
Miscellaneous	
Participants' contributions	<u>\$ 131,735</u>
DEDUCTIONS	
General government	
Participants' withdrawals	<u>130,555</u>
Changes in net assets	1,180
Net assets - beginning	<u>14,617</u>
Net assets - ending	<u><u>\$ 15,797</u></u>

The accompanying notes are an integral part of this statement.



CITY OF VICTORIA, TEXAS
STATEMENT OF NET ASSETS
COMPONENT UNITS
September 30, 2011

	Sales Tax Development Corporation	Victoria Recreation	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 8,281,815	\$ 22,267	\$ 8,304,082
Investments	3,598,822	-	3,598,822
Receivables (net)			
Sales taxes	704,443	-	704,443
Due from primary government	1,022,127	-	1,022,127
Total current assets	<u>13,607,207</u>	<u>22,267</u>	<u>13,629,474</u>
Noncurrent assets			
Capital assets			
Land and other assets not being depreciated	6,724,254	-	6,724,254
Buildings, improvements, and equipment (net)	7,943,582	222,309	8,165,891
Bond issue costs (net)	108,274	-	108,274
Total noncurrent assets	<u>14,776,110</u>	<u>222,309</u>	<u>14,998,419</u>
Total assets	<u>28,383,317</u>	<u>244,576</u>	<u>28,627,893</u>
LIABILITIES			
Current liabilities			
Accounts payable	258,284	-	258,284
Accrued interest payable	93,535	-	93,535
Current portion of long-term obligations	830,000	-	830,000
Noncurrent liabilities			
Noncurrent portion of long-term obligations	4,842,439	-	4,842,439
Total liabilities	<u>6,024,258</u>	<u>-</u>	<u>6,024,258</u>
NET ASSETS			
Invested in capital assets, net of related debt	8,995,397	222,309	9,217,706
Unrestricted net assets	13,363,662	22,267	13,385,929
Total net assets	<u>\$ 22,359,059</u>	<u>\$ 244,576</u>	<u>\$ 22,603,635</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, 2011

Function/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Component Units				
Sales Tax Development Corporation	\$ 4,054,580	\$ -	\$ -	\$ -
Victoria Recreation	48,466	26,750	-	-
Total component units	\$ 4,103,046	\$ 26,750	\$ -	\$ -

General revenues:
Taxes:
Sales taxes
Unrestricted investment earnings
Miscellaneous
Total general revenues
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

Component Units		
Sales Tax Development Corporation	Victoria Recreation	Total
\$ (4,054,580)	\$ -	\$ (4,054,580)
-	(21,716)	(21,716)
(4,054,580)	(21,716)	(4,076,296)
7,406,492	-	7,406,492
98,527	-	98,527
3,730	250	3,980
7,508,749	250	7,508,999
3,454,169	(21,466)	3,432,703
18,904,890	266,042	19,170,932
\$ 22,359,059	\$ 244,576	\$ 22,603,635



INDEX

<u>Note</u>		<u>Page</u>
1	Summary of Significant Accounting Policies	40
2	Deposits and Investments	47
3	Receivables	48
4	Joint Venture	49
5	Capital Assets	50
6	Employees' Retirement Plan	52
7	Supplemental Death Benefit Plan	54
8	Other Postemployment Benefits (OPEB)	54
9	Self-insurance	57
10	Deferred Compensation Plan	58
11	Long-term Debt	59
12	Interfund Receivables, Payables, and Transfers	63
13	Related Party Transactions	64
14	Prior Year Defeasance of Debt	64
15	Commitments and Contingencies	64
16	Closure and Postclosure Care Costs	64
17	Litigation	65
18	Conduit Debt Obligations	65
19	Fund Balances	66
20	Adjustments to and Restatements of Beginning Balances	66
21	Subsequent Events	67

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 Appeals Board, Mechanical, Plumbing, and Sign boards, Housing Authority, Parks and Recreation Commission, Planning Commission, Building and Standards Commission, Victoria Housing Finance Corporation Board, Victoria Central Appraisal District, Golden Crescent Regional Planning Commission, Victoria Economic Development Corporation, Victoria Metropolitan Planning Commission, Victoria Development Commission, and Victoria Health Facilities Development Corporation. The advisory boards and commissions are appointed, partially or entirely, 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.

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.

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 and reports financial resources that are restricted, committed, or assigned to expenditure for general government debt principal and interest.

The Capital Project Funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of major capital facilities or other capital assets. Capital Project Funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments. The City has three Capital Project Funds, two of which have been reported as major funds. The Capital Construction Fund (3036) accounts for the funding of streets and drainage improvements by various bond issues. The Capital Construction Fund (3037) 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.

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 and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

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

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

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

D. Budgets and Budgetary Accounting

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

1. Prior to September 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted through passage of an ordinance.
4. No funds may be expended or encumbered which will exceed appropriations; however, the City Manager is authorized to transfer budgeted amounts within any department or agency. Any revisions that alter the total expenditures of any department or agency must be approved by the City Council. There were several supplemental appropriations made during the year. The effect of budget supplements was to increase appropriations for the General Fund in the amount of \$617,067.

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, 2011, approximates fair value. Because the fair value of the City's investments did not materially differ from cost, no adjustments were made to the City's reporting amounts. See Note 2 for further discussion.

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

G. Receivables and Payables

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

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

H. Inventory and Prepaid Items

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

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

I. Restricted Assets

The City has interest and sinking accounts in the Water and Wastewater Fund that are used to segregate resources accumulated for debt service payments. The City also has set aside resources in the Environmental Services Fund to pay for closure and postclosure care costs and to fund 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.

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

GASB Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*," (the "Statement") was issued in February 2009. This 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. This Statement also redefines the governmental funds for clarity and to be consistent with these new fund balance classifications. The provisions of this Statement are effective for periods beginning after June 15, 2010. The City did not adopt a new fund balance policy in accordance with GASB Statement No. 54 during fiscal year 2011. This Statement did not have an impact on the City's functions, financial position or results of operations.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**N. Use of Estimates**

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

NOTE 2: DEPOSITS AND INVESTMENTS

As of September 30, 2011, 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	\$ 20,715,692	46
Texas TERM Investment Pool	3,260,221	50
TexPool Prime Pool	33,271,606	34
Money Market Fund	4,432,836	40
Commercial Paper	<u>13,091,493</u>	30
Total	<u>\$ 74,771,848</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, 2011, are rated AAAM by Standard & Poor's.

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, 2011, and for the year then ended, the City was not exposed to any custodial credit risk.

NOTE 3: RECEIVABLES

Receivables at September 30, 2011 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	\$ -	\$ -	\$ 2,556,824	\$ 211,436	\$ -	\$ 2,768,260
Ad valorem taxes	1,424,826	477,233	-	-	-	1,902,059
Franchise taxes	700,684	-	-	-	-	700,684
Sales taxes	1,408,885	-	-	-	-	1,408,885
Weedy lots	2,082,855	-	-	-	-	2,082,855
Ambulance	2,981,675	-	-	-	-	2,981,675
Fines	1,249,210	-	-	-	-	1,249,210
Other	406,898	-	28,710	103,251	1,122,902	1,661,761
Total gross receivables	10,255,033	477,233	2,585,534	314,687	1,122,902	14,755,389
Less: allowances	4,341,256	23,861	-	-	-	4,365,117
Total net receivables	<u>\$ 5,913,777</u>	<u>\$ 453,372</u>	<u>\$ 2,585,534</u>	<u>\$ 314,687</u>	<u>\$ 1,122,902</u>	<u>\$ 10,390,272</u>

NOTE 3: RECEIVABLES - (Continued)

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

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
General Fund			
Ad valorem taxes receivable	\$ 1,127,719	\$ -	\$ 1,127,719
Weedy lots	291,042	-	291,042
Ambulance	1,749,004	-	1,749,004
Fines	312,303	-	312,303
Debt Service Fund			
Ad valorem taxes receivable	453,372	-	453,372
Nonmajor Funds			
Grants	<u>-</u>	<u>242,161</u>	<u>242,161</u>
	<u>\$ 3,933,440</u>	<u>\$ 242,161</u>	<u>\$ 4,175,601</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, 2011, was \$0.65 per \$100, which means that the City has a tax margin of \$1.35 per \$100 and could raise up to \$42,219,442 on \$3,127,366,042 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, 2011, total assets were \$421,469, total liabilities were \$34,608, total fund net assets was \$386,861, total support and revenues were \$582,457 and total expenses were \$568,788. Excess revenues over expenses resulted in a net income of \$83,970. The amount contributed by the City for years ended September 30, 2011 and 2010, was \$150,000 and \$150,000, 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, 2011, was as follows:

	(As Restated) Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 3,841,610	\$ -	\$ -	\$ 3,841,610
Construction in progress	12,086,312	21,818,783	9,103,686	24,801,409
Total capital assets not being depreciated	15,927,922	21,818,783	9,103,686	28,643,019
Capital assets, being depreciated				
Machinery and equipment	36,856,213	9,310,928	650,641	45,516,500
Buildings	10,302,728	2,240,533	5,479	12,537,782
Improvements other than buildings	6,071,680	308,598	32,656	6,347,622
Infrastructure	204,728,033	162,943	-	204,890,976
Total capital assets being depreciated	257,958,654	12,023,002	688,776	269,292,880
Less accumulated depreciation for				
Machinery and equipment	24,272,784	2,778,715	583,091	26,468,408
Buildings	4,062,574	472,235	639	4,534,170
Improvements other than buildings	2,582,486	246,795	17,880	2,811,401
Infrastructure	83,746,149	10,065,300	-	93,811,449
Total accumulated depreciation	114,663,993	13,563,045	601,610	127,625,428
Total capital assets being depreciated, net	143,294,661	(1,540,043)	87,166	141,667,452
Governmental activities capital assets, net	<u>\$159,222,583</u>	<u>\$ 20,278,740</u>	<u>\$ 9,190,852</u>	<u>\$170,310,471</u>
Business-type activities				
Capital assets, not being depreciated				
Land	\$ 4,344,669	\$ 33,275	\$ -	\$ 4,377,944
Construction in progress	3,265,689	6,070,582	4,546,236	4,790,035
Total capital assets not being depreciated	7,610,358	6,103,857	4,546,236	9,167,979
Capital assets, being depreciated				
Machinery and equipment	3,715,913	185,541	154,258	3,747,196
Buildings	41,894,781	236,343	43,954	42,087,170
Improvements other than buildings	2,025,832	27,257	-	2,053,089
Infrastructure	1,652,819	140,563	-	1,793,382
Water and wastewater distribution system	109,751,917	18,802,723	-	128,554,640
Total capital assets being depreciated	159,041,262	19,392,427	198,212	178,235,477
Less accumulated depreciation for				
Machinery and equipment	2,122,698	341,600	120,458	2,343,840
Buildings	12,013,866	1,225,004	32,103	13,206,767
Improvements other than buildings	749,860	124,812	-	874,672
Infrastructure	172,590	132,874	-	305,464
Water and wastewater distribution system	46,517,533	13,997,556	-	60,515,089
Total accumulated depreciation	61,576,547	15,821,846	152,561	77,245,832
Total capital assets being depreciated, net	97,464,715	3,570,581	45,651	100,989,645
Business-type activities capital assets, net	<u>\$105,075,073</u>	<u>\$ 9,674,438</u>	<u>\$ 4,591,887</u>	<u>\$110,157,624</u>

NOTE 5: CAPITAL ASSETS - (Continued)

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

Governmental activities

General government	\$ 475,725
Public safety	774,286
Highways and streets	10,084,320
Culture and recreation	596,060

Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets 1,612,466

Total depreciation expense - governmental activities \$ 13,542,857

Business-type activities

Water/wastewater	\$ 4,484,336
Environmental services	299,094
Other	<u>220,122</u>

Total depreciation expense - business-type activities \$ 5,003,552

Discretely Presented Component Units:

	(As Restated) Beginning Balance	Increases	Decreases	Ending Balance
Sales Tax Development Corporation				
Capital assets, not being depreciated				
Land	\$ 4,837,059	\$ 1,546,551	\$ -	\$ 6,383,610
Construction in progress	<u>539,346</u>	<u>51,298</u>	<u>250,000</u>	<u>340,644</u>
Total capital assets not being depreciated	<u>5,376,405</u>	<u>1,597,849</u>	<u>250,000</u>	<u>6,724,254</u>
Capital assets, being depreciated				
Improvements other than buildings	<u>9,913,733</u>	<u>-</u>	<u>-</u>	<u>9,913,733</u>
Total capital assets being depreciated	<u>9,913,733</u>	<u>-</u>	<u>-</u>	<u>9,913,733</u>
Less accumulated depreciation for				
Improvements other than buildings	<u>978,778</u>	<u>991,373</u>	<u>-</u>	<u>1,970,151</u>
Total accumulated depreciation	<u>978,778</u>	<u>991,373</u>	<u>-</u>	<u>1,970,151</u>
Total capital assets being depreciated, net	<u>8,934,955</u>	<u>(991,373)</u>	<u>-</u>	<u>7,943,582</u>
Sales Tax Development Corporation capital assets, net	<u>14,311,360</u>	<u>606,476</u>	<u>250,000</u>	<u>14,667,836</u>
Victoria Recreation				
Capital assets, being depreciated				
Machinery and equipment	47,773	-	9,421	38,352
Improvements other than buildings	<u>461,588</u>	<u>-</u>	<u>-</u>	<u>461,588</u>
Total capital assets being depreciated	<u>509,361</u>	<u>-</u>	<u>9,421</u>	<u>499,940</u>
Less accumulated depreciation for				
Machinery and equipment	47,433	314	9,421	38,326
Improvements other than buildings	<u>216,153</u>	<u>23,152</u>	<u>-</u>	<u>239,305</u>
Total accumulated depreciation	<u>263,586</u>	<u>23,466</u>	<u>9,421</u>	<u>277,631</u>
Total capital assets being depreciated, net	<u>245,775</u>	<u>(23,466)</u>	<u>-</u>	<u>222,309</u>
Victoria Recreation capital assets, net	<u>245,775</u>	<u>(23,466)</u>	<u>-</u>	<u>222,309</u>
Discretely presented component units capital assets, net	<u>\$ 14,557,135</u>	<u>\$ 583,010</u>	<u>\$ 250,000</u>	<u>\$ 14,890,145</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 is available on TMRS' website at www.TMRS.com. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	Plan Year 2010	Plan Year 2011
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>
2011	\$ 4,305,054	100%	\$ -
2010	3,805,936	100%	-
2009	3,469,266	100%	-

NOTE 6: EMPLOYEES' RETIREMENT PLAN - (Continued)

Contributions - (Continued)

The required contribution rates for fiscal year 2011 were determined as part of the December 31, 2008 and 2009 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2010, also follows:

	Actuarial Valuation Information			
	12/31/10 Restructured	12/31/10 Prior to Restructuring	12/31/09	12/31/08
Actuarial cost method	projected unit credit	projected unit credit	projected unit credit	projected unit credit
Amortization method	level percent of payroll	level percent of payroll	level percent of payroll	level percent of payroll
GASB 25 equivalent single amortization period	27.1 years; closed period	27.1 years; closed period	28.1 years; closed period	29.0 years; closed period
Amortization period for new gains/losses	30 years	30 years	30 years	30 years
Asset valuation method	10-year smoothed market	10-year smoothed market	10-year smoothed market	amortized cost
Investment rate of return *	7.0%	7.5%	7.5%	7.5%
Projected salary increases *	varies by age and service	varies by age and service	varies by age and service	varies by age and service
*Includes Inflation at Cost of living adjustments	3.0%	3.0%	3.0%	3.0%
	2.1%	2.1%	2.1%	2.1%

Funded Status and Funding Progress

In June 2011, SB 350 was enacted by the Texas Legislature, resulting in a restructure of the TMRS funds. This legislation provided for the actuarial valuation to be completed, as if restructuring had occurred on December 31, 2010. In addition, the actuarial assumptions were updated for the new fund structure, based on an actuarial experience study that was adopted by the TMRS Board at their May 2011 meeting (the review compared actual to expected experience for the four-year period of January 1, 2006 through December 31, 2009). For a complete description of the combined impact of the legislation and new actuarial assumptions, including the effects on TMRS city rates and funding ratios, please see the December 31, 2010 TMRS Comprehensive Annual Financial Report (CAFR).

The funded status as of December 31, 2010, under the two separate actuarial valuations is presented as follows:

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)
12/31/10 ²	\$ 105,965,272	\$ 142,899,122	\$ 36,933,850	74.15%	\$ 24,790,021	148.99%
12/31/10 ¹	50,285,171	97,001,928	46,716,757	51.84%	24,790,021	188.45%

¹ Actuarial valuation performed under the original fund structure

² Actuarial valuation performed under the new fund structure

NOTE 6: EMPLOYEES' RETIREMENT PLAN - (Continued)

Funded Status and Funding Progress - (Continued)

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

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 1st of any year to be effective the following January 1st.

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 2011, 2010, and 2009 were \$18,222, \$17,252, and \$17,488, 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.

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

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 \$69; with 20 to 29 years of service pay a monthly health premium of \$137; with less than 20 years of service pay a monthly health premium of \$341.

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 \$69; with 10 to 19 years of service pay a monthly health premium of \$137; with less than 10 years of service pay a monthly health premium of \$341.

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.

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 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Retirees	172	146
Active employees	605	604
Payments to Employee Health Plan Fund	\$ 4,810,715	\$ 6,158,443

Annual OPEB Expense

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 and the two preceding years 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>
2011	\$ 573,624	75.77%	\$ 139,000
2010	657,000	100.00%	-
2009	597,000	100.00%	-

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

Funded Status and Funding Progress

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)
9/30/2011	\$ -	\$ 9,417,793	\$ 9,417,793	0.00%	\$ 30,514,794	30.86%

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

Actuarial Methods and Assumptions

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

	Actuarial Valuation Information	
	9/30/11	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	10.00%; 0.00%	0.00; 0.00%%
Future retirees		
Pre-65	0.00%	10.00%
Post-65	0.00%	0.00%
Projected salary increases *	3.00%	3.00%
Investment rate of return *	4.50%	4.00%

*Includes an inflation adjustment of 4.50%.

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 \$287,142 and \$249,268 for the fiscal years ended September 30, 2011 and 2010, 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, 2011 and 2010, the City paid health claims of \$4,031,231 and \$4,133,734. The fund incurred a net income for the year of \$7,909 compared to a net income of \$1,292,600 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 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
Fiscal Year 2011	213,687	4,031,231	4,020,984	223,934

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 \$216,856 and \$168,629, for the fiscal years 2010-2011 and 2009-2010, 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 \$61,384 and (\$141,738) in the fiscal years 2011 and 2010, 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 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
Fiscal Year 2011	168,629	257,498	209,271	216,856

NOTE 9: SELF-INSURANCE - (Continued)

The City was insured in the area of general liability, police liability, and public officials liability for the fiscal year ending September 30, 1988. On September 26, 1988, by Council resolution, the City decided to purchase insurance coverage for all risk areas; and created an internal service fund, the Safety Management Fund, to account for liability and casualty insurance premiums as well as for any claim payments made in areas of self-insurance. Under this program, the City is insured up to a combined single limit that ranges from \$5,000,000 to \$1,000,000 with various deductible amounts. For the fiscal years 2011 and 2010, total contributions from the various City funds totaled \$512,525 and \$512,525, respectively. During the fiscal years 2011 and 2010, the City paid \$473,597 and \$467,419 in reinsurance premiums and \$4,523 and \$6,323 in legal fees and claims. In addition to this, the fund incurred a net income of \$13,960, compared to a net income of \$45,486 for the prior year. Full insurance coverage was in effect for the year ended September 30, 2011. 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 2011. 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.

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

Long-term liability activity for the year ended September 30, 2011, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Primary government					
Governmental activities					
Bonds and certificates payable					
Certificates of obligation	\$ 61,375,000	\$ -	\$ 1,635,000	\$ 59,740,000	\$ 1,920,000
General obligation bonds	30,475,000	9,740,000	2,080,000	38,135,000	2,035,000
Less deferred amounts:					
Issuance premiums	764,623	97,204	61,124	800,703	-
Loss on refunding	<u>(1,491,437)</u>	<u>-</u>	<u>(114,916)</u>	<u>(1,376,521)</u>	<u>-</u>
Net bonds and certificates payable	91,123,186	9,837,204	3,661,208	97,299,182	3,955,000
Other post employment benefits payable	-	113,481	-	113,481	-
Compensated absences	<u>1,202,299</u>	<u>2,131,438</u>	<u>2,173,501</u>	<u>1,160,236</u>	<u>108,603</u>
Total governmental activity long-term liabilities	<u>\$ 92,325,485</u>	<u>\$ 12,082,123</u>	<u>\$ 5,834,709</u>	<u>\$ 98,572,899</u>	<u>\$ 4,063,603</u>
Business-type activities					
Bonds payable					
Revenue bonds	\$ 73,040,000	\$ -	\$ 3,915,000	\$ 69,125,000	\$ 4,330,000
Less deferred amounts:					
Issuance premiums	2,722,750	-	206,149	2,516,601	-
Loss on refunding	<u>(674,032)</u>	<u>-</u>	<u>(59,345)</u>	<u>(614,687)</u>	<u>-</u>
Net bonds payable	75,088,718	-	4,061,804	71,026,914	4,330,000
Estimated landfill closure and postclosure care cost	2,982,260	105,196	-	3,087,456	-
Other post employment benefits payable	-	25,519	-	25,519	-
Compensated absences	<u>225,593</u>	<u>351,908</u>	<u>350,025</u>	<u>227,476</u>	<u>21,573</u>
Total business-type activity long-term liabilities	<u>\$ 78,296,571</u>	<u>\$ 482,623</u>	<u>\$ 4,411,829</u>	<u>\$ 74,367,365</u>	<u>\$ 4,351,573</u>
Discretely presented component units					
Sales Tax Development Corporation					
Bonds payable					
Revenue bonds	\$ 6,360,000	\$ -	\$ 800,000	\$ 5,560,000	\$ 830,000
Less deferred amounts:					
Issuance premiums	133,856	-	21,417	112,439	-
Net bonds payable	6,493,856	-	821,417	5,672,439	830,000
Rebatable arbitrage	<u>70,716</u>	<u>-</u>	<u>70,716</u>	<u>-</u>	<u>-</u>
Total discretely presented component units	<u>\$ 6,564,572</u>	<u>\$ -</u>	<u>\$ 892,133</u>	<u>\$ 5,672,439</u>	<u>\$ 830,000</u>

NOTE 11: LONG-TERM DEBT - (Continued)

B. General Obligation Certificates and Bonds - Primary Government

Bonds and certificates payable at September 30, 2011, are comprised of the following individual issues:

\$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%.	\$ 4,070,000
\$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%.	8,505,000
\$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%.	11,280,000
\$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%.	11,975,000
\$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%.	8,380,000
\$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%.	2,585,000
\$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%.	8,610,000
\$9,740,000 2011 Pass-Through Toll Revenue and Limited Tax Bonds due in annual installments ranging from \$375,000 to \$730,000 through August 15, 2031; interest varying between 2.00% and 4.00%.	<u>9,740,000</u>
Total General Obligation Certificates and Bonds	<u>\$ 97,875,000</u>

The City generally 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. The proceeds from the 2011 Pass-Through Toll Revenue and Limited Tax Bonds will be used for the purpose of paying the City's obligations arising under the agreement for improvements to the State Highway Loop 463 and costs associated with issuing the bonds. Payments on these bonds will be reimbursed by the Texas Department of Transportation through a pass-through toll contract as well as funds pledged by the County of Victoria, Texas over the next eleven years. By the terms of the 2009B "Build America Bonds", the U.S. Treasury Department will offset the cost of the bonds by subsidizing an average of \$495,000 in annual bond interest cost.

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
2012	\$ 3,955,000	\$ 4,399,842	\$ 8,354,842
2013	4,055,000	4,122,571	8,177,571
2014	4,770,000	3,984,243	8,754,243
2015	5,100,000	3,817,350	8,917,350
2016	5,415,000	3,629,248	9,044,248
2017-2021	32,215,000	14,818,141	47,033,141
2022-2026	29,530,000	7,553,259	37,083,259
2027-2031	12,835,000	1,815,448	14,650,448
Total	<u>\$ 97,875,000</u>	<u>\$ 44,140,102</u>	<u>\$ 142,015,102</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, \$61,202 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%.	\$ 16,675,000
\$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%.	15,615,000
\$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%.	6,085,000
\$24,590,000 2009 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%.	23,200,000
\$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>\$ 69,125,000</u>

NOTE 11: LONG-TERM DEBT - (Continued)**C. Revenue Bonds - Primary Government - (Continued)**

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

<u>Year Ending</u> <u>September 30</u>	<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	5,145,000	2,158,170	7,303,170
2017-2021	28,345,000	6,961,649	35,306,649
2022-2026	12,280,000	2,132,094	14,412,094
2027-2031	<u>4,890,000</u>	<u>379,480</u>	<u>5,269,480</u>
Total	<u>\$ 69,125,000</u>	<u>\$ 22,283,803</u>	<u>\$ 91,408,803</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, 2011.

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 \$830,000 to \$1,025,000 through 2017; interest at 4.25%.

\$ 5,560,000

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:

<u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	985,000	85,425	1,070,425
2017	<u>1,025,000</u>	<u>43,563</u>	<u>1,068,563</u>
Total	<u>\$ 5,560,000</u>	<u>\$ 855,951</u>	<u>\$ 6,415,951</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, 2011.

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. The rebatable arbitrage liability is \$0 at September 30, 2011.

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, 2011, were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	General	\$ 3,741
	Nonmajor Governmental	316,727
	Internal Service	730,994
Nonmajor Governmental	General	55,498
	Nonmajor Governmental	62,500
Water and Wastewater	General	25,013
	Internal Service	121,588
Environmental Services	Internal Service	31,040
Nonmajor Business-type	Nonmajor Governmental	46,238
	Internal Service	9,761
Internal Service	General	643
	Other Internal Service	29,216
		<u>\$ 1,432,959</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>Capital Const. (3036)</u>	<u>Nonmajor Govt.</u>	<u>Water and Wwater.</u>	<u>Environ. Services</u>	<u>Nonmajor Bus.-type</u>	<u>Internal Service</u>	
General	\$ -	\$ -	\$ 788,788	\$ -	\$ -	\$ -	\$ 99,751	\$ 888,539
Capital Const. (3037)	-	6,448,657	-	-	-	-	-	6,448,657
Nonmajor Govt.	-	-	320,163	-	-	184,950	-	505,113
Water and Wwater.	2,271,000	-	-	-	-	-	-	2,271,000
Environmental Srvs.	506,300	-	-	-	-	-	-	506,300
Nonmajor Bus.-type	41,417	-	-	-	-	145,050	-	186,467
Internal Service	191,901	-	-	67,672	40,428	-	-	300,001
	<u>\$3,010,618</u>	<u>\$6,448,657</u>	<u>\$1,108,951</u>	<u>\$ 67,672</u>	<u>\$ 40,428</u>	<u>\$ 330,000</u>	<u>\$99,751</u>	<u>\$ 11,106,077</u>

NOTE 13: RELATED PARTY TRANSACTIONS

During fiscal year 2011, the Sales Tax Development Corporation, a discretely presented component unit of the City, contributed to the City \$250,000 in capital assets for the fiscal year ended September 30, 2011. The contribution consisted of \$250,000 in Governmental Activities assets. The Sales Tax Development Corporation also contributed \$2,552,793 to the City's capital project funds and the Water and Sewer Fund during fiscal year 2011.

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, 2011, \$72,815,000 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, 2011, 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, 2011, is 19 years.

The estimated liability for landfill closure and postclosure care costs has a balance of \$3,087,456 and \$2,877,064 as of September 30, 2011 and 2010, determined by calculating the lapsed portion of the landfill's life. It is estimated that an additional \$1,998,722 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, 2011. 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.

NOTE 16: CLOSURE AND POSTCLOSURE CARE COSTS - (Continued)

As of September 30, 2011, 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.

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 (MGD). 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.

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, 2011, 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. The total cost of the assets transferred to the City was \$14,397,050 with accumulated depreciation of \$10,818,296.

In 2012, the City will begin the engineering process for the construction of a new 4.4 MGD activated sludge wastewater treatment plant and decommission the 2.0 MGD Willow Street Plant.

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: FUND BALANCES

The following is a detail of the governmental fund balances as of September 30, 2011:

	Governmental Fund Balances				Total
	Nonspendable	Restricted	Committed	Unassigned	
General					
Inventory	\$ 315,614	\$ -	\$ -	\$ -	\$ 315,614
Outstanding encumbrances	-	-	1,570,456	-	1,570,456
Unassigned	-	-	-	14,342,229	14,342,229
Debt Service Fund					
Retirement of long-term debt	-	953,394	-	-	953,394
Capital Construction Fund (3036)					
Various capital projects	-	3,708,863	-	-	3,708,863
Capital Construction Fund (3037)					
Various capital projects	-	11,907,737	-	-	11,907,737
Nonmajor Governmental					
City parks	-	352,694	-	-	352,694
Arts, tourism and conventions	-	1,029,173	-	-	1,029,173
Public safety	-	135,328	-	-	135,328
Municipal court	-	96,783	-	-	96,783
Various capital projects	-	485,923	-	-	485,923
	<u>\$ 315,614</u>	<u>\$ 18,669,895</u>	<u>\$ 1,570,456</u>	<u>\$ 14,342,229</u>	<u>\$ 34,898,194</u>

NOTE 20: ADJUSTMENTS TO AND RESTATEMENTS OF BEGINNING BALANCES

The City's business-type activities financial statements for the fiscal year September 30, 2010 have been restated to properly reflect the depreciation expense for fiscal year ending September 30, 2010. The result of the restatement was to decrease water/wastewater expense and increase investment in capital assets, net of related debt balances by \$2,726,576. Similar adjustments were made to the Water and Wastewater Fund financial statements. The Water and Wastewater Fund's September 30, 2010 depreciation expense was decreased and investment in capital assets, net of related debt balances was increased by \$2,726,576.

The Sales Tax Development Corporation's (a discretely presented component unit) financial statements for the fiscal year September 30, 2010 have been restated to properly reflect the depreciation expense for fiscal year ending September 30, 2010. The result of the restatement was to increase depreciation expense and decrease investment in capital assets, net of related debt balances by \$978,778.

NOTE 21: SUBSEQUENT EVENTS

In February 2012, the City issued General Obligation Refunding Bonds, Series 2012 of \$3,910,000. The bonds are due in annual installments ranging from \$35,000 to \$385,000 through 2023 with interest varying from 2.00% to 2.25%. The proceeds from the sale of the bonds will be used to refund a portion of the City's currently outstanding general obligation bonds (Certificates of Obligation, Series 2003), and to pay costs of issuance of the bonds.

In the latter part of March 2012, the City plans to issue Utility System Revenue Bonds in the approximate amount of \$9,100,000. The bonds will be due in annual installments of varying amounts over 15 years for approximately \$5,500,000 of the bonds and over 20 years for approximately \$3,600,000 of the bonds. The proceeds from the sale of the bonds will be for the purpose of acquiring, purchasing, constructing, improving, enlarging or equipping the City's combined utility system and to pay costs of issuance of the bonds.

Also in March 2012, the City plans to issue Certificate of Obligation Bonds in the approximate amount of \$3,750,000. The bonds will be due in annual installments of varying amounts over a period of 20 years. The proceeds from the sale of the certificates will be used to construct, improve and repair City streets and sidewalks, together with landscape, drainage, utility line replacement, traffic and street signalization and lighting improvements and to pay the costs associated with the issuance of the certificates.



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, 2011
With comparative totals for the year ended September 30, 2010

	2011				2010 Actual
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	
REVENUES					
Taxes	\$ 30,088,238	\$ 30,088,238	\$ 32,945,173	\$ 2,856,935	\$ 29,945,184
Licenses and permits	621,570	621,570	654,829	33,259	662,792
Intergovernmental	2,263,826	2,263,826	2,238,300	(25,526)	2,172,243
Charges for services	1,992,600	1,992,600	2,108,045	115,445	1,957,973
Fines and forfeitures	941,000	941,000	786,914	(154,086)	861,648
Investment income	40,000	40,000	41,243	1,243	44,098
Miscellaneous	194,791	194,791	297,184	102,393	377,967
Total revenues	<u>36,142,025</u>	<u>36,142,025</u>	<u>39,071,688</u>	<u>2,929,663</u>	<u>36,021,905</u>
EXPENDITURES					
General government	5,754,114	6,133,470	5,839,278	294,192	5,335,822
Public safety	24,651,684	26,621,730	24,558,229	2,063,501	25,556,743
Highways and streets	5,138,692	5,210,363	4,165,782	1,044,581	4,151,589
Culture and recreation	4,933,007	5,257,225	4,554,085	703,140	4,899,677
Total expenditures	<u>40,477,497</u>	<u>43,222,788</u>	<u>39,117,374</u>	<u>4,105,414</u>	<u>39,943,831</u>
Excess (deficiency) of revenues over expenditures	(4,335,472)	(7,080,763)	(45,686)	7,035,077	(3,921,926)
OTHER FINANCING SOURCES (USES)					
Transfers in	3,010,618	3,010,618	3,010,618	-	3,134,444
Transfers out	(895,000)	(775,779)	(888,539)	(112,760)	(428,181)
Total other financing sources (uses)	<u>2,115,618</u>	<u>2,234,839</u>	<u>2,122,079</u>	<u>(112,760)</u>	<u>2,706,263</u>
Change in fund balance	(2,219,854)	(4,845,924)	2,076,393	6,922,317	(1,215,663)
Fund balance at beginning of year	<u>14,151,906</u>	<u>14,151,906</u>	<u>14,151,906</u>	-	<u>15,367,569</u>
Fund balance at end of year	<u>\$ 11,932,052</u>	<u>\$ 9,305,982</u>	<u>\$ 16,228,299</u>	<u>\$ 6,922,317</u>	<u>\$ 14,151,906</u>

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

CITY OF VICTORIA, TEXAS*REQUIRED SUPPLEMENTARY INFORMATION**HISTORICAL PENSION AND OTHER POSTEMPLOYMENT**BENEFITS INFORMATION**September 30, 2011***TEXAS MUNICIPAL RETIREMENT SYSTEM**

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

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2010 ²	\$ 105,965,272	\$ 142,899,122	\$36,933,850	74.15%	\$24,790,021	148.99%
12/31/2010 ¹	50,285,171	97,001,928	46,716,757	51.84%	24,790,021	188.45%
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%

¹Actuarial valuation performed under the original fund structure

²Actuarial valuation performed under the new fund structure

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
9/30/2011	\$ -	\$ 9,417,793	\$ 9,417,793	0.00%	\$ 30,514,794	30.86%
9/30/2009	\$ -	10,148,222	10,148,222	0.00%	29,762,000	34.10%

Actuarial Valuation Information

	9/30/11	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	10.00%; 0.00%	0.00; 0.00%%
Future retirees		
Pre-65	0.00%	10.00%
Post-65	0.00%	0.00%
Projected salary increases *	3.00%	3.00%
Investment rate of return *	4.50%	4.00%

*Includes an inflation adjustment of 4.50%.

CITY OF VICTORIA, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2011

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, 2011

	Total Nonmajor Special Revenue Funds	Total Nonmajor Capital Project Fund	Total Nonmajor Governmental Funds
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,871,957	\$ 512,123	\$ 2,384,080
Receivables (net)	852,731	-	852,731
Due from other funds	117,998	-	117,998
Total assets	<u>\$ 2,842,686</u>	<u>\$ 512,123</u>	<u>\$ 3,354,809</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 557,722	\$ 26,200	\$ 583,922
Accrued expenditures	3,360	-	3,360
Due to other funds	425,465	-	425,465
Deferred revenue	242,161	-	242,161
Total liabilities	<u>1,228,708</u>	<u>26,200</u>	<u>1,254,908</u>
Fund balances			
Restricted			
City parks	352,694	-	352,694
Arts, tourism and conventions	1,029,173	-	1,029,173
Public safety	135,328	-	135,328
Municipal court	96,783	-	96,783
Various capital projects	-	485,923	485,923
Total fund balances	<u>1,613,978</u>	<u>485,923</u>	<u>2,099,901</u>
Total liabilities and fund balances	<u>\$ 2,842,686</u>	<u>\$ 512,123</u>	<u>\$ 3,354,809</u>

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

For the year ended September 30, 2011

	Total Nonmajor Special Revenue Funds	Total Nonmajor Capital Project Fund	Total Nonmajor Governmental Funds
REVENUES			
Taxes	\$ 1,565,067	\$ -	\$ 1,565,067
Intergovernmental	2,876,530	-	2,876,530
Fines and forfeitures	84,245	-	84,245
Investment income	777	534	1,311
Miscellaneous	866,808	48,527	915,335
Total revenues	<u>5,393,427</u>	<u>49,061</u>	<u>5,442,488</u>
EXPENDITURES			
Current			
General government	1,852,688	-	1,852,688
Public safety	1,412,315	-	1,412,315
Highways and streets	244,670	-	244,670
Culture and recreation	919,707	-	919,707
Capital outlay	-	171,355	171,355
Total expenditures	<u>4,429,380</u>	<u>171,355</u>	<u>4,600,735</u>
Excess (deficiency) of revenues over expenditures	964,047	(122,294)	841,753
OTHER FINANCING SOURCES (USES)			
Transfers in	500,734	608,217	1,108,951
Transfers out	(505,113)	-	(505,113)
Total other financing sources (uses)	<u>(4,379)</u>	<u>608,217</u>	<u>603,838</u>
Change in fund balances	959,668	485,923	1,445,591
Fund balances at beginning of year	<u>654,310</u>	<u>-</u>	<u>654,310</u>
Fund balances at end of year	<u>\$ 1,613,978</u>	<u>\$ 485,923</u>	<u>\$ 2,099,901</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:

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 2011, \$1,173,800 was allocated as follows: for operations of the Community Center not to exceed \$184,950; to the Convention and Visitors Bureau, funding not to exceed \$750,000; to the Cultural Council for promotion of the arts, funding not to exceed \$26,000; for Victoria Regional Museum Association not to exceed \$30,000; for Victoria Symphony not to exceed \$15,000; for Victoria Bach Festival not to exceed \$15,000; for the Theatre Victoria not to exceed \$59,800; for the Quilt Guild not to exceed \$4,000; for the Victoria Ballet Theatre not to exceed \$22,000; for the Main Street Program not to exceed \$65,050; and for the Museum of the Coastal Bend not to exceed \$2,000.

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.

Community Oriented Policing Services (COPS) Hiring Recovery Program – Used to account for funds received by the U.S. Department of Justice for the salaries and benefits of five (5) full-time police officers for three (3) years. The City is required to keep the officers for year four (4), paying all associated costs for these officers with City funds.

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

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

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

NONMAJOR SPECIAL REVENUE FUNDS - (Continued)

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

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

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.

Convention and Visitors Bureau - Funded through proceeds from the Motel Tax Fund, the primary purpose of the Convention and Visitors Bureau is to promote tourism and the convention and hotel industry through advertising and promotional programs to attract tourists and conventions to the municipality or its vicinity; and conduct activities designed to enhance the City's desirability as a visitor destination.

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

September 30, 2011

	GCRAC EMS/Trauma System Grant	GCRPC Grant	STEP Grant	HOME Contract	EMS Local Project Grant
ASSETS					
Cash and cash equivalents	\$ 12,025	\$ 165,933	\$ -	\$ -	\$ -
Receivables (net)					
Other	-	-	-	-	-
Due from other funds	-	-	-	-	-
Total assets	\$ 12,025	\$ 165,933	\$ -	\$ -	\$ -
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 803	\$ -	\$ -	\$ -	\$ -
Accrued expenditures	-	-	-	-	-
Due to other funds	-	-	-	-	-
Deferred revenue	11,222	165,933	-	-	-
Total liabilities	12,025	165,933	-	-	-
Fund balances					
Restricted					
City parks	-	-	-	-	-
Arts, tourism and conventions	-	-	-	-	-
Public safety	-	-	-	-	-
Municipal court	-	-	-	-	-
Total fund balances	-	-	-	-	-
Total liabilities and fund balances	\$ 12,025	\$ 165,933	\$ -	\$ -	\$ -

<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>	<u>Office of Justice Grants</u>
\$ 352,694	\$ 10,152	\$ -	\$ -	\$ -	\$ 815,487	\$ 74,202	\$ 1,196
-	-	22,915	72,884	23,243	201,825	-	29,925
-	-	<u>38,068</u>	-	-	-	-	-
<u>\$ 352,694</u>	<u>\$ 10,152</u>	<u>\$ 60,983</u>	<u>\$ 72,884</u>	<u>\$ 23,243</u>	<u>\$ 1,017,312</u>	<u>\$ 74,202</u>	<u>\$ 31,121</u>
\$ -	\$ 525	\$ -	\$ 3,200	\$ 220	\$ 95,191	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	60,983	69,684	23,023	108,738	-	-
-	<u>9,627</u>	-	-	-	-	-	<u>31,121</u>
-	<u>10,152</u>	<u>60,983</u>	<u>72,884</u>	<u>23,243</u>	<u>203,929</u>	-	<u>31,121</u>
352,694	-	-	-	-	-	-	-
-	-	-	-	-	813,383	-	-
-	-	-	-	-	-	74,202	-
-	-	-	-	-	-	-	-
<u>352,694</u>	-	-	-	-	<u>813,383</u>	<u>74,202</u>	-
<u>\$ 352,694</u>	<u>\$ 10,152</u>	<u>\$ 60,983</u>	<u>\$ 72,884</u>	<u>\$ 23,243</u>	<u>\$ 1,017,312</u>	<u>\$ 74,202</u>	<u>\$ 31,121</u>

(continued)

CITY OF VICTORIA, TEXAS

NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

September 30, 2011

	K-9 Unit Program	Energy Efficiency Conservation Block Grant	Victoria Kids Recycle	COPS Hiring Program	Municipal Court Special Revenue
ASSETS					
Cash and cash equivalents	\$ 2,790	\$ -	\$ 3,553	\$ -	\$ 97,451
Receivables					
Other	-	-	-	68,760	-
Due from other funds	-	-	-	17,430	-
Total assets	<u>\$ 2,790</u>	<u>\$ -</u>	<u>\$ 3,553</u>	<u>\$ 86,190</u>	<u>\$ 97,451</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 668
Accrued expenditures	-	-	-	-	-
Due to other funds	-	-	-	86,190	-
Deferred revenue	2,790	-	3,553	-	-
Total liabilities	<u>2,790</u>	<u>-</u>	<u>3,553</u>	<u>86,190</u>	<u>668</u>
Fund balance					
Restricted					
City parks	-	-	-	-	-
Arts, tourism and conventions	-	-	-	-	-
Public safety	-	-	-	-	-
Municipal court	-	-	-	-	96,783
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>96,783</u>
Total liabilities and fund balances	<u>\$ 2,790</u>	<u>\$ -</u>	<u>\$ 3,553</u>	<u>\$ 86,190</u>	<u>\$ 97,451</u>

<u>Border Security Program</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>Convention and Visitors Bureau</u>	<u>Total</u>
\$ 17,915	\$ -	\$ -	\$ -	\$ -	\$ 135,394	\$ 183,165	\$ 1,871,957
-	-	-	330,819	98,993	867	2,500	852,731
-	-	-	-	-	-	62,500	117,998
<u>\$ 17,915</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 330,819</u>	<u>\$ 98,993</u>	<u>\$ 136,261</u>	<u>\$ 248,165</u>	<u>\$ 2,842,686</u>
\$ -	\$ -	\$ -	\$ 302,767	\$ 50,198	\$ 75,135	\$ 29,015	\$ 557,722
-	-	-	-	-	-	3,360	3,360
-	-	-	28,052	48,795	-	-	425,465
<u>17,915</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>242,161</u>
<u>17,915</u>	<u>-</u>	<u>-</u>	<u>330,819</u>	<u>98,993</u>	<u>75,135</u>	<u>32,375</u>	<u>1,228,708</u>
-	-	-	-	-	-	-	352,694
-	-	-	-	-	-	215,790	1,029,173
-	-	-	-	-	61,126	-	135,328
-	-	-	-	-	-	-	96,783
-	-	-	-	-	61,126	215,790	1,613,978
<u>\$ 17,915</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 330,819</u>	<u>\$ 98,993</u>	<u>\$ 136,261</u>	<u>\$ 248,165</u>	<u>\$ 2,842,686</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, 2011

	GCRAC EMS/Trauma System Grant	GCRPC Grant	STEP Grant	HOME Contract	EMS Local Project Grant
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	3,424	-	2,694
Fines and forfeitures	-	-	-	-	-
Investment income	-	335	-	-	-
Miscellaneous	2,729	173,514	-	9,500	-
Total revenues	<u>2,729</u>	<u>173,849</u>	<u>3,424</u>	<u>9,500</u>	<u>2,694</u>
EXPENDITURES					
General government	-	-	-	9,500	-
Public safety	2,729	173,849	6,078	-	2,694
Highways and streets	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Total expenditures	<u>2,729</u>	<u>173,849</u>	<u>6,078</u>	<u>9,500</u>	<u>2,694</u>
Excess (deficiency) of revenues over expenditures	-	-	(2,654)	-	-
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	2,654	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>2,654</u>	<u>-</u>	<u>-</u>
Change in fund balances	-	-	-	-	-
Fund balance at beginning of year	-	-	-	-	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

<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>	<u>Office of Justice Grants</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,565,067	\$ -	\$ -
-	6,859	84,872	338,745	133,163	-	-	172,595
-	-	-	-	-	-	33,683	-
-	-	-	-	-	405	21	-
<u>378,451</u>	<u>-</u>	<u>-</u>	<u>50</u>	<u>-</u>	<u>8,710</u>	<u>-</u>	<u>-</u>
<u>378,451</u>	<u>6,859</u>	<u>84,872</u>	<u>338,795</u>	<u>133,163</u>	<u>1,574,182</u>	<u>33,704</u>	<u>172,595</u>
-	-	-	338,795	133,163	-	-	-
-	6,859	126,682	-	-	-	10,554	183,425
-	-	-	-	-	-	-	-
<u>27,140</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>648,778</u>	<u>-</u>	<u>-</u>
<u>27,140</u>	<u>6,859</u>	<u>126,682</u>	<u>338,795</u>	<u>133,163</u>	<u>648,778</u>	<u>10,554</u>	<u>183,425</u>
351,311	-	(41,810)	-	-	925,404	23,150	(10,830)
-	-	41,810	-	-	-	-	10,830
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(497,450)</u>	<u>(7,663)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>41,810</u>	<u>-</u>	<u>-</u>	<u>(497,450)</u>	<u>(7,663)</u>	<u>10,830</u>
351,311	-	-	-	-	427,954	15,487	-
<u>1,383</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>385,429</u>	<u>58,715</u>	<u>-</u>
<u>\$ 352,694</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 813,383</u>	<u>\$ 74,202</u>	<u>\$ -</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, 2011

	K-9 Unit Program	Energy Efficiency Conservation Block Grant	Victoria Kids Recycle	COPS Hiring Program	Municipal Court Special Revenue
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	244,670	-	201,723	-
Fines and forfeitures	-	-	-	-	50,562
Investment income	-	-	-	-	-
Miscellaneous	-	-	23,937	-	11,733
Total revenues	<u>-</u>	<u>244,670</u>	<u>23,937</u>	<u>201,723</u>	<u>62,295</u>
EXPENDITURES					
General government	-	-	23,937	-	145,059
Public safety	-	-	-	219,153	-
Highways and streets	-	244,670	-	-	-
Culture and recreation	-	-	-	-	-
Total expenditures	<u>-</u>	<u>244,670</u>	<u>23,937</u>	<u>219,153</u>	<u>145,059</u>
Excess (deficiency) of revenues over expenditures	-	-	-	(17,430)	(82,764)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	17,430	13,610
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,430</u>	<u>13,610</u>
Change in fund balances	-	-	-	-	(69,154)
Fund balance at beginning of year	-	-	-	-	165,937
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 96,783</u>

<u>Border Security Program</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>Convention and Visitors Bureau</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,565,067
27,070	-	24,435	1,066,684	567,521	2,075	-	2,876,530
-	-	-	-	-	-	-	84,245
6	-	-	-	-	-	10	777
-	<u>135,550</u>	-	-	-	-	<u>122,634</u>	<u>866,808</u>
<u>27,076</u>	<u>135,550</u>	<u>24,435</u>	<u>1,066,684</u>	<u>567,521</u>	<u>2,075</u>	<u>122,644</u>	<u>5,393,427</u>
-	135,550	-	1,066,684	-	-	-	1,852,688
27,076	-	-	-	574,421	78,795	-	1,412,315
-	-	-	-	-	-	-	244,670
-	-	<u>24,435</u>	-	-	-	<u>219,354</u>	<u>919,707</u>
<u>27,076</u>	<u>135,550</u>	<u>24,435</u>	<u>1,066,684</u>	<u>574,421</u>	<u>78,795</u>	<u>219,354</u>	<u>4,429,380</u>
-	-	-	-	(6,900)	(76,720)	(96,710)	964,047
-	-	-	-	6,900	95,000	312,500	500,734
-	-	-	-	-	-	-	(505,113)
-	-	-	-	<u>6,900</u>	<u>95,000</u>	<u>312,500</u>	<u>(4,379)</u>
-	-	-	-	-	18,280	215,790	959,668
-	-	-	-	-	<u>42,846</u>	-	<u>654,310</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,126</u>	<u>\$ 215,790</u>	<u>\$ 1,613,978</u>

(concluded)



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, 2011
With comparative totals for September 30, 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and cash equivalents	\$ 15,606,979	\$ 2,702,607
Investments	-	11,991,864
Receivables (net)		
Ad valorem taxes (prior years)	1,127,719	1,099,631
Franchise taxes	700,684	677,310
Sales taxes	1,408,885	1,025,794
Ambulance	1,749,004	1,671,107
Fines	312,303	316,060
Other	615,182	511,282
Due from other funds	1,051,462	362,944
Inventory	315,614	205,798
Returned checks	<u>16,878</u>	<u>16,991</u>
Total assets	<u>\$ 22,904,710</u>	<u>\$ 20,581,388</u>
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	\$ 880,258	\$ 926,073
Accrued expenditures	1,626,280	1,859,392
Accrued compensated absences	17,146	14,793
Due to other governments	87,764	78,308
Due to other funds	84,895	225,036
Due to component unit	500,000	-
Deferred revenue	<u>3,480,068</u>	<u>3,325,880</u>
Total liabilities	<u>6,676,411</u>	<u>6,429,482</u>
Fund balances		
Nonspendable		
Inventory	315,614	205,798
Committed	1,570,456	2,009,003
Unassigned	<u>14,342,229</u>	<u>11,937,105</u>
Total fund balances	<u>16,228,299</u>	<u>14,151,906</u>
Total liabilities and fund balances	<u>\$ 22,904,710</u>	<u>\$ 20,581,388</u>

CITY OF VICTORIA, TEXAS
MAJOR GOVERNMENTAL FUNDS - GENERAL FUND
SCHEDULE OF REVENUES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended September 30, 2011
With comparative totals for the year ended September 30, 2010

	2011			2010 Actual
	Final Budget	Actual	Variance Positive (Negative)	
Taxes				
Ad valorem taxes	\$ 13,168,128	\$ 13,117,998	\$ (50,130)	\$ 13,018,812
Penalty and interest	215,000	234,705	19,705	222,517
Franchise tax	4,745,400	4,761,009	15,609	4,665,101
Sales tax	11,889,710	14,768,729	2,879,019	11,978,185
Other	<u>70,000</u>	<u>62,732</u>	<u>(7,268)</u>	<u>60,569</u>
Total taxes	<u>30,088,238</u>	<u>32,945,173</u>	<u>2,856,935</u>	<u>29,945,184</u>
Licenses and permits				
Building	123,000	162,092	39,092	140,550
Electrical	32,060	46,072	14,012	34,101
Mechanical	30,000	29,173	(827)	24,731
Liquor	165,000	178,713	13,713	178,985
Plumbing	25,000	40,159	15,159	32,430
Vital statistics	155,000	135,886	(19,114)	147,723
Miscellaneous	<u>91,510</u>	<u>62,734</u>	<u>(28,776)</u>	<u>104,272</u>
Total licenses and permits	<u>621,570</u>	<u>654,829</u>	<u>33,259</u>	<u>662,792</u>
Intergovernmental	<u>2,263,826</u>	<u>2,238,300</u>	<u>(25,526)</u>	<u>2,172,243</u>
Charges for services				
Ambulance	1,750,000	1,748,944	(1,056)	1,671,107
Victoria Public Library	50,000	63,091	13,091	60,269
Parks and recreation	81,000	116,717	35,717	84,251
Miscellaneous	<u>111,600</u>	<u>179,293</u>	<u>67,693</u>	<u>142,346</u>
Total charges for services	<u>1,992,600</u>	<u>2,108,045</u>	<u>115,445</u>	<u>1,957,973</u>
Fines and forfeitures				
Court costs	126,000	97,205	(28,795)	121,809
Criminal and traffic court	800,000	678,628	(121,372)	725,117
Parking violations	<u>15,000</u>	<u>11,081</u>	<u>(3,919)</u>	<u>14,722</u>
Total fines and forfeitures	<u>941,000</u>	<u>786,914</u>	<u>(154,086)</u>	<u>861,648</u>
Investment income				
Interest	<u>40,000</u>	<u>41,243</u>	<u>1,243</u>	<u>44,098</u>
Miscellaneous				
Rents	1,800	1,750	(50)	2,153
Salvage and asset sales	25,000	22,421	(2,579)	84,670
Contributions and miscellaneous	<u>167,991</u>	<u>273,013</u>	<u>105,022</u>	<u>291,144</u>
Total miscellaneous	<u>194,791</u>	<u>297,184</u>	<u>102,393</u>	<u>377,967</u>
Total revenues	<u>\$ 36,142,025</u>	<u>\$ 39,071,688</u>	<u>\$ 2,929,663</u>	<u>\$ 36,021,905</u>

CITY OF VICTORIA, TEXAS
MAJOR GOVERNMENTAL FUNDS - GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended September 30, 2011
With comparative totals for the year ended September 30, 2010

	2011			2010 Actual
	Final Budget	Actual	Variance Positive (Negative)	
General government				
City manager and council				
Personnel	\$ 608,690	\$ 593,607	\$ 15,083	\$ 516,944
Maintenance and operations	49,510	42,935	6,575	43,703
Capital outlay	6,880	6,450	430	-
Total city manager and council	665,080	642,992	22,088	560,647
Legal - city attorney				
Personnel	360,817	352,466	8,351	393,244
Maintenance and operations	167,417	146,922	20,495	281,129
Capital outlay	6,900	6,890	10	2,222
Total legal - city attorney	535,134	506,278	28,856	676,595
Finance				
Personnel	432,512	394,551	37,961	425,831
Maintenance and operations	166,132	154,683	11,449	170,914
Capital outlay	-	689	(689)	3,262
Total finance	598,644	549,923	48,721	600,007
Municipal court				
Personnel	205,936	195,837	10,099	190,755
Maintenance and operations	85,968	77,658	8,310	37,929
Total municipal court	291,904	273,495	18,409	228,684
Human resources				
Personnel	295,727	286,357	9,370	331,257
Maintenance and operations	127,967	120,703	7,264	138,909
Capital outlay	9,000	9,461	(461)	1,957
Total human resources	432,694	416,521	16,173	472,123

(continued)

CITY OF VICTORIA, TEXAS
MAJOR GOVERNMENTAL FUNDS - GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended September 30, 2011
With comparative totals for the year ended September 30, 2010

	2011			2010 Actual
	Final Budget	Actual	Variance Positive (Negative)	
General government - (continued)				
Planning				
Personnel	\$ 470,236	\$ 472,667	\$ (2,431)	\$ 428,292
Maintenance and operations	321,692	307,722	13,970	352,563
Capital outlay	6,030	3,829	2,201	4,870
Total planning	<u>797,958</u>	<u>784,218</u>	<u>13,740</u>	<u>785,725</u>
Building services				
Personnel	286,915	280,826	6,089	285,279
Maintenance and operations	185,174	173,619	11,555	144,692
Capital outlay	15,300	1,108	14,192	6,344
Total building services	<u>487,389</u>	<u>455,553</u>	<u>31,836</u>	<u>436,315</u>
Custodial services				
Personnel	157,381	149,597	7,784	188,632
Maintenance and operations	33,856	28,296	5,560	38,312
Total custodial services	<u>191,237</u>	<u>177,893</u>	<u>13,344</u>	<u>226,944</u>
City secretary				
Personnel	141,954	126,920	15,034	141,702
Maintenance and operations	64,523	53,136	11,387	112,378
Capital outlay	1,080	1,284	(204)	3,153
Total city secretary	<u>207,557</u>	<u>181,340</u>	<u>26,217</u>	<u>257,233</u>
Public information office				
Personnel	152,327	149,270	3,057	145,710
Maintenance and operations	57,809	38,824	18,985	43,332
Capital outlay	4,380	3,332	1,048	4,928
Total public information office	<u>214,516</u>	<u>191,426</u>	<u>23,090</u>	<u>193,970</u>
Non-departmental				
Personnel	8,050	29,613	(21,563)	26,415
Maintenance and operations	1,703,307	1,630,026	73,281	871,164
Total non-departmental	<u>1,711,357</u>	<u>1,659,639</u>	<u>51,718</u>	<u>897,579</u>
Total general government	<u>6,133,470</u>	<u>5,839,278</u>	<u>294,192</u>	<u>5,335,822</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, 2011
With comparative totals for the year ended September 30, 2010

	2011			2010 Actual
	Final Budget	Actual	Variance Positive (Negative)	
Public safety				
Police				
Personnel	\$ 9,472,070	\$ 8,774,911	\$ 697,159	\$ 8,943,480
Maintenance and operations	1,972,558	1,617,560	354,998	1,600,826
Capital outlay	<u>721,648</u>	<u>459,477</u>	<u>262,171</u>	<u>132,053</u>
Total police	<u>12,166,276</u>	<u>10,851,948</u>	<u>1,314,328</u>	<u>10,676,359</u>
Fire				
Personnel	8,769,652	8,511,578	258,074	8,346,412
Maintenance and operations	1,397,166	1,390,604	6,562	1,847,991
Capital outlay	<u>1,211,912</u>	<u>1,071,840</u>	<u>140,072</u>	<u>1,478,518</u>
Total fire	<u>11,378,730</u>	<u>10,974,022</u>	<u>404,708</u>	<u>11,672,921</u>
Development center/inspections				
Personnel	591,034	554,870	36,164	615,821
Maintenance and operations	174,845	161,562	13,283	171,757
Capital outlay	<u>4,000</u>	<u>4,032</u>	<u>(32)</u>	<u>24,606</u>
Total development center/inspections	<u>769,879</u>	<u>720,464</u>	<u>49,415</u>	<u>812,184</u>
Code enforcement				
Personnel	132,444	125,499	6,945	185,460
Maintenance and operations	161,252	128,789	32,463	117,670
Capital outlay	<u>-</u>	<u>499</u>	<u>(499)</u>	<u>1,254</u>
Total code enforcement	<u>293,696</u>	<u>254,787</u>	<u>38,909</u>	<u>304,384</u>
Traffic control				
Personnel	426,794	395,152	31,642	430,566
Maintenance and operations	1,571,365	1,348,079	223,286	1,493,234
Capital outlay	<u>14,990</u>	<u>13,777</u>	<u>1,213</u>	<u>167,095</u>
Total traffic control	<u>2,013,149</u>	<u>1,757,008</u>	<u>256,141</u>	<u>2,090,895</u>
Total public safety	<u>26,621,730</u>	<u>24,558,229</u>	<u>2,063,501</u>	<u>25,556,743</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, 2011
With comparative totals for the year ended September 30, 2010

	2011			2010 Actual
	Final Budget	Actual	Variance Positive (Negative)	
Highways and streets				
Engineering				
Personnel	\$ 657,453	\$ 667,954	\$ (10,501)	\$ 652,865
Maintenance and operations	166,382	141,018	25,364	243,652
Capital outlay	-	-	-	12,022
Total engineering	<u>823,835</u>	<u>808,972</u>	<u>14,863</u>	<u>908,539</u>
Streets and drainage				
Personnel	1,455,220	1,269,777	185,443	1,464,188
Maintenance and operations	1,254,484	1,093,195	161,289	1,662,338
Capital outlay	<u>1,676,824</u>	<u>993,838</u>	<u>682,986</u>	<u>116,524</u>
Total streets and drainage	<u>4,386,528</u>	<u>3,356,810</u>	<u>1,029,718</u>	<u>3,243,050</u>
Total highways and streets	<u>5,210,363</u>	<u>4,165,782</u>	<u>1,044,581</u>	<u>4,151,589</u>
Culture and recreation				
Parks and recreation				
Personnel	1,655,957	1,478,909	177,048	1,634,154
Maintenance and operations	1,419,594	1,079,859	339,735	977,873
Capital outlay	<u>204,094</u>	<u>170,934</u>	<u>33,160</u>	<u>183,836</u>
Total parks and recreation	<u>3,279,645</u>	<u>2,729,702</u>	<u>549,943</u>	<u>2,795,863</u>
Public library				
Personnel	1,226,903	1,135,443	91,460	1,225,600
Maintenance and operations	453,707	405,956	47,751	425,201
Capital outlay	<u>296,970</u>	<u>282,984</u>	<u>13,986</u>	<u>453,013</u>
Total public library	<u>1,977,580</u>	<u>1,824,383</u>	<u>153,197</u>	<u>2,103,814</u>
Total culture and recreation	<u>5,257,225</u>	<u>4,554,085</u>	<u>703,140</u>	<u>4,899,677</u>
Total expenditures	<u>\$ 43,222,788</u>	<u>\$ 39,117,374</u>	<u>\$ 4,105,414</u>	<u>\$ 39,943,831</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:

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.

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.

DEBT SERVICE FUND - (Continued)

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.

2011 Pass-Through Toll Revenue and Limited Tax Issue - To accumulate monies for payment of the 2011 \$9,740,000 2.00% - 4.00% Pass-Through Toll Revenue and Limited Tax Bonds which are serial bonds due in annual installments of various amounts plus interest until maturity in 2031. Property tax is levied to finance debt service. Proceeds from the sale of the Bonds will be used (1) to fund the City's obligations arising under the Pass-Through Toll Agreement between the City and the Texas Department of Transportation (TxDOT) pursuant to which road improvements to existing State Highway Loop 463 in the City will be made, and (2) to pay costs of issuance of the Bonds.

CITY OF VICTORIA, TEXAS
MAJOR GOVERNMENTAL FUNDS - DEBT SERVICE FUND
BALANCE SHEET
September 30, 2011
With comparative totals for September 30, 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and cash equivalents	\$ 994,635	\$ 1,042,334
Receivables (net)		
Ad valorem taxes (prior years)	<u>453,372</u>	<u>461,088</u>
Total assets	<u>\$ 1,448,007</u>	<u>\$ 1,503,422</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accrued interest payable	\$ 41,241	\$ 18,208
Deferred revenue	<u>453,372</u>	<u>461,088</u>
Total liabilities	<u>494,613</u>	<u>479,296</u>
Fund balance		
Unreserved, undesignated	<u>953,394</u>	<u>1,024,126</u>
Total liabilities and fund balance	<u>\$ 1,448,007</u>	<u>\$ 1,503,422</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, 2011

With comparative totals for the year ended September 30, 2010

	2011		Variance Positive (Negative)	2010 Actual
	Final Budget	Actual		
REVENUES				
Taxes				
Ad valorem - current				
2000 Issue	\$ -	\$ -	\$ -	\$ 652,226
2001 Issue	1,062,651	1,062,651	-	1,093,743
2003 Issue	392,639	392,639	-	417,258
2004 Issue	708,277	708,277	-	752,728
2005 Issues	2,197,366	2,197,366	-	1,664,181
2006 Issue	690,916	690,916	-	722,924
2007 Issue	393,293	393,293	-	414,486
2009 Issues	1,634,647	1,634,647	-	1,213,653
Ad valorem - delinquent	125,000	157,660	32,660	122,865
Intergovernmental	977,500	453,901	(523,599)	387,077
Investment income - interest	5,000	5,756	756	9,021
Total revenues	8,187,289	7,697,106	(490,183)	7,450,162
EXPENDITURES				
Debt service				
Principal retirement				
2000 Issue	-	-	-	650,000
2001 Issue	725,000	725,000	-	675,000
2003 Issue	265,000	265,000	-	260,000
2004 Issue	430,000	430,000	-	425,000
2005 Issues	1,380,000	1,380,000	-	680,000
2006 Issue	395,000	395,000	-	375,000
2009 Issues	415,000	415,000	-	325,000
2010 Issue	-	105,000	(105,000)	-
Interest				
2000 Issue	-	-	-	31,525
2001 Issue	444,212	36,250	407,962	472,225
2003 Issue	167,012	167,013	(1)	175,853
2004 Issue	349,302	349,301	1	363,114
2005 Issues	1,037,714	1,037,714	-	1,060,939
2006 Issue	365,200	365,200	-	382,075
2007 Issue	432,732	432,731	1	432,731
2009 Issues	1,383,566	1,383,566	-	1,185,417
2010 Issue	-	265,538	(265,538)	-
2011 Issue	523,600	-	523,600	-
Paying agents' fees and issue costs	11,700	15,525	(3,825)	290,890
Total expenditures	8,325,038	7,767,838	557,200	7,784,769
Excess (deficiency) of revenues over expenditures	(137,749)	(70,732)	67,017	(334,607)
OTHER FINANCING SOURCES (USES)				
Bonds issued	-	-	-	8,715,000
Premium on issuance of bonds	-	-	-	431,650
Payment to escrow	-	-	-	(8,985,582)
Total other financing sources (uses)	-	-	-	161,068
Changes in fund balance	(137,749)	(70,732)	67,017	(173,539)
Fund balance at beginning of year	1,024,126	1,024,126	-	1,197,665
Fund balance at end of year	\$ 886,377	\$ 953,394	\$ 67,017	\$ 1,024,126

CAPITAL PROJECT FUNDS

The City maintains three Capital Project Funds: Capital Construction Fund (3035), the Capital Construction Fund (3036) and the Capital Construction Fund (3037). 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 Capital Construction Fund (3036) and the Capital Construction Fund (3037) are reported as major funds.

CITY OF VICTORIA, TEXAS

NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECT FUNDS

CAPITAL CONSTRUCTION FUND (3035)

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

BUDGET (GAAP BASIS) AND ACTUAL

For the year ended September 30, 2011

With comparative totals for the year ended September 30, 2010

	2011		Variance Positive (Negative)	2010 Actual
	Final Budget	Actual		
REVENUES				
Intergovernmental	\$ 500,000	\$ -	\$ (500,000)	\$ -
Investment income				
Interest	-	534	534	117
Miscellaneous	48,527	48,527	-	-
Total revenues	<u>548,527</u>	<u>49,061</u>	<u>(499,466)</u>	<u>117</u>
EXPENDITURES				
Capital outlay	1,156,744	171,355	985,389	410,685
Excess (deficiency) of revenues over expenditures	(608,217)	(122,294)	485,923	(410,568)
OTHER FINANCING SOURCES (USES)				
Transfers in	608,217	608,217	-	-
Transfers out	-	-	-	(25,605)
Total other financing sources (uses)	<u>608,217</u>	<u>608,217</u>	<u>-</u>	<u>(25,605)</u>
Change in fund balance	-	485,923	485,923	(436,173)
Fund balance at beginning of year	-	-	-	436,173
Fund balance at end of year	<u>\$ -</u>	<u>\$ 485,923</u>	<u>\$ 485,923</u>	<u>\$ -</u>

CITY OF VICTORIA, TEXAS**MAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECT FUNDS****CAPITAL CONSTRUCTION FUND (3036)****SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -****BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended September 30, 2011

With comparative totals for the year ended September 30, 2010

	2011		Variance Positive (Negative)	2010 Actual
	Final Budget	Actual		
REVENUES				
Investment income				
Interest	\$ 500	\$ 7,641	\$ 7,141	\$ 563
Miscellaneous income	2,753,073	250,000	(2,503,073)	-
Total revenues	<u>2,753,573</u>	<u>257,641</u>	<u>(2,495,932)</u>	<u>563</u>
EXPENDITURES				
Current				
Highways and streets	16,345,456	12,867,785	3,477,671	-
Capital outlay	-	-	-	112,607
Debt service				
Bond issue costs	189,037	188,284	753	-
Total expenditures	<u>16,534,493</u>	<u>13,056,069</u>	<u>3,478,424</u>	<u>112,607</u>
Excess (deficiency) of revenues over expenditures	(13,780,920)	(12,798,428)	982,492	(112,044)
OTHER FINANCING SOURCES (USES)				
Bonds issued	9,740,753	9,740,000	(753)	-
Premium on issuance of bonds	97,204	97,204	-	-
Transfers in	6,448,657	6,448,657	-	-
Total other financing sources (uses)	<u>16,286,614</u>	<u>16,285,861</u>	<u>(753)</u>	<u>-</u>
Change in fund balance	2,505,694	3,487,433	981,739	(112,044)
Fund balance at beginning of year	221,430	221,430	-	333,474
Fund balance at end of year	<u>\$ 2,727,124</u>	<u>\$ 3,708,863</u>	<u>\$ 981,739</u>	<u>\$ 221,430</u>

CITY OF VICTORIA, TEXAS**MAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECT FUNDS****CAPITAL CONSTRUCTION FUND (3037)****SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -****BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended September 30, 2011

With comparative totals for the year ended September 30, 2010

	2011			2010 Actual
	Final Budget	Actual	Variance Positive (Negative)	
REVENUES				
Intergovernmental	\$ -	\$ -	\$ -	\$ 1,936,037
Investment income				
Interest	49,558	57,495	7,937	102,150
Miscellaneous income	2,199,475	2,050,110	(149,365)	1,091,498
Total revenues	<u>2,249,033</u>	<u>2,107,605</u>	<u>(141,428)</u>	<u>3,129,685</u>
EXPENDITURES				
Current				
General government	-	-	-	49,050
Highways and streets	100,335	100,335	-	-
Capital outlay	30,767,473	18,718,308	12,049,165	10,339,354
Debt service				
Bond issue costs	-	-	-	390,224
Total expenditures	<u>30,867,808</u>	<u>18,818,643</u>	<u>12,049,165</u>	<u>10,778,628</u>
Excess (deficiency) of revenues over expenditures	(28,618,775)	(16,711,038)	11,907,737	(7,648,943)
OTHER FINANCING SOURCES (USES)				
Bonds issued	-	-	-	26,330,000
Premium on issuance of bonds	-	-	-	83,584
Transfers in	-	-	-	4,008,517
Transfers out	(6,448,657)	(6,448,657)	-	(1,009,349)
Total other financing sources (uses)	<u>(6,448,657)</u>	<u>(6,448,657)</u>	<u>-</u>	<u>29,412,752</u>
Change in fund balance	(35,067,432)	(23,159,695)	11,907,737	21,763,809
Fund balance at beginning of year, as restated	35,067,432	35,067,432	-	13,303,623
Fund balance at end of year	<u>\$ -</u>	<u>\$ 11,907,737</u>	<u>\$ 11,907,737</u>	<u>\$ 35,067,432</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, 2011

	Community Center	700 Main Center	Education & Government Channel	Total Nonmajor Enterprise Funds
ASSETS				
Current assets				
Cash and cash equivalents	\$ 1,134,100	\$ 153,439	\$ -	\$ 1,287,539
Receivables (net)	-	12	-	12
Due from other funds	55,999	-	-	55,999
Returned checks	812	-	-	812
Restricted assets				
Cash and cash equivalents	969,193	-	-	969,193
Total current assets	<u>2,160,104</u>	<u>153,451</u>	<u>-</u>	<u>2,313,555</u>
Noncurrent assets				
Capital assets				
Land and other assets not being depreciated	175,160	224,598	-	399,758
Buildings, improvements, and equipment (net)	2,164,623	1,439,813	-	3,604,436
Total noncurrent assets	<u>2,339,783</u>	<u>1,664,411</u>	<u>-</u>	<u>4,004,194</u>
Total assets	<u>4,499,887</u>	<u>1,817,862</u>	<u>-</u>	<u>6,317,749</u>
LIABILITIES				
Current liabilities				
Accounts payable	110,676	7,066	-	117,742
Accrued expenses	10,719	-	-	10,719
Accrued compensated absences	1,184	-	-	1,184
Customer deposits	39,435	-	-	39,435
Total current liabilities	<u>162,014</u>	<u>7,066</u>	<u>-</u>	<u>169,080</u>
Noncurrent liabilities				
Accrued compensated absences	11,469	-	-	11,469
Total liabilities	<u>173,483</u>	<u>7,066</u>	<u>-</u>	<u>180,549</u>
NET ASSETS				
Invested in capital assets	2,339,783	1,664,411	-	4,004,194
Unrestricted net assets	1,986,621	146,385	-	2,133,006
Total net assets	<u>\$ 4,326,404</u>	<u>\$ 1,810,796</u>	<u>\$ -</u>	<u>\$ 6,137,200</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, 2011*

	Community Center	700 Main Center	Education & Government Channel	Total Nonmajor Enterprise Funds
OPERATING REVENUES				
Charges for services	\$ 240,429	\$ 99,194	\$ -	\$ 339,623
OPERATING EXPENSES				
Personnel	281,457	-	-	281,457
Materials and supplies	33,927	2,318	-	36,245
Maintenance	22,930	17,323	-	40,253
Heat, lights and power	75,513	67,418	-	142,931
Miscellaneous services	41,422	15,390	-	56,812
Contractual services	3,259	20,400	-	23,659
Depreciation	112,745	100,556	6,821	220,122
Total operating expenses	<u>571,253</u>	<u>223,405</u>	<u>6,821</u>	<u>801,479</u>
Operating income (loss) before nonoperating revenues (expenses) and transfers	(330,824)	(124,211)	(6,821)	(461,856)
NONOPERATING REVENUES (EXPENSES)				
Investment income	3,918	36	-	3,954
Loss on disposition of capital assets	(11,851)	-	(20,277)	(32,128)
Net nonoperating revenues (expenses)	<u>(7,933)</u>	<u>36</u>	<u>(20,277)</u>	<u>(28,174)</u>
Income before transfers	(338,757)	(124,175)	(27,098)	(490,030)
Transfers				
Transfers in	330,000	-	-	330,000
Transfers out	(164,850)	(21,617)	-	(186,467)
Total transfers	<u>165,150</u>	<u>(21,617)</u>	<u>-</u>	<u>143,533</u>
Change in net assets	(173,607)	(145,792)	(27,098)	(346,497)
Total net assets at beginning of year	<u>4,500,011</u>	<u>1,956,588</u>	<u>27,098</u>	<u>6,483,697</u>
Total net assets at end of year	<u>\$ 4,326,404</u>	<u>\$ 1,810,796</u>	<u>\$ -</u>	<u>\$ 6,137,200</u>

CITY OF VICTORIA, TEXAS
ALL NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the year ended September 30, 2011

	Community Center	700 Main Center	Education & Government Channel	Total Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 240,429	\$ 99,203	\$ -	\$ 339,632
Cash paid to suppliers for goods and services	(76,606)	(122,421)	-	(199,027)
Cash paid to employees for services	(292,416)	-	-	(292,416)
Net cash provided (used) by operating activities	<u>(128,593)</u>	<u>(23,218)</u>	<u>-</u>	<u>(151,811)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Increase (decrease) in customer deposits	5,100	-	-	5,100
Borrowings from (to) other funds	(5,673)	-	(59)	(5,732)
Transfers in from other funds	330,000	-	-	330,000
Transfers out to other funds	(164,850)	(21,617)	-	(186,467)
Net cash provided (used) by noncapital financing activities	<u>164,577</u>	<u>(21,617)</u>	<u>(59)</u>	<u>142,901</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(201,441)	(8,343)	-	(209,784)
Net cash provided (used) by capital and related financing activities	<u>(201,441)</u>	<u>(8,343)</u>	<u>-</u>	<u>(209,784)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investments	600,000	-	-	600,000
Investment income	4,185	36	-	4,221
Net cash provided (used) by investing activities	<u>604,185</u>	<u>36</u>	<u>-</u>	<u>604,221</u>
Net increase (decrease) in cash and cash equivalents	438,728	(53,142)	(59)	385,527
Cash and cash equivalents at beginning of year	<u>1,664,565</u>	<u>206,581</u>	<u>59</u>	<u>1,871,205</u>
Cash and cash equivalents at end of year	<u>\$ 2,103,293</u>	<u>\$ 153,439</u>	<u>\$ -</u>	<u>\$ 2,256,732</u>

CITY OF VICTORIA, TEXAS
ALL NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the year ended September 30, 2011

	<u>Community Center</u>	<u>700 Main Center</u>	<u>Education & Government Channel</u>	<u>Total Nonmajor Enterprise Funds</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ (330,824)	\$ (124,211)	\$ (6,821)	\$ (461,856)
Adjustments to reconcile operating income to net cash provided (used) by operating activities				
Depreciation	112,745	100,556	6,821	220,122
Changes in assets and liabilities				
(Increase) decrease in other receivables	-	9	-	9
Increase (decrease) in accounts payable	100,445	428	-	100,873
Increase (decrease) in accrued expenses	(10,095)	-	-	(10,095)
Increase (decrease) in compensated absences	(864)	-	-	(864)
Total adjustments	<u>202,231</u>	<u>100,993</u>	<u>6,821</u>	<u>310,045</u>
Net cash provided (used) by operating activities	<u>\$ (128,593)</u>	<u>\$ (23,218)</u>	<u>\$ -</u>	<u>\$ (151,811)</u>



WATER AND WASTEWATER FUND

CITY OF VICTORIA, TEXAS
MAJOR ENTERPRISE FUND
WATER AND WASTEWATER FUND
BALANCE SHEET
September 30, 2011
With comparative totals for September 30, 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 8,562,700	\$ 6,944,176
Receivables (net)		
Accounts	2,556,824	1,918,546
Other	28,710	2,465
Due from other funds	146,601	-
Inventory	117,307	209,114
Returned checks	4,067	2,432
Restricted assets		
Cash and cash equivalents	2,409,426	8,980,255
Investments	1,499,509	300,109
Total current assets	<u>15,325,144</u>	<u>18,357,097</u>
Noncurrent assets		
Capital assets		
Buildings	35,815,581	35,779,845
Water and wastewater distribution system	128,554,640	109,751,917
Improvements other than buildings	1,413,250	1,385,993
Machinery and equipment	<u>2,151,002</u>	<u>2,126,914</u>
Total capital assets	167,934,473	149,044,669
Less accumulated depreciation	<u>72,681,642</u>	<u>57,478,022</u>
Subtotal	95,252,831	91,566,647
Land and water rights	3,178,255	3,144,980
Construction in progress	<u>4,790,035</u>	<u>3,194,297</u>
Net capital assets	<u>103,221,121</u>	<u>97,905,924</u>
Other assets		
Bond issue costs (net)	1,294,533	1,400,640
Special deposit with Guadalupe-Blanco River Authority	-	82,673
Total other assets	<u>1,294,533</u>	<u>1,483,313</u>
Total noncurrent assets	<u>104,515,654</u>	<u>99,389,237</u>
Total assets	<u>119,840,798</u>	<u>117,746,334</u>

CITY OF VICTORIA, TEXAS
MAJOR ENTERPRISE FUND
WATER AND WASTEWATER FUND
BALANCE SHEET
September 30, 2011
With comparative totals for September 30, 2010

	<u>2011</u>	<u>2010</u>
LIABILITIES		
Current liabilities		
Accounts payable	\$ 384,056	\$ 292,772
Accounts payable (payable from restricted assets)	470,151	1,153,702
Accrued expenses	176,787	329,661
Accrued compensated absences	16,217	14,011
Due to other funds	-	36,559
Due to component unit	500,000	-
Accrued interest payable	1,004,294	985,468
Current portion of waterworks and sewer system revenue bonds	<u>4,330,000</u>	<u>3,915,000</u>
Total current liabilities	<u>6,881,505</u>	<u>6,727,173</u>
Noncurrent liabilities		
Waterworks and sewer system revenue bonds (net of current portion)	64,795,000	69,125,000
Deferred financing costs (net of amortization)	1,901,914	2,048,718
Other post employment benefits payable	20,540	-
Accrued compensated absences	<u>157,036</u>	<u>165,204</u>
Total noncurrent liabilities	<u>66,874,490</u>	<u>71,338,922</u>
Total liabilities	<u>73,755,995</u>	<u>78,066,095</u>
NET ASSETS		
Invested in capital assets, net of related debt, as restated	35,720,522	30,929,309
Unrestricted net assets	<u>10,364,281</u>	<u>8,750,930</u>
Total net assets	<u>\$ 46,084,803</u>	<u>\$ 39,680,239</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, 2011

With comparative totals for the year ended September 30, 2010

	<u>2011</u>	<u>2010</u>
OPERATING REVENUES		
Water sales	\$ 12,983,001	\$ 11,251,363
Sewer service	10,595,050	10,481,909
Tap and connection fees	261,060	209,145
Miscellaneous	<u>247,289</u>	<u>30,886</u>
Total operating revenues	<u>24,086,400</u>	<u>21,973,303</u>
OPERATING EXPENSES		
Personnel	4,834,231	4,506,775
Materials and supplies	1,282,173	1,002,776
Maintenance	919,795	754,710
Heat, lights, and power	1,506,046	991,500
Miscellaneous services	1,385,142	1,243,528
Contractual services	1,064,214	3,148,773
Computer services	121,656	146,807
Depreciation	<u>4,484,336</u>	<u>3,947,042</u>
Total operating expenses	<u>15,597,593</u>	<u>15,741,911</u>
Operating income (loss) before nonoperating revenues (expenses) and contributions and transfers	8,488,807	6,231,392
NONOPERATING REVENUES (EXPENSES)		
Investment income	21,968	24,320
Interest and fiscal charges	(3,017,114)	(2,846,486)
Loss on disposition of capital assets	<u>(13,523)</u>	<u>(1,471)</u>
Net nonoperating revenues (expenses)	<u>(3,008,669)</u>	<u>(2,823,637)</u>
Income before contributions and transfers	5,480,138	3,407,755
Contributions and transfers		
Capital contributions	3,127,754	273,053
Transfers in	67,672	1,089,507
Transfers out	<u>(2,271,000)</u>	<u>(5,954,632)</u>
Total contributions and transfers	<u>924,426</u>	<u>(4,592,072)</u>
Change in net assets	6,404,564	(1,184,317)
Total net assets at beginning of year, as restated	<u>39,680,239</u>	<u>40,864,556</u>
Total net assets at end of year	<u>\$ 46,084,803</u>	<u>\$ 39,680,239</u>

CITY OF VICTORIA, TEXAS

MAJOR ENTERPRISE FUND

WATER AND WASTEWATER FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2011

With comparative totals for the year ended September 30, 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 23,420,242	\$ 22,012,800
Cash paid to suppliers for goods and services	(6,013,262)	(7,558,271)
Cash paid to employees for services	(4,972,527)	(4,442,923)
Net cash provided (used) by operating activities	<u>12,434,453</u>	<u>10,011,606</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Borrowings from (to) other funds	(183,160)	(5,553)
Borrowings from (to) component unit	500,000	-
Transfers in from other funds	67,672	1,089,507
Transfers out to other funds	(2,271,000)	(5,954,632)
Net cash provided (used) by noncapital financing activities	<u>(1,886,488)</u>	<u>(4,870,678)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(7,368,853)	(5,221,535)
Proceeds from issuance of revenue bonds	-	32,140,000
Principal paid on revenue bonds	(3,915,000)	(29,230,000)
Interest paid on revenue bonds	(3,038,985)	(1,945,064)
Net cash provided (used) by capital and related financing activities	<u>(14,322,838)</u>	<u>(4,256,599)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(1,197,662)	(300,000)
Rebatable arbitrage payments	-	(4,950)
Investment income	20,230	24,211
Net cash provided (used) by investing activities	<u>(1,177,432)</u>	<u>(280,739)</u>
Net increase (decrease) in cash and cash equivalents	(4,952,305)	603,590
Cash and cash equivalents at beginning of year	<u>15,924,431</u>	<u>15,320,841</u>
Cash and cash equivalents at end of year	<u>\$ 10,972,126</u>	<u>\$ 15,924,431</u>

CITY OF VICTORIA, TEXAS
MAJOR ENTERPRISE FUND
WATER AND WASTEWATER FUND
STATEMENT OF CASH FLOWS
For the year ended September 30, 2011
With comparative totals for the year ended September 30, 2010

	<u>2011</u>	<u>2010</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 8,488,807	\$ 6,231,392
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	4,484,336	3,947,042
Changes in assets and liabilities		
(Increase) decrease in accounts receivable	(638,278)	30,743
(Increase) decrease in other receivables	(26,245)	5,995
(Increase) decrease in inventory	91,807	(85,201)
(Increase) decrease in returned checks	(1,635)	2,759
(Increase) decrease in deposits	82,673	-
Increase (decrease) in accounts payable	91,284	(184,976)
Increase (decrease) in accrued expenses	(152,874)	42,676
Increase (decrease) in compensated absences	(5,962)	21,176
Increase (decrease) in other post employment benefits payable	<u>20,540</u>	<u>-</u>
Total adjustments	<u>3,945,646</u>	<u>3,780,214</u>
Net cash provided (used) by operating activities	<u>\$ 12,434,453</u>	<u>\$ 10,011,606</u>

COMMUNITY CENTER FUND

CITY OF VICTORIA, TEXAS
NONMAJOR ENTERPRISE FUND
COMMUNITY CENTER FUND
BALANCE SHEET
September 30, 2011
With comparative totals for September 30, 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,134,100	\$ 1,049,204
Due from other funds	55,999	51,133
Returned checks	812	812
Restricted assets		
Cash and cash equivalents	969,193	615,361
Investments	<u>-</u>	<u>600,267</u>
Total current assets	<u>2,160,104</u>	<u>2,316,777</u>
Noncurrent assets		
Capital assets		
Buildings	3,624,621	3,476,311
Infrastructure	288,581	288,581
Machinery and equipment	<u>115,405</u>	<u>106,228</u>
Total capital assets	4,028,607	3,871,120
Less accumulated depreciation	<u>1,863,984</u>	<u>1,783,342</u>
Subtotal	2,164,623	2,087,778
Land	<u>175,160</u>	<u>175,160</u>
Net capital assets	<u>2,339,783</u>	<u>2,262,938</u>
Total noncurrent assets	<u>2,339,783</u>	<u>2,262,938</u>
Total assets	<u>4,499,887</u>	<u>4,579,715</u>
LIABILITIES		
Current liabilities		
Accounts payable	110,676	10,231
Accrued expenses	10,719	20,814
Accrued compensated absences	1,184	1,057
Due to other funds	-	807
Customer deposits	<u>39,435</u>	<u>34,335</u>
Total current liabilities	<u>162,014</u>	<u>67,244</u>
Noncurrent liabilities		
Accrued compensated absences	<u>11,469</u>	<u>12,460</u>
Total liabilities	<u>173,483</u>	<u>79,704</u>
NET ASSETS		
Invested in capital assets	2,339,783	2,262,938
Unrestricted net assets	<u>1,986,621</u>	<u>2,237,073</u>
Total net assets	<u>\$ 4,326,404</u>	<u>\$ 4,500,011</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, 2011
With comparative totals for the year ended September 30, 2010

	<u>2011</u>	<u>2010</u>
OPERATING REVENUES		
Rental fees	\$ 231,049	\$ 221,666
Miscellaneous	<u>9,380</u>	<u>439</u>
Total operating revenues	<u>240,429</u>	<u>222,105</u>
OPERATING EXPENSES		
Personnel	281,457	295,764
Materials and supplies	33,927	59,752
Maintenance	22,930	27,603
Heat, lights, and power	75,513	73,114
Miscellaneous services	41,422	38,986
Contractual services	3,259	32,815
Depreciation	<u>112,745</u>	<u>109,884</u>
Total operating expenses	<u>571,253</u>	<u>637,918</u>
Operating income (loss) before nonoperating revenues (expenses) and transfers	(330,824)	(415,813)
NONOPERATING REVENUES (EXPENSES)		
Investment income	3,918	4,080
Loss on disposition of capital assets	<u>(11,851)</u>	<u>(194)</u>
Net nonoperating revenues (expenses)	<u>(7,933)</u>	<u>3,886</u>
Income (loss) before transfers	(338,757)	(411,927)
Transfers		
Transfers in	330,000	327,421
Transfers out	<u>(164,850)</u>	<u>(19,800)</u>
Total transfers	<u>165,150</u>	<u>307,621</u>
Change in net assets	(173,607)	(104,306)
Total net assets at beginning of year	<u>4,500,011</u>	<u>4,604,317</u>
Total net assets at end of year	<u>\$ 4,326,404</u>	<u>\$ 4,500,011</u>

CITY OF VICTORIA, TEXAS
NONMAJOR ENTERPRISE FUND
COMMUNITY CENTER FUND
STATEMENT OF CASH FLOWS
For the year ended September 30, 2011
With comparative totals for the year ended September 30, 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 240,429	\$ 222,105
Cash paid to suppliers for goods and services	(76,606)	(235,136)
Cash paid to employees for services	(292,416)	(291,726)
Net cash provided (used) by operating activities	<u>(128,593)</u>	<u>(304,757)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Increase (decrease) in customer deposits	5,100	650
Borrowings from (to) other funds	(5,673)	115,365
Transfers in from other funds	330,000	327,421
Transfers out to other funds	(164,850)	(19,800)
Net cash provided (used) by noncapital financing activities	<u>164,577</u>	<u>423,636</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(201,441)	(8,380)
Net cash provided (used) by capital and related financing activities	<u>(201,441)</u>	<u>(8,380)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	600,000	-
Purchase of investments	-	(600,000)
Investment income	4,185	3,809
Net cash provided (used) by investing activities	<u>604,185</u>	<u>(596,191)</u>
Net increase (decrease) in cash and cash equivalents	438,728	(485,692)
Cash and cash equivalents at beginning of year	1,664,565	2,150,257
Cash and cash equivalents at end of year	<u>\$ 2,103,293</u>	<u>\$ 1,664,565</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (330,824)	\$ (415,813)
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	112,745	109,884
Changes in assets and liabilities		
Increase (decrease) in accounts payable	100,445	(2,866)
Increase (decrease) in accrued expenses	(10,095)	1,896
Increase (decrease) in compensated absences	(864)	2,142
Total adjustments	<u>202,231</u>	<u>111,056</u>
Net cash provided (used) by operating activities	<u>\$ (128,593)</u>	<u>\$ (304,757)</u>

700 MAIN CENTER FUND

CITY OF VICTORIA, TEXAS
NONMAJOR ENTERPRISE FUND
700 MAIN CENTER FUND
BALANCE SHEET
 September 30, 2011
 With comparative totals for September 30, 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 153,439	\$ 206,581
Receivables (net)		
Other	<u>12</u>	<u>21</u>
Total current assets	<u>153,451</u>	<u>206,602</u>
Noncurrent assets		
Capital assets		
Buildings	2,526,953	2,518,610
Improvements other than buildings	78,216	78,216
Machinery and equipment	<u>113,698</u>	<u>114,957</u>
Total capital assets	2,718,867	2,711,783
Less accumulated depreciation	<u>1,279,054</u>	<u>1,179,757</u>
Subtotal	1,439,813	1,532,026
Land	<u>224,598</u>	<u>224,598</u>
Net capital assets	<u>1,664,411</u>	<u>1,756,624</u>
Total assets	<u>1,817,862</u>	<u>1,963,226</u>
LIABILITIES		
Current liabilities		
Accounts payable	<u>7,066</u>	<u>6,638</u>
NET ASSETS		
Invested in capital assets	1,664,411	1,756,624
Unrestricted net assets	<u>146,385</u>	<u>199,964</u>
Total net assets	<u>\$ 1,810,796</u>	<u>\$ 1,956,588</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, 2011
With comparative totals for the year ended September 30, 2010

	<u>2011</u>	<u>2010</u>
OPERATING REVENUES		
Rental fees	\$ 99,194	\$ 203,824
OPERATING EXPENSES		
Materials and supplies	2,318	674
Maintenance	17,323	16,290
Heat, lights, and power	67,418	68,611
Miscellaneous services	15,390	15,660
Contractual services	20,400	-
Depreciation	<u>100,556</u>	<u>102,011</u>
Total operating expenses	<u>223,405</u>	<u>203,246</u>
Operating income (loss) before nonoperating revenues (expenses) and contributions and transfers	(124,211)	578
NONOPERATING REVENUES		
Investment income	<u>36</u>	<u>62</u>
Net nonoperating revenues (expenses)	<u>36</u>	<u>62</u>
Income (loss) before contributions and transfers	(124,175)	640
Contributions and transfers		
Capital contributions	-	11,437
Transfers out	<u>(21,617)</u>	<u>(21,617)</u>
Total contributions and transfers	<u>(21,617)</u>	<u>(10,180)</u>
Change in net assets	(145,792)	(9,540)
Total net assets at beginning of year	<u>1,956,588</u>	<u>1,966,128</u>
Total net assets at end of year	<u>\$ 1,810,796</u>	<u>\$ 1,956,588</u>

CITY OF VICTORIA, TEXAS
NONMAJOR ENTERPRISE FUND
700 MAIN CENTER FUND
STATEMENT OF CASH FLOWS
For the year ended September 30, 2011
With comparative totals for the year ended September 30, 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 99,203	\$ 203,817
Cash paid to suppliers for goods and services	<u>(122,421)</u>	<u>(107,886)</u>
Net cash provided (used) by operating activities	<u>(23,218)</u>	<u>95,931</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers out to other funds	<u>(21,617)</u>	<u>(21,617)</u>
Net cash provided (used) by noncapital financing activities	<u>(21,617)</u>	<u>(21,617)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	<u>(8,343)</u>	<u>(21,322)</u>
Net cash provided (used) by capital and related financing activities	<u>(8,343)</u>	<u>(21,322)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	<u>36</u>	<u>62</u>
Net cash provided (used) by investing activities	<u>36</u>	<u>62</u>
Net increase (decrease) in cash and cash equivalents	(53,142)	53,054
Cash and cash equivalents at beginning of year	<u>206,581</u>	<u>153,527</u>
Cash and cash equivalents at end of year	<u>\$ 153,439</u>	<u>\$ 206,581</u>

CITY OF VICTORIA, TEXAS
NONMAJOR ENTERPRISE FUND
700 MAIN CENTER FUND
STATEMENT OF CASH FLOWS
For the year ended September 30, 2011
With comparative totals for the year ended September 30, 2010

	<u>2011</u>	<u>2010</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (124,211)	\$ 578
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	100,556	102,011
Changes in assets and liabilities		
(Increase) decrease in other receivables	9	(7)
Increase (decrease) in accounts payable	<u>428</u>	<u>(6,651)</u>
Total adjustments	<u>100,993</u>	<u>95,353</u>
Net cash provided (used) by operating activities	<u>\$ (23,218)</u>	<u>\$ 95,931</u>



ENVIRONMENTAL SERVICES FUND

CITY OF VICTORIA, TEXAS
MAJOR ENTERPRISE FUND
ENVIRONMENTAL SERVICES FUND
BALANCE SHEET
September 30, 2011
With comparative totals for September 30, 2010

	2011	2010
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,747,214	\$ 1,778,838
Receivables (net)		
Accounts	211,436	200,543
Other	103,251	106,620
Due from other funds	31,040	-
Restricted assets		
Cash and cash equivalents	5,075,063	2,535,026
Investments	-	2,701,201
Total current assets	<u>8,168,004</u>	<u>7,322,228</u>
Noncurrent assets		
Capital assets		
Buildings	120,012	120,012
Infrastructure	1,504,801	1,364,238
Improvements other than buildings	561,623	561,623
Machinery and equipment	<u>1,367,091</u>	<u>1,327,349</u>
Total capital assets	3,553,527	3,373,222
Less accumulated depreciation	<u>1,421,149</u>	<u>1,122,055</u>
Subtotal	2,132,378	2,251,167
Land	799,931	799,931
Construction in progress	<u>-</u>	<u>71,392</u>
Net capital assets	<u>2,932,309</u>	<u>3,122,490</u>
Total noncurrent assets	<u>2,932,309</u>	<u>3,122,490</u>
Total assets	<u>11,100,313</u>	<u>10,444,718</u>
LIABILITIES		
Current liabilities		
Accounts payable	62,356	199,525
Accrued expenses	42,852	97,838
Accrued compensated absences	4,172	4,065
Due to other governments	30,718	96,502
Due to other funds	-	6,360
Due to component unit	<u>22,127</u>	<u>-</u>
Total current liabilities	<u>162,225</u>	<u>404,290</u>
Noncurrent liabilities		
Accrued compensated absences	40,398	47,929
Other post employment benefits payable	4,979	-
Estimated landfill closure and postclosure care cost	<u>3,087,456</u>	<u>2,982,260</u>
Total noncurrent liabilities	<u>3,132,833</u>	<u>3,030,189</u>
Total liabilities	<u>3,295,058</u>	<u>3,434,479</u>
NET ASSETS		
Invested in capital assets	2,932,309	3,122,490
Unrestricted net assets	<u>4,872,946</u>	<u>3,887,749</u>
Total net assets	<u>\$ 7,805,255</u>	<u>\$ 7,010,239</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, 2011

With comparative totals for the year ended September 30, 2010

	<u>2011</u>	<u>2010</u>
OPERATING REVENUES		
Garbage fees	\$ 3,263,663	\$ 3,207,679
Other garbage fees	950,416	673,083
Miscellaneous	<u>248,915</u>	<u>247,377</u>
Total operating revenues	<u>4,462,994</u>	<u>4,128,139</u>
OPERATING EXPENSES		
Personnel	1,144,687	1,282,631
Materials and supplies	272,160	222,671
Maintenance	2,698	2,018
Heat, lights and power	19,011	17,561
Miscellaneous services	605,441	553,804
Contractual services	35,302	46,080
Computer services	28,565	34,470
Tipping fees	707,744	749,187
Landfill closure and postclosure care cost	105,196	105,196
Depreciation	<u>299,094</u>	<u>168,583</u>
Total operating expenses	<u>3,219,898</u>	<u>3,182,201</u>
Operating income (loss) before nonoperating revenues (expenses) and transfers	1,243,096	945,938
NONOPERATING REVENUES (EXPENSES)		
Investment income	<u>17,792</u>	<u>19,998</u>
Net nonoperating revenues (expenses)	<u>17,792</u>	<u>19,998</u>
Income before transfers	1,260,888	965,936
Transfers		
Transfers in	40,428	46,115
Transfers out	<u>(506,300)</u>	<u>(356,300)</u>
Total transfers	<u>(465,872)</u>	<u>(310,185)</u>
Change in net assets	795,016	655,751
Total net assets at beginning of year	<u>7,010,239</u>	<u>6,354,488</u>
Total net assets at end of year	<u>\$ 7,805,255</u>	<u>\$ 7,010,239</u>

CITY OF VICTORIA, TEXAS

MAJOR ENTERPRISE FUND

ENVIRONMENTAL SERVICES FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2011

With comparative totals for the year ended September 30, 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 4,455,470	\$ 4,291,966
Cash paid to suppliers for goods and services	(1,873,874)	(1,826,835)
Cash paid to employees for services	<u>(1,202,118)</u>	<u>(1,269,846)</u>
Net cash provided (used) by operating activities	<u>1,379,478</u>	<u>1,195,285</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Borrowings from (to) other funds	(15,273)	(31,858)
Transfers in from other funds	40,428	46,115
Transfers out to other funds	<u>(506,300)</u>	<u>(356,300)</u>
Net cash provided (used) by noncapital financing activities	<u>(481,145)</u>	<u>(342,043)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	<u>(108,913)</u>	<u>(1,058,153)</u>
Net cash provided (used) by capital and related financing activities	<u>(108,913)</u>	<u>(1,058,153)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	2,700,000	-
Purchase of investments	-	(2,700,000)
Investment income	<u>18,993</u>	<u>18,797</u>
Net cash provided (used) by investing activities	<u>2,718,993</u>	<u>(2,681,203)</u>
Net increase (decrease) in cash and cash equivalents	3,508,413	(2,886,114)
Cash and cash equivalents at beginning of year	<u>4,313,864</u>	<u>7,199,978</u>
Cash and cash equivalents at end of year	<u>\$ 7,822,277</u>	<u>\$ 4,313,864</u>

CITY OF VICTORIA, TEXAS
MAJOR ENTERPRISE FUND
ENVIRONMENTAL SERVICES FUND
STATEMENT OF CASH FLOWS
For the year ended September 30, 2011
With comparative totals for the year ended September 30, 2010

	<u>2011</u>	<u>2010</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 1,243,096	\$ 945,938
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	299,094	168,583
Changes in assets and liabilities		
(Increase) decrease in accounts receivable	(10,893)	(23,839)
(Increase) decrease in other receivables	3,369	187,666
Increase (decrease) in accounts payable	(137,169)	(204,973)
Increase (decrease) in due to other governments	(65,784)	3,929
Increase (decrease) in accrued expenses	(54,986)	6,252
Increase (decrease) in compensated absences	(7,424)	6,533
Increase (decrease) in other post employment benefits payable	4,979	-
Increase (decrease) in landfill closure and postclosure care cost	<u>105,196</u>	<u>105,196</u>
Total adjustments	<u>136,382</u>	<u>249,347</u>
Net cash provided (used) by operating activities	<u>\$ 1,379,478</u>	<u>\$ 1,195,285</u>



EDUCATION & GOVERNMENT CHANNEL FUND

CITY OF VICTORIA, TEXAS
 NONMAJOR ENTERPRISE FUND
 EDUCATION & GOVERNMENT CHANNEL FUND
 BALANCE SHEET
 September 30, 2011
 With comparative totals for September 30, 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ -	\$ 59
Total current assets	<u>-</u>	<u>59</u>
Noncurrent assets		
Capital assets		
Machinery and equipment	-	40,465
Total capital assets	-	40,465
Less: Accumulated depreciation	-	13,367
Net capital assets	<u>-</u>	<u>27,098</u>
Total assets	<u>-</u>	<u>27,157</u>
LIABILITIES		
Current liabilities		
Due to other funds	-	59
Total current liabilities	<u>-</u>	<u>59</u>
NET ASSETS		
Invested in capital assets	<u>-</u>	<u>27,098</u>
Total net assets	<u>\$ -</u>	<u>\$ 27,098</u>

CITY OF VICTORIA, TEXAS

NONMAJOR ENTERPRISE FUND

EDUCATION & GOVERNMENT CHANNEL FUND

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

For the year ended September 30, 2011

With comparative totals for September 30, 2010

	<u>2011</u>	<u>2010</u>
OPERATING REVENUES	\$ -	\$ -
OPERATING EXPENSES		
Depreciation	<u>6,821</u>	<u>6,803</u>
Total operating expenses	<u>6,821</u>	<u>6,803</u>
Operating income (loss) before nonoperating revenues (expenses) and transfers	(6,821)	(6,803)
NONOPERATING REVENUES		
Loss on disposition of capital assets	<u>(20,277)</u>	<u>-</u>
Net nonoperating revenues (expenses)	<u>(20,277)</u>	<u>-</u>
Income (loss) before transfers	(27,098)	(6,803)
Transfers		
Transfer in	<u>-</u>	<u>3,447</u>
Total transfers	<u>-</u>	<u>3,447</u>
Change in net assets	(27,098)	(3,356)
Total net assets at beginning of year	<u>27,098</u>	<u>30,454</u>
Total net assets at end of year	<u>\$ -</u>	<u>\$ 27,098</u>

CITY OF VICTORIA, TEXAS
NONMAJOR ENTERPRISE FUND
EDUCATION & GOVERNMENT CHANNEL FUND
STATEMENT OF CASH FLOWS
For the year ended September 30, 2011
With comparative totals for the year ended September 30, 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash paid to suppliers for goods and services	\$ -	\$ (1,445)
Net cash provided (used) by operating activities	<u>-</u>	<u>(1,445)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Borrowings from (to) other funds	(59)	1,504
Transfers in from other funds	<u>-</u>	<u>3,447</u>
Net cash provided (used) by noncapital financing activities	<u>(59)</u>	<u>4,951</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	<u>-</u>	<u>(3,447)</u>
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(3,447)</u>
Net increase (decrease) in cash and cash equivalents	(59)	59
Cash and cash equivalents at beginning of year	<u>59</u>	<u>-</u>
Cash and cash equivalents at end of year	<u>\$ -</u>	<u>\$ 59</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (6,821)	\$ (6,803)
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	6,821	6,803
Changes in assets and liabilities		
Increase (decrease) in accounts payable	<u>-</u>	<u>(1,445)</u>
Total adjustments	<u>6,821</u>	<u>5,358</u>
Net cash provided (used) by operating activities	<u>\$ -</u>	<u>\$ (1,445)</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, 2011

	<u>V.E.S.</u>	<u>Information Technology</u>	<u>Communications</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 599,553	\$ 469,042	\$ 229,834
Receivables (net)			
Other	105,210	-	107,326
Due from other funds	4,758	12,516	1,186
Returned checks	-	-	-
Inventory	105,788	-	-
Restricted assets			
Cash and cash equivalents	-	-	-
Total current assets	<u>815,309</u>	<u>481,558</u>	<u>338,346</u>
Noncurrent assets			
Capital assets			
Land and other assets not being depreciated	134,007	-	39,168
Buildings, improvements, and equipment (net)	<u>6,677,553</u>	<u>573,261</u>	<u>1,773,689</u>
Total noncurrent assets	<u>6,811,560</u>	<u>573,261</u>	<u>1,812,857</u>
Total assets	<u>7,626,869</u>	<u>1,054,819</u>	<u>2,151,203</u>
LIABILITIES			
Current liabilities			
Accounts payable	100,225	18,978	-
Accrued expenses	4,213	24,001	1,894
Accrued compensated absences	6,871	34,739	3,344
Due to other funds	-	-	103,891
Claims payable	-	-	-
Total current liabilities	<u>111,309</u>	<u>77,718</u>	<u>109,129</u>
Total liabilities	<u>111,309</u>	<u>77,718</u>	<u>109,129</u>
NET ASSETS			
Invested in capital assets	6,811,560	573,261	1,812,857
Unrestricted net assets	<u>704,000</u>	<u>403,840</u>	<u>229,217</u>
Total net assets	<u>\$ 7,515,560</u>	<u>\$ 977,101</u>	<u>\$ 2,042,074</u>

<u>Purchasing</u>	<u>Safety Management</u>	<u>Workers' Compensation</u>	<u>Print Shop</u>	<u>Employee Health Plan</u>	<u>Total</u>
\$ 162,895	\$ 318,762	\$ 451,188	\$ 108,801	\$ 7,681,458	\$ 10,021,533
164	111	-	708	56,640	270,159
5,323	2,349	-	3,727	-	29,859
-	-	-	-	213	213
75,777	-	-	17,901	-	199,466
-	-	<u>35,000</u>	-	-	<u>35,000</u>
<u>244,159</u>	<u>321,222</u>	<u>486,188</u>	<u>131,137</u>	<u>7,738,311</u>	<u>10,556,230</u>
-	-	-	-	-	173,175
<u>78,536</u>	<u>2,798</u>	<u>-</u>	<u>21,087</u>	<u>-</u>	<u>9,126,924</u>
<u>78,536</u>	<u>2,798</u>	<u>-</u>	<u>21,087</u>	<u>-</u>	<u>9,300,099</u>
<u>322,695</u>	<u>324,020</u>	<u>486,188</u>	<u>152,224</u>	<u>7,738,311</u>	<u>19,856,329</u>
3,776	2,292	15,033	2,049	191	142,544
5,781	2,955	-	3,395	-	42,239
9,119	3,785	-	3,344	-	61,202
-	-	-	-	818,708	922,599
-	-	<u>216,856</u>	-	<u>223,934</u>	<u>440,790</u>
<u>18,676</u>	<u>9,032</u>	<u>231,889</u>	<u>8,788</u>	<u>1,042,833</u>	<u>1,609,374</u>
<u>18,676</u>	<u>9,032</u>	<u>231,889</u>	<u>8,788</u>	<u>1,042,833</u>	<u>1,609,374</u>
78,536	2,798	-	21,087	-	9,300,099
<u>225,483</u>	<u>312,190</u>	<u>254,299</u>	<u>122,349</u>	<u>6,695,478</u>	<u>8,946,856</u>
<u>\$ 304,019</u>	<u>\$ 314,988</u>	<u>\$ 254,299</u>	<u>\$ 143,436</u>	<u>\$ 6,695,478</u>	<u>\$ 18,246,955</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, 2011

	<u>V.E.S.</u>	<u>Information Technology</u>	<u>Communications</u>
OPERATING REVENUES			
Charges for services	\$ 4,292,381	\$ 1,030,881	\$ 283,480
Miscellaneous	<u>105,067</u>	<u>-</u>	<u>-</u>
Total operating revenues	<u>4,397,448</u>	<u>1,030,881</u>	<u>283,480</u>
OPERATING EXPENSES			
Personnel	114,277	655,556	53,113
Materials and supplies	1,725,124	29,465	10,358
Maintenance	13,151	69,038	217,852
Heat, lights, and power	22,728	-	-
Reinsurance premiums	-	-	-
Miscellaneous services	373,669	98,188	29,435
Contractual services	893,615	22,504	-
Computer services	-	-	10,358
Court costs, judgments, and damages	-	-	-
Claims expense	-	-	-
Wellness program	-	-	-
Depreciation	<u>1,216,054</u>	<u>178,158</u>	<u>199,483</u>
Total operating expenses	<u>4,358,618</u>	<u>1,052,909</u>	<u>520,599</u>
Operating income (loss) before nonoperating revenues (expenses) and transfers	38,830	(22,028)	(237,119)
NONOPERATING REVENUES (EXPENSES)			
Investment income	374	280	74
Loss on disposition of capital assets	<u>(41,520)</u>	<u>(817)</u>	<u>(398)</u>
Net nonoperating revenues (expenses)	<u>(41,146)</u>	<u>(537)</u>	<u>(324)</u>
Income (loss) before transfers	(2,316)	(22,565)	(237,443)
Transfers			
Transfers in	-	-	99,751
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Total transfers	<u>-</u>	<u>-</u>	<u>99,751</u>
Change in net assets	(2,316)	(22,565)	(137,692)
Total net assets at beginning of year	<u>7,517,876</u>	<u>999,666</u>	<u>2,179,766</u>
Total net assets at end of year	<u>\$ 7,515,560</u>	<u>\$ 977,101</u>	<u>\$ 2,042,074</u>

<u>Purchasing</u>	<u>Safety Management</u>	<u>Workers' Compensation</u>	<u>Print Shop</u>	<u>Employee Health Plan</u>	<u>Total</u>
\$ 170,179	\$ 512,525	\$ 309,683	\$ 138,046	\$ 4,810,715	\$ 11,547,890
-	111,184	8,970	-	82,701	307,922
<u>170,179</u>	<u>623,709</u>	<u>318,653</u>	<u>138,046</u>	<u>4,893,416</u>	<u>11,855,812</u>
153,597	92,911	-	81,924	-	1,151,378
7,154	3,134	-	4,251	-	1,779,486
3,197	-	-	4,696	-	307,934
4,450	-	-	-	-	27,178
-	473,597	-	-	287,142	760,739
12,093	13,380	-	10,360	-	537,125
50	9,367	-	-	266,452	1,191,988
26,286	10,358	-	5,053	-	52,055
-	4,523	-	-	-	4,523
-	-	257,498	-	4,031,231	4,288,729
-	-	-	-	14,281	14,281
10,555	2,489	-	5,727	-	1,612,466
<u>217,382</u>	<u>609,759</u>	<u>257,498</u>	<u>112,011</u>	<u>4,599,106</u>	<u>11,727,882</u>
(47,203)	13,950	61,155	26,035	294,310	127,930
-	10	229	-	13,600	14,567
(973)	-	-	-	-	(43,708)
<u>(973)</u>	<u>10</u>	<u>229</u>	<u>-</u>	<u>13,600</u>	<u>(29,141)</u>
(48,176)	13,960	61,384	26,035	307,910	98,789
-	-	-	-	-	99,751
-	-	-	-	(300,001)	(300,001)
-	-	-	-	(300,001)	(200,250)
(48,176)	13,960	61,384	26,035	7,909	(101,461)
<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>
<u>\$ 304,019</u>	<u>\$ 314,988</u>	<u>\$ 254,299</u>	<u>\$ 143,436</u>	<u>\$ 6,695,478</u>	<u>\$ 18,246,955</u>

CITY OF VICTORIA, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the year ended September 30, 2011

	<u>V.E.S.</u>	<u>Information Technology</u>	<u>Communications</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from other funds	\$ 4,358,213	\$ 1,018,365	\$ 187,818
Cash paid to suppliers for goods and services	(2,961,574)	(202,772)	(269,173)
Cash paid to employees for services	(117,877)	(687,181)	(54,889)
Net cash provided (used) by operating activities	<u>1,278,762</u>	<u>128,412</u>	<u>(136,244)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers out to other funds	-	-	-
Borrowings from other funds	-	-	203,642
Repayments to other funds	(990)	(936)	-
Net cash provided (used) by noncapital financing activities	<u>(990)</u>	<u>(936)</u>	<u>203,642</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(1,276,590)	(153,663)	(1,874)
Net cash provided (used) by capital and related financing activities	<u>(1,276,590)</u>	<u>(153,663)</u>	<u>(1,874)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sales and maturities of investments	-	-	-
Investment income	374	280	74
Net cash provided (used) by investing activities	<u>374</u>	<u>280</u>	<u>74</u>
Net increase (decrease) in cash and cash equivalents	1,556	(25,907)	65,598
Cash and cash equivalents at beginning of year	<u>597,997</u>	<u>494,949</u>	<u>164,236</u>
Cash and cash equivalents at end of year	<u>\$ 599,553</u>	<u>\$ 469,042</u>	<u>\$ 229,834</u>

<u>Purchasing</u>	<u>Safety Management</u>	<u>Workers' Compensation</u>	<u>Print Shop</u>	<u>Employee Health Plan</u>	<u>Total</u>
\$ 164,702	\$ 624,775	\$ 318,653	\$ 134,536	\$ 5,137,921	\$ 11,944,983
(43,927)	(514,231)	(199,571)	(21,595)	(4,588,916)	(8,801,759)
<u>(159,306)</u>	<u>(98,612)</u>	<u>-</u>	<u>(82,845)</u>	<u>-</u>	<u>(1,200,710)</u>
<u>(38,531)</u>	<u>11,932</u>	<u>119,082</u>	<u>30,096</u>	<u>549,005</u>	<u>1,942,514</u>
-	-	-	-	(300,001)	(300,001)
-	-	-	-	818,708	1,022,350
<u>(1,078)</u>	<u>(1,919)</u>	<u>-</u>	<u>(838)</u>	<u>-</u>	<u>(5,761)</u>
<u>(1,078)</u>	<u>(1,919)</u>	<u>-</u>	<u>(838)</u>	<u>518,707</u>	<u>716,588</u>
<u>(4,021)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,436,148)</u>
<u>(4,021)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,436,148)</u>
-	-	-	-	2,500,908	2,500,908
-	10	229	-	13,600	14,567
-	10	229	-	2,514,508	2,515,475
(43,630)	10,023	119,311	29,258	3,582,220	3,738,429
<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>
<u>\$ 162,895</u>	<u>\$ 318,762</u>	<u>\$ 486,188</u>	<u>\$ 108,801</u>	<u>\$ 7,681,458</u>	<u>\$ 10,056,533</u>

(continued)

CITY OF VICTORIA, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the year ended September 30, 2011

	<u>V.E.S.</u>	<u>Information Technology</u>	<u>Communications</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 38,830	\$ (22,028)	\$ (237,119)
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation	1,216,054	178,158	199,483
Changes in assets and liabilities			
(Increase) decrease in other receivables	(34,477)	-	(94,476)
(Increase) decrease in due from other funds	(4,758)	(12,516)	(1,186)
(Increase) decrease in returned checks	-	-	-
(Increase) decrease in inventory	(16,262)	-	-
Increase (decrease) in accounts payable	82,975	16,423	(1,170)
Increase (decrease) in accrued expenses	(3,969)	(27,425)	(1,776)
Increase (decrease) in compensated absences	369	(4,200)	-
Increase (decrease) in claims payable	-	-	-
Total adjustments	<u>1,239,932</u>	<u>150,440</u>	<u>100,875</u>
Net cash provided (used) by operating activities	<u>\$ 1,278,762</u>	<u>\$ 128,412</u>	<u>\$ (136,244)</u>

<u>Purchasing</u>	<u>Safety Management</u>	<u>Workers' Compensation</u>	<u>Print Shop</u>	<u>Employee Health Plan</u>	<u>Total</u>
\$ (47,203)	\$ 13,950	\$ 61,155	\$ 26,035	\$ 294,310	\$ 127,930
10,555	2,489	-	5,727	-	1,612,466
(154)	3,415	-	217	(1,637)	(127,112)
(5,323)	(2,349)	-	(3,727)	246,355	216,496
-	-	-	-	(213)	(213)
8,766	-	-	1,443	-	(6,053)
537	128	9,700	1,322	(57)	109,858
(5,349)	(4,165)	-	(921)	-	(43,605)
(360)	(1,536)	-	-	-	(5,727)
-	-	48,227	-	10,247	58,474
<u>8,672</u>	<u>(2,018)</u>	<u>57,927</u>	<u>4,061</u>	<u>254,695</u>	<u>1,814,584</u>
<u>\$ (38,531)</u>	<u>\$ 11,932</u>	<u>\$ 119,082</u>	<u>\$ 30,096</u>	<u>\$ 549,005</u>	<u>\$ 1,942,514</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, 2011
 With comparative totals for September 30, 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 599,553	\$ 597,997
Receivables		
Other	105,210	70,733
Due from other funds	4,758	-
Inventory	<u>105,788</u>	<u>89,526</u>
Total current assets	<u>815,309</u>	<u>758,256</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>16,193,354</u>	<u>15,064,675</u>
Total capital assets	16,661,989	15,533,310
Less accumulated depreciation	<u>9,984,436</u>	<u>8,874,773</u>
Subtotal	6,677,553	6,658,537
Land	<u>134,007</u>	<u>134,007</u>
Net capital assets	<u>6,811,560</u>	<u>6,792,544</u>
Total assets	<u>7,626,869</u>	<u>7,550,800</u>
LIABILITIES		
Current liabilities		
Accounts payable	100,225	17,250
Accrued expenses	4,213	8,182
Accrued compensated absences	6,871	6,502
Due to other funds	<u>-</u>	<u>990</u>
Total liabilities	<u>111,309</u>	<u>32,924</u>
NET ASSETS		
Invested in capital assets	6,811,560	6,792,544
Unrestricted net assets	<u>704,000</u>	<u>725,332</u>
Total net assets	<u>\$ 7,515,560</u>	<u>\$ 7,517,876</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, 2011

With comparative totals for the year ended September 30, 2010

	<u>2011</u>	<u>2010</u>
OPERATING REVENUES		
Charges for services	\$ 4,292,381	\$ 4,223,072
Miscellaneous	<u>105,067</u>	<u>70,414</u>
Total operating revenues	<u>4,397,448</u>	<u>4,293,486</u>
OPERATING EXPENSES		
Personnel	114,277	115,997
Materials and supplies	1,725,124	1,239,855
Maintenance	13,151	12,580
Heat, lights, and power	22,728	23,475
Miscellaneous services	373,669	415,472
Contractual services	893,615	862,558
Depreciation	<u>1,216,054</u>	<u>1,742,857</u>
Total operating expenses	<u>4,358,618</u>	<u>4,412,794</u>
Operating income (loss) before nonoperating revenues (expenses)	38,830	(119,308)
NONOPERATING REVENUES (EXPENSES)		
Investment income	374	610
Loss on disposition of capital assets	<u>(41,520)</u>	<u>(52,983)</u>
Net nonoperating revenues (expenses)	<u>(41,146)</u>	<u>(52,373)</u>
Change in net assets	(2,316)	(171,681)
Total net assets at beginning of year	<u>7,517,876</u>	<u>7,689,557</u>
Total net assets at end of year	<u>\$ 7,515,560</u>	<u>\$ 7,517,876</u>

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

V.E.S. FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2011

With comparative totals for the year ended September 30, 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from other funds	\$ 4,358,213	\$ 4,582,592
Cash paid to suppliers for goods and services	(2,961,574)	(2,780,276)
Cash paid to employees for services	(117,877)	(115,475)
Net cash provided (used) by operating activities	<u>1,278,762</u>	<u>1,686,841</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Repayments to other funds	(990)	(1,266)
Net cash provided (used) by noncapital financing activities	<u>(990)</u>	<u>(1,266)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(1,276,590)	(1,707,857)
Net cash provided (used) by capital and related financing activities	<u>(1,276,590)</u>	<u>(1,707,857)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	374	610
Net increase (decrease) in cash and cash equivalents	1,556	(21,672)
Cash and cash equivalents at beginning of year	597,997	619,669
Cash and cash equivalents at end of year	<u>\$ 599,553</u>	<u>\$ 597,997</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 38,830	\$ (119,308)
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	1,216,054	1,742,857
Changes in assets and liabilities		
(Increase) decrease in other receivables	(34,477)	19,278
(Increase) decrease in due from other funds	(4,758)	269,828
(Increase) decrease in inventory	(16,262)	(23,953)
Increase (decrease) in accounts payable	82,975	(202,383)
Increase (decrease) in accrued expenses	(3,969)	765
Increase (decrease) in compensated absences	369	(243)
Total adjustments	<u>1,239,932</u>	<u>1,806,149</u>
Net cash provided (used) by operating activities	<u>\$ 1,278,762</u>	<u>\$ 1,686,841</u>

INFORMATION TECHNOLOGY FUND

CITY OF VICTORIA, TEXAS
INTERNAL SERVICE FUND
INFORMATION TECHNOLOGY FUND
BALANCE SHEET
September 30, 2011
With comparative totals for September 30, 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 469,042	\$ 494,949
Due from other funds	<u>12,516</u>	<u>-</u>
Total current assets	<u>481,558</u>	<u>494,949</u>
Noncurrent assets		
Capital assets		
Machinery and equipment	<u>1,416,592</u>	<u>1,353,773</u>
Total capital assets	<u>1,416,592</u>	<u>1,353,773</u>
Less accumulated depreciation	<u>843,331</u>	<u>755,200</u>
Net capital assets	<u>573,261</u>	<u>598,573</u>
Total assets	<u>1,054,819</u>	<u>1,093,522</u>
LIABILITIES		
Current liabilities		
Accounts payable	18,978	2,555
Accrued expenses	24,001	51,426
Accrued compensated absences	34,739	38,939
Due to other funds	<u>-</u>	<u>936</u>
Total liabilities	<u>77,718</u>	<u>93,856</u>
NET ASSETS		
Invested in capital assets	573,261	598,573
Unrestricted net assets	<u>403,840</u>	<u>401,093</u>
Total net assets	<u>\$ 977,101</u>	<u>\$ 999,666</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, 2011

With comparative totals for the year ended September 30, 2010

	<u>2011</u>	<u>2010</u>
OPERATING REVENUES		
Charges for services	\$ 1,030,881	\$ 1,306,661
Total operating revenues	<u>1,030,881</u>	<u>1,306,661</u>
OPERATING EXPENSES		
Personnel	655,556	716,651
Materials and supplies	29,465	26,865
Maintenance	69,038	71,531
Miscellaneous services	98,188	91,945
Contractual services	22,504	-
Depreciation	<u>178,158</u>	<u>159,298</u>
Total operating expenses	<u>1,052,909</u>	<u>1,066,290</u>
Operating income (loss) before nonoperating revenues (expenses)	(22,028)	240,371
NONOPERATING REVENUES (EXPENSES)		
Investment income	280	142
Loss on disposition of capital assets	<u>(817)</u>	<u>-</u>
Net nonoperating revenues (expenses)	<u>(537)</u>	<u>142</u>
Change in net assets	(22,565)	240,513
Total net assets at beginning of year	<u>999,666</u>	<u>759,153</u>
Total net assets at end of year	<u>\$ 977,101</u>	<u>\$ 999,666</u>

CITY OF VICTORIA, TEXAS
INTERNAL SERVICE FUND
INFORMATION TECHNOLOGY FUND
STATEMENT OF CASH FLOWS
For the year ended September 30, 2011
With comparative totals for the year ended September 30, 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from other funds	\$ 1,018,365	\$ 1,306,661
Cash paid to suppliers for goods and services	(202,772)	(202,356)
Cash paid to employees for services	(687,181)	(711,267)
Net cash provided (used) by operating activities	<u>128,412</u>	<u>393,038</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Repayments to other funds	(936)	-
Borrowings from other funds	-	239
Net cash provided (used) by noncapital financing activities	<u>(936)</u>	<u>239</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(153,663)	(307,259)
Net cash provided (used) by capital and related financing activities	<u>(153,663)</u>	<u>(307,259)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	280	142
Net cash provided (used) by investing activities	<u>280</u>	<u>142</u>
Net increase (decrease) in cash and cash equivalents	(25,907)	86,160
Cash and cash equivalents at beginning of year	494,949	408,789
Cash and cash equivalents at end of year	<u>\$ 469,042</u>	<u>\$ 494,949</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (22,028)	\$ 240,371
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	178,158	159,298
Changes in assets and liabilities		
(Increase) decrease in due from other funds	(12,516)	-
Increase (decrease) in accounts payable	16,423	(12,015)
Increase (decrease) in accrued expenses	(27,425)	658
Increase (decrease) in compensated absences	(4,200)	4,726
Total adjustments	<u>150,440</u>	<u>152,667</u>
Net cash provided (used) by operating activities	<u>\$ 128,412</u>	<u>\$ 393,038</u>

COMMUNICATIONS FUND

CITY OF VICTORIA, TEXAS
INTERNAL SERVICE FUND
COMMUNICATIONS FUND
BALANCE SHEET
September 30, 2011
With comparative totals for September 30, 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 229,834	\$ 164,236
Receivables		
Other	107,326	12,850
Due from other funds	<u>1,186</u>	<u>-</u>
Total current assets	<u>338,346</u>	<u>177,086</u>
Noncurrent assets		
Capital assets		
Buildings	25,779	25,779
Infrastructure	2,501	2,501
Machinery and equipment	<u>3,773,639</u>	<u>3,823,476</u>
Total capital assets	3,801,919	3,851,756
Less accumulated depreciation	<u>2,028,230</u>	<u>1,880,060</u>
Subtotal	1,773,689	1,971,696
Land	<u>39,168</u>	<u>39,168</u>
Net capital assets	<u>1,812,857</u>	<u>2,010,864</u>
Total assets	<u>2,151,203</u>	<u>2,187,950</u>
LIABILITIES		
Current liabilities		
Accounts payable	-	1,170
Accrued expenses	1,894	3,670
Accrued compensated absences	3,344	3,344
Due to other funds	<u>103,891</u>	<u>-</u>
Total liabilities	<u>109,129</u>	<u>8,184</u>
NET ASSETS		
Invested in capital assets	1,812,857	2,010,864
Unrestricted net assets	<u>229,217</u>	<u>168,902</u>
Total net assets	<u>\$ 2,042,074</u>	<u>\$ 2,179,766</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, 2011

With comparative totals for the year ended September 30, 2010

	<u>2011</u>	<u>2010</u>
OPERATING REVENUES		
Charges for services	\$ 283,480	\$ 240,056
OPERATING EXPENSES		
Personnel	53,113	59,100
Materials and supplies	10,358	17,753
Maintenance	217,852	13,517
Miscellaneous services	29,435	33,651
Computer services	10,358	12,499
Depreciation	<u>199,483</u>	<u>201,013</u>
Total operating expenses	<u>520,599</u>	<u>337,533</u>
Operating income (loss) before nonoperating revenues (expenses) and transfers	(237,119)	(97,477)
NONOPERATING REVENUES (EXPENSES)		
Investment income	74	126
Loss on disposition of capital assets	<u>(398)</u>	<u>(9,740)</u>
Net nonoperating revenues (expenses)	<u>(324)</u>	<u>(9,614)</u>
Income (loss) before transfers	<u>(237,443)</u>	<u>(107,091)</u>
Transfers		
Transfers in	<u>99,751</u>	<u>-</u>
Change in net assets	(137,692)	(107,091)
Total net assets at beginning of year	<u>2,179,766</u>	<u>2,286,857</u>
Total net assets at end of year	<u>\$ 2,042,074</u>	<u>\$ 2,179,766</u>

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

COMMUNICATIONS FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2011

With comparative totals for the year ended September 30, 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from other funds	\$ 187,818	\$ 248,194
Cash paid to suppliers for goods and services	(269,173)	(79,005)
Cash paid to employees for services	<u>(54,889)</u>	<u>(58,949)</u>
Net cash provided (used) by operating activities	<u>(136,244)</u>	<u>110,240</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Borrowings from other funds	203,642	-
Repayments to other funds	<u>-</u>	<u>(3,493)</u>
Net cash provided (used) by noncapital financing activities	<u>203,642</u>	<u>(3,493)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	<u>(1,874)</u>	<u>(35,193)</u>
Net cash provided (used) by capital and related financing activities	<u>(1,874)</u>	<u>(35,193)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	<u>74</u>	<u>126</u>
Net cash provided (used) by investing activities	<u>74</u>	<u>126</u>
Net increase (decrease) in cash and cash equivalents	65,598	71,680
Cash and cash equivalents at beginning of year	<u>164,236</u>	<u>92,556</u>
Cash and cash equivalents at end of year	<u><u>\$ 229,834</u></u>	<u><u>\$ 164,236</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (237,119)	\$ (97,477)
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	199,483	201,013
Changes in assets and liabilities		
(Increase) decrease in other receivables	(94,476)	8,138
(Increase) decrease in due from other funds	(1,186)	-
Increase (decrease) in accounts payable	(1,170)	(1,585)
Increase (decrease) in accrued expenses	<u>(1,776)</u>	<u>151</u>
Total adjustments	<u>100,875</u>	<u>207,717</u>
Net cash provided (used) by operating activities	<u><u>\$ (136,244)</u></u>	<u><u>\$ 110,240</u></u>

PURCHASING FUND

CITY OF VICTORIA, TEXAS
INTERNAL SERVICE FUND
PURCHASING FUND
BALANCE SHEET
 September 30, 2011
 With comparative totals for September 30, 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 162,895	\$ 206,525
Receivables		
Other	164	10
Due from other funds	5,323	-
Inventory	<u>75,777</u>	<u>84,543</u>
Total current assets	<u>244,159</u>	<u>291,078</u>
Noncurrent assets		
Capital assets		
Buildings	140,719	140,719
Infrastructure	7,827	7,827
Improvements other than buildings	5,840	11,121
Machinery and equipment	<u>36,595</u>	<u>34,007</u>
Total capital assets	190,981	193,674
Less accumulated depreciation	<u>112,445</u>	<u>107,631</u>
Net capital assets	<u>78,536</u>	<u>86,043</u>
Total assets	<u>322,695</u>	<u>377,121</u>
LIABILITIES		
Current liabilities		
Accounts payable	3,776	3,239
Accrued expenses	5,781	11,130
Accrued compensated absences	9,119	9,479
Due to other funds	<u>-</u>	<u>1,078</u>
Total liabilities	<u>18,676</u>	<u>24,926</u>
NET ASSETS		
Invested in capital assets	78,536	86,043
Unrestricted net assets	<u>225,483</u>	<u>266,152</u>
Total net assets	<u>\$ 304,019</u>	<u>\$ 352,195</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, 2011

With comparative totals for the year ended September 30, 2010

	<u>2011</u>	<u>2010</u>
OPERATING REVENUES		
Charges for services	\$ 170,179	\$ 220,058
OPERATING EXPENSES		
Personnel	153,597	158,597
Materials and supplies	7,154	5,286
Maintenance	3,197	4,102
Heat, lights, and power	4,450	4,539
Miscellaneous services	12,093	12,578
Contractual services	50	2,080
Computer services	26,286	31,720
Depreciation	<u>10,555</u>	<u>7,350</u>
Total operating expenses	<u>217,382</u>	<u>226,252</u>
Operating income (loss) before nonoperating revenues (expenses)	(47,203)	(6,194)
NONOPERATING REVENUES (EXPENSES)		
Loss on disposition of capital assets	<u>(973)</u>	<u>-</u>
Net nonoperating revenues (expenses)	<u>(973)</u>	<u>-</u>
Change in net assets	(48,176)	(6,194)
Total net assets at beginning of year	<u>352,195</u>	<u>358,389</u>
Total net assets at end of year	<u>\$ 304,019</u>	<u>\$ 352,195</u>

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

PURCHASING FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2011

With comparative totals for the year ended September 30, 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from other funds	\$ 164,702	\$ 220,048
Cash paid to suppliers for goods and services	(43,927)	(58,165)
Cash paid to employees for services	<u>(159,306)</u>	<u>(157,903)</u>
Net cash provided (used) by operating activities	<u>(38,531)</u>	<u>3,980</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Repayments to other funds	<u>(1,078)</u>	<u>(3,214)</u>
Net cash provided (used) by noncapital financing activities	<u>(1,078)</u>	<u>(3,214)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	<u>(4,021)</u>	<u>(32,701)</u>
Net cash provided (used) by capital and related financing activities	<u>(4,021)</u>	<u>(32,701)</u>
Net increase (decrease) in cash and cash equivalents	(43,630)	(31,935)
Cash and cash equivalents at beginning of year	<u>206,525</u>	<u>238,460</u>
Cash and cash equivalents at end of year	<u><u>\$ 162,895</u></u>	<u><u>\$ 206,525</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (47,203)	\$ (6,194)
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	10,555	7,350
Changes in assets and liabilities		
(Increase) decrease in other receivables	(154)	(10)
(Increase) decrease in due from other funds	(5,323)	-
(Increase) decrease in inventory	8,766	1,969
Increase (decrease) in accounts payable	537	171
Increase (decrease) in accrued expenses	(5,349)	596
Increase (decrease) in compensated absences	<u>(360)</u>	<u>98</u>
Total adjustments	<u>8,672</u>	<u>10,174</u>
Net cash provided (used) by operating activities	<u><u>\$ (38,531)</u></u>	<u><u>\$ 3,980</u></u>

SAFETY MANAGEMENT FUND

CITY OF VICTORIA, TEXAS
INTERNAL SERVICE FUND
SAFETY MANAGEMENT FUND
BALANCE SHEET
 September 30, 2011
 With comparative totals for September 30, 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 318,762	\$ 308,739
Receivables		
Other	111	3,526
Due from other funds	<u>2,349</u>	<u>-</u>
Total current assets	<u>321,222</u>	<u>312,265</u>
Noncurrent assets		
Capital assets		
Buildings	973	973
Machinery and equipment	<u>14,190</u>	<u>15,384</u>
Total capital assets	<u>15,163</u>	<u>16,357</u>
Less accumulated depreciation	<u>12,365</u>	<u>11,070</u>
Net capital assets	<u>2,798</u>	<u>5,287</u>
Total assets	<u>324,020</u>	<u>317,552</u>
LIABILITIES		
Current liabilities		
Accounts payable	2,292	2,164
Accrued expenses	2,955	7,120
Accrued compensated absences	3,785	5,321
Due to other funds	<u>-</u>	<u>1,919</u>
Total liabilities	<u>9,032</u>	<u>16,524</u>
NET ASSETS		
Invested in capital assets	2,798	5,287
Unrestricted net assets	<u>312,190</u>	<u>295,741</u>
Total net assets	<u>\$ 314,988</u>	<u>\$ 301,028</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, 2011

With comparative totals for the year ended September 30, 2010

	<u>2011</u>	<u>2010</u>
OPERATING REVENUES		
Charges for services	\$ 512,525	\$ 512,525
Miscellaneous	<u>111,184</u>	<u>139,931</u>
Total operating revenues	<u>623,709</u>	<u>652,456</u>
OPERATING EXPENSES		
Personnel	92,911	90,485
Materials and supplies	3,134	1,851
Reinsurance premiums	473,597	467,419
Miscellaneous services	13,380	17,268
Contractual services	9,367	8,538
Computer services	10,358	12,499
Court costs, judgments, and damages	4,523	6,323
Depreciation	<u>2,489</u>	<u>2,605</u>
Total operating expenses	<u>609,759</u>	<u>606,988</u>
Operating income (loss) before nonoperating revenues (expenses)	13,950	45,468
NONOPERATING REVENUES (EXPENSES)		
Investment income	<u>10</u>	<u>18</u>
Net nonoperating revenues (expenses)	<u>10</u>	<u>18</u>
Change in net assets	13,960	45,486
Total net assets at beginning of year	<u>301,028</u>	<u>255,542</u>
Total net assets at end of year	<u><u>\$ 314,988</u></u>	<u><u>\$ 301,028</u></u>

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

SAFETY MANAGEMENT FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2011

With comparative totals for the year ended September 30, 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from other funds	\$ 624,775	\$ 648,930
Cash paid to suppliers for goods and services	(514,231)	(512,997)
Cash paid to employees for services	(98,612)	(87,867)
Net cash provided (used) by operating activities	<u>11,932</u>	<u>48,066</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Borrowings from other funds	-	1,919
Repayments to other funds	(1,919)	-
Net cash provided (used) by noncapital financing activities	<u>(1,919)</u>	<u>1,919</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	-	(1,253)
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(1,253)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	10	18
Net cash provided (used) by investing activities	<u>10</u>	<u>18</u>
Net increase (decrease) in cash and cash equivalents	10,023	48,750
Cash and cash equivalents at beginning of year	308,739	259,989
Cash and cash equivalents at end of year	<u>\$ 318,762</u>	<u>\$ 308,739</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 13,950	\$ 45,468
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	2,489	2,605
Changes in assets and liabilities		
(Increase) decrease in other receivables	3,415	(3,526)
(Increase) decrease in due from other funds	(2,349)	-
Increase (decrease) in accounts payable	128	901
Increase (decrease) in accrued expenses	(4,165)	(325)
Increase (decrease) in compensated absences	(1,536)	2,943
Total adjustments	<u>(2,018)</u>	<u>2,598</u>
Net cash provided (used) by operating activities	<u>\$ 11,932</u>	<u>\$ 48,066</u>

WORKERS' COMPENSATION FUND

CITY OF VICTORIA, TEXAS
INTERNAL SERVICE FUND
WORKERS' COMPENSATION FUND
BALANCE SHEET
September 30, 2011
With comparative totals for September 30, 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 451,188	\$ 331,877
Restricted assets		
Cash and cash equivalents	<u>35,000</u>	<u>35,000</u>
Total assets	<u>486,188</u>	<u>366,877</u>
LIABILITIES		
Current liabilities		
Accounts payable	15,033	5,333
Claims payable	<u>216,856</u>	<u>168,629</u>
Total liabilities	<u>231,889</u>	<u>173,962</u>
NET ASSETS		
Unrestricted net assets	<u>254,299</u>	<u>192,915</u>
Total net assets	<u>\$ 254,299</u>	<u>\$ 192,915</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, 2011

With comparative totals for the year ended September 30, 2010

	<u>2011</u>	<u>2010</u>
OPERATING REVENUES		
Charges for services	\$ 309,683	\$ 372,874
Miscellaneous	<u>8,970</u>	<u>17,716</u>
Total operating revenues	<u>318,653</u>	<u>390,590</u>
OPERATING EXPENSES		
Claims expense	257,498	320,622
Wellness program	<u>-</u>	<u>13,205</u>
Total operating expenses	<u>257,498</u>	<u>333,827</u>
Operating income (loss) before nonoperating revenues (expenses) and transfers	61,155	56,763
NONOPERATING REVENUES (EXPENSES)		
Investment income	<u>229</u>	<u>499</u>
Income (loss) before transfers	61,384	57,262
Transfers		
Transfers out	<u>-</u>	<u>(199,000)</u>
Change in net assets	61,384	(141,738)
Total net assets at beginning of year	<u>192,915</u>	<u>334,653</u>
Total net assets at end of year	<u>\$ 254,299</u>	<u>\$ 192,915</u>

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

WORKERS' COMPENSATION FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2011

With comparative totals for the year ended September 30, 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from other funds	\$ 318,653	\$ 390,590
Cash paid to suppliers for goods and services	<u>(199,571)</u>	<u>(293,061)</u>
Net cash provided (used) by operating activities	<u>119,082</u>	<u>97,529</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers out to other funds	<u>-</u>	<u>(199,000)</u>
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>(199,000)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	<u>229</u>	<u>499</u>
Net cash provided (used) by investing activities	<u>229</u>	<u>499</u>
Net increase (decrease) in cash and cash equivalents	119,311	(100,972)
Cash and cash equivalents at beginning of year	<u>366,877</u>	<u>467,849</u>
Cash and cash equivalents at end of year	<u>\$ 486,188</u>	<u>\$ 366,877</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 61,155	\$ 56,763
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Changes in assets and liabilities		
Increase (decrease) in accounts payable	9,700	(45,476)
Increase (decrease) in claims payable	<u>48,227</u>	<u>86,242</u>
Total adjustments	<u>57,927</u>	<u>40,766</u>
Net cash provided (used) by operating activities	<u>\$ 119,082</u>	<u>\$ 97,529</u>

PRINT SHOP FUND

CITY OF VICTORIA, TEXAS
INTERNAL SERVICE FUND
PRINT SHOP FUND
BALANCE SHEET
September 30, 2011
With comparative totals for September 30, 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 108,801	\$ 79,543
Receivables		
Other	708	925
Due from other funds	3,727	-
Inventory	<u>17,901</u>	<u>19,344</u>
Total current assets	<u>131,137</u>	<u>99,812</u>
Noncurrent assets		
Capital assets		
Machinery and equipment	90,296	98,792
Less accumulated depreciation	<u>69,209</u>	<u>71,978</u>
Net capital assets	<u>21,087</u>	<u>26,814</u>
Total assets	<u>152,224</u>	<u>126,626</u>
LIABILITIES		
Current liabilities		
Accounts payable	2,049	727
Accrued expenses	3,395	4,316
Accrued compensated absences	3,344	3,344
Due to other funds	<u>-</u>	<u>838</u>
Total liabilities	<u>8,788</u>	<u>9,225</u>
NET ASSETS		
Invested in capital assets	21,087	26,814
Unrestricted net assets	<u>122,349</u>	<u>90,587</u>
Total net assets	<u>\$ 143,436</u>	<u>\$ 117,401</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, 2011

With comparative totals for the year ended September 30, 2010

	<u>2011</u>	<u>2010</u>
OPERATING REVENUES		
Charges for services	\$ 138,046	\$ 143,155
OPERATING EXPENSES		
Personnel	81,924	88,400
Materials and supplies	4,251	2,804
Maintenance	4,696	3,339
Miscellaneous services	10,360	15,436
Computer services	5,053	6,098
Depreciation	<u>5,727</u>	<u>6,421</u>
Total operating expenses	<u>112,011</u>	<u>122,498</u>
Operating income (loss) before nonoperating revenues (expenses)	26,035	20,657
NONOPERATING REVENUES (EXPENSES)	<u>-</u>	<u>-</u>
Change in net assets	26,035	20,657
Total net assets at beginning of year	<u>117,401</u>	<u>96,744</u>
Total net assets at end of year	<u>\$ 143,436</u>	<u>\$ 117,401</u>

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

PRINT SHOP FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2011

With comparative totals for the year ended September 30, 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from other funds	\$ 134,536	\$ 143,292
Cash paid to suppliers for goods and services	(21,595)	(29,887)
Cash paid to employees for services	(82,845)	(90,778)
Net cash provided (used) by operating activities	<u>30,096</u>	<u>22,627</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Repayments to other funds	(838)	-
Borrowings from other funds	-	586
Net cash provided (used) by noncapital financing activities	<u>(838)</u>	<u>586</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	-	(16,232)
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(16,232)</u>
Net increase (decrease) in cash and cash equivalents	29,258	6,981
Cash and cash equivalents at beginning of year	<u>79,543</u>	<u>72,562</u>
Cash and cash equivalents at end of year	<u>\$ 108,801</u>	<u>\$ 79,543</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 26,035	\$ 20,657
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	5,727	6,421
Changes in assets and liabilities		
(Increase) decrease in other receivables	217	137
(Increase) decrease in due from other funds	(3,727)	-
(Increase) decrease in inventory	1,443	1,634
Increase (decrease) in accounts payable	1,322	(3,844)
Increase (decrease) in accrued expenses	(921)	(1,976)
Increase (decrease) in compensated absences	-	(402)
Total adjustments	<u>4,061</u>	<u>1,970</u>
Net cash provided (used) by operating activities	<u>\$ 30,096</u>	<u>\$ 22,627</u>

EMPLOYEE HEALTH PLAN FUND

CITY OF VICTORIA, TEXAS
INTERNAL SERVICE FUND
EMPLOYEE HEALTH PLAN FUND
BALANCE SHEET
 September 30, 2011
 With comparative totals for September 30, 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 7,681,458	\$ 4,099,238
Investments	-	2,500,908
Receivables		
Other	56,640	55,003
Due from other funds	-	246,355
Returned checks	213	-
Total assets	<u>7,738,311</u>	<u>6,901,504</u>
LIABILITIES		
Current liabilities		
Accounts payable	191	248
Due to other funds	818,708	-
Claims payable	223,934	213,687
Total liabilities	<u>1,042,833</u>	<u>213,935</u>
NET ASSETS		
Unrestricted net assets	<u>6,695,478</u>	<u>6,687,569</u>
Total net assets	<u>\$ 6,695,478</u>	<u>\$ 6,687,569</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, 2011

With comparative totals for year ended September 30, 2010

	<u>2011</u>	<u>2010</u>
OPERATING REVENUES		
Charges for services	\$ 4,810,715	\$ 6,158,443
Miscellaneous	82,701	190,477
Total operating revenues	<u>4,893,416</u>	<u>6,348,920</u>
OPERATING EXPENSES		
Reinsurance premiums	287,142	249,268
Contractual services	266,452	253,684
Claims expense	4,031,231	4,133,734
Wellness program	14,281	33,928
Total operating expenses	<u>4,599,106</u>	<u>4,670,614</u>
Operating income (loss) before nonoperating revenues (expenses) and transfers	294,310	1,678,306
NONOPERATING REVENUES (EXPENSES)		
Investment income	13,600	14,294
Net nonoperating revenues (expenses)	<u>13,600</u>	<u>14,294</u>
Income (loss) before transfers	307,910	1,692,600
Transfers		
Transfers out	<u>(300,001)</u>	<u>(400,000)</u>
Change in net assets	7,909	1,292,600
Total net assets at beginning of year	<u>6,687,569</u>	<u>5,394,969</u>
Total net assets at end of year	<u>\$ 6,695,478</u>	<u>\$ 6,687,569</u>

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

EMPLOYEE HEALTH PLAN FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2011

With comparative totals for the year ended September 30, 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from other funds	\$ 5,137,921	\$ 6,384,265
Cash paid to suppliers for goods and services	<u>(4,588,916)</u>	<u>(5,064,196)</u>
Net cash provided (used) by operating activities	<u>549,005</u>	<u>1,320,069</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Borrowings from other funds	818,708	-
Transfers out to other funds	<u>(300,001)</u>	<u>(400,000)</u>
Net cash provided (used) by noncapital financing activities	<u>518,707</u>	<u>(400,000)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	2,500,908	-
Purchase of investments	-	(2,500,000)
Investment income	<u>13,600</u>	<u>13,386</u>
Net cash provided (used) by investing activities	<u>2,514,508</u>	<u>(2,486,614)</u>
Net increase (decrease) in cash and cash equivalents	3,582,220	(1,566,545)
Cash and cash equivalents at beginning of year	<u>4,099,238</u>	<u>5,665,783</u>
Cash and cash equivalents at end of year	<u>\$ 7,681,458</u>	<u>\$ 4,099,238</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 294,310	\$ 1,678,306
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Changes in assets and liabilities		
(Increase) decrease in other receivables	(1,637)	(4,871)
(Increase) decrease in due from other funds	246,355	40,216
(Increase) decrease in returned checks	(213)	-
Increase (decrease) in accounts payable	(57)	(1,115)
Increase (decrease) in claims payable	<u>10,247</u>	<u>(392,467)</u>
Total adjustments	<u>254,695</u>	<u>(358,237)</u>
Net cash provided (used) by operating activities	<u>\$ 549,005</u>	<u>\$ 1,320,069</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, 2011

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
AGENCY FUND				
Assets				
Cash and cash equivalents	\$ 415,904	\$ 34,475	\$ 236,391	\$ 213,988
Total assets	<u>\$ 415,904</u>	<u>\$ 34,475</u>	<u>\$ 236,391</u>	<u>\$ 213,988</u>
Liabilities				
Accounts payable	\$ 76,107	\$ 148,631	\$ 223,179	\$ 1,559
Due to other agencies	<u>339,797</u>	<u>35,518</u>	<u>162,886</u>	<u>212,429</u>
Total liabilities	<u>\$ 415,904</u>	<u>\$ 184,149</u>	<u>\$ 386,065</u>	<u>\$ 213,988</u>

STATISTICAL SECTION

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

<u>Contents</u>	<u>Page</u>
Financial Trends	
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time	173
Revenue Capacity	
These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property taxes and water and sewer revenues	187
Debt Capacity	
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.....	199
Demographic and Economic Information	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments	207
Operating Information	
These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs	209

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

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

(1) Accrual basis of accounting

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

Fiscal Year				
2007	2008	2009	2010	2011
\$ 81,674,543	\$ 90,954,312	\$ 103,076,382	\$ 101,134,927	\$ 96,662,568
1,696,525	1,838,427	1,699,737	3,582,920	4,685,266
<u>22,718,779</u>	<u>24,267,168</u>	<u>25,988,151</u>	<u>26,775,847</u>	<u>19,134,765</u>
<u>\$ 106,089,847</u>	<u>\$ 117,059,907</u>	<u>\$ 130,764,270</u>	<u>\$ 131,493,694</u>	<u>\$ 120,482,599</u>
\$ 33,129,491	\$ 37,957,306	\$ 37,535,371	\$ 38,241,963	\$ 42,657,025
12,929,543	12,557,448	16,284,572	14,932,212	17,370,233
<u>\$ 46,059,034</u>	<u>\$ 50,514,754</u>	<u>\$ 53,819,943</u>	<u>\$ 53,174,175</u>	<u>\$ 60,027,258</u>
\$ 114,804,034	\$ 128,911,618	\$ 140,611,753	\$ 139,376,890	\$ 139,319,593
1,696,525	1,838,427	1,699,737	3,582,920	4,685,266
<u>35,648,322</u>	<u>36,824,616</u>	<u>42,272,723</u>	<u>41,708,059</u>	<u>36,504,998</u>
<u>\$ 152,148,881</u>	<u>\$ 167,574,661</u>	<u>\$ 184,584,213</u>	<u>\$ 184,667,869</u>	<u>\$ 180,509,857</u>

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

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

(1) Accrual basis of accounting

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

Fiscal Year				
2007	2008	2009	2010	2011
\$ 6,309,381	\$ 6,931,856	\$ 7,644,809	\$ 7,634,811	\$ 8,885,981
21,011,764	21,735,079	23,007,338	24,156,480	24,668,502
6,536,201	7,823,283	7,914,392	14,827,929	26,226,457
4,567,261	5,103,708	5,127,406	5,358,952	5,579,848
3,045,176	3,292,118	3,200,423	4,562,764	4,187,138
<u>41,469,783</u>	<u>44,886,044</u>	<u>46,894,368</u>	<u>56,540,936</u>	<u>69,547,926</u>
1,500,177	1,984,766	2,559,383	2,411,387	2,571,837
3,462,799	5,061,946	3,830,282	3,549,406	3,720,774
1,764	-	-	-	-
1,291,701	199,493	300,970	311,471	375,573
1,483,014	1,782,897	1,802,260	2,868,795	3,961,041
205,606	4,000,000	10,424,447	3,834,982	2,598,637
<u>7,945,061</u>	<u>13,029,102</u>	<u>18,917,342</u>	<u>12,976,041</u>	<u>13,227,862</u>
(33,524,722)	(31,856,942)	(27,977,026)	(43,564,895)	(56,320,064)
17,365,758	18,731,119	19,676,691	20,178,350	20,330,192
13,028,689	13,545,220	13,046,352	11,978,185	14,768,729
4,887,453	4,678,027	4,657,347	4,665,101	4,761,009
1,127,701	1,306,496	1,127,564	1,196,969	1,661,740
2,333,774	2,062,275	792,410	305,323	128,013
(153,537)	-	-	-	-
987,575	577,458	715,111	1,084,532	1,113,342
-	-	-	-	-
<u>6,290,847</u>	<u>1,674,251</u>	<u>1,665,914</u>	<u>4,885,859</u>	<u>2,545,944</u>
<u>45,868,260</u>	<u>42,574,846</u>	<u>41,681,389</u>	<u>44,294,319</u>	<u>45,308,969</u>
<u>\$ 12,343,538</u>	<u>\$ 10,717,904</u>	<u>\$ 13,704,363</u>	<u>\$ 729,424</u>	<u>\$ (11,011,095)</u>

(continued)

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

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

(1) Accrual basis of accounting

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

Fiscal Year				
2007	2008	2009	2010	2011
\$ 17,796,972	\$ 18,715,248	\$ 19,175,705	\$ 18,589,868	\$ 18,628,230
3,910,749	5,024,014	3,790,348	3,182,201	3,219,898
644,320	884,680	790,005	848,161	813,330
<u>22,352,041</u>	<u>24,623,942</u>	<u>23,756,058</u>	<u>22,620,230</u>	<u>22,661,458</u>
19,097,742	20,997,411	22,889,967	21,973,303	24,086,400
4,319,074	6,726,226	4,245,528	4,128,139	4,462,994
346,655	480,797	564,531	425,929	339,623
-	-	54,826	-	-
<u>774,028</u>	<u>1,800,876</u>	<u>705,899</u>	<u>284,490</u>	<u>3,127,754</u>
<u>24,537,499</u>	<u>30,005,310</u>	<u>28,460,751</u>	<u>26,811,861</u>	<u>32,016,771</u>
2,185,458	5,381,368	4,704,693	4,191,631	9,355,313
812,815	748,603	266,410	48,460	43,714
(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>(2,545,944)</u>
<u>(5,535,980)</u>	<u>(925,648)</u>	<u>(1,399,504)</u>	<u>(4,837,399)</u>	<u>(2,502,230)</u>
<u>\$ (3,350,522)</u>	<u>\$ 4,455,720</u>	<u>\$ 3,305,189</u>	<u>\$ (645,768)</u>	<u>\$ 6,853,083</u>
<u>\$ 8,993,016</u>	<u>\$ 15,173,624</u>	<u>\$ 17,009,552</u>	<u>\$ 83,656</u>	<u>\$ (4,158,012)</u>

(concluded)

CITY OF VICTORIA, TEXAS

PROGRAM REVENUES BY FUNCTION/PROGRAM (1)

Last nine fiscal years

Function/Program	Fiscal Year			
	2003	2004	2005	2006
Governmental activities				
General government	\$ 5,565,755	\$ 2,992,334	\$ 3,806,589	\$ 3,658,884
Public safety				
Police	1,393,556	1,697,990	2,006,081	1,964,931
Fire	335,851	409,220	477,883	443,096
Ambulance	839,731	1,023,178	1,403,857	1,499,431
Other	39,672	48,339	230,873	56,394
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>
Business-type activities				
Water/wastewater	19,625,763	17,123,929	18,543,439	22,188,431
Environmental services	3,896,231	4,295,737	4,201,109	4,277,226
Community center	182,934	153,872	151,915	169,040
700 main center	242,320	172,519	168,320	169,071
Education & government channel	-	-	-	-
Subtotal business-type activities	<u>23,947,248</u>	<u>21,746,057</u>	<u>23,064,783</u>	<u>26,803,768</u>
Total primary government	<u>\$ 33,211,648</u>	<u>\$ 30,404,244</u>	<u>\$ 32,111,291</u>	<u>\$ 38,352,688</u>

(1) Accrual basis of accounting

Fiscal Year				
2007	2008	2009	2010	2011
\$ 2,599,379	\$ 4,342,863	\$ 3,959,110	\$ 3,676,509	\$ 4,165,588
1,819,087	548,526	562,958	1,754,661	1,104,800
338,684	2,125,551	1,498,958	2,147,401	1,673,163
1,450,870	1,448,287	1,997,342	2,367,421	2,022,130
232,401	339,910	140,475	12,684	173,514
161,801	4,000,000	10,410,473	2,667,991	3,297,208
33,906	136,490	144,192	224,017	639,063
1,183,038	86,475	79,009	90,592	87,526
125,895	1,000	124,825	34,765	64,870
<u>7,945,061</u>	<u>13,029,102</u>	<u>18,917,342</u>	<u>12,976,041</u>	<u>13,227,862</u>
19,855,925	22,798,287	23,595,866	22,246,356	27,214,154
4,319,074	6,726,226	4,245,528	4,128,139	4,462,994
230,517	224,297	267,761	222,105	240,429
131,983	247,701	351,596	215,261	99,194
-	8,799	-	-	-
<u>24,537,499</u>	<u>30,005,310</u>	<u>28,460,751</u>	<u>26,811,861</u>	<u>32,016,771</u>
<u>\$ 32,482,560</u>	<u>\$ 43,034,412</u>	<u>\$ 47,378,093</u>	<u>\$ 39,787,902</u>	<u>\$ 45,244,633</u>

CITY OF VICTORIA, TEXAS**FUND BALANCES, GOVERNMENTAL FUNDS (1)**

Last nine fiscal years

	Fiscal Year			
	2003	2004	2005	2006
General Fund				
Nonspendable				
Inventory	\$ -	\$ -	\$ -	\$ -
Committed	-	-	-	-
Unassigned	-	-	-	-
Reserved				
Encumbrances	1,630,480	3,101,695	2,325,502	1,957,344
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				
Restricted				
Retirement of long-term debt	\$ -	\$ -	\$ -	\$ -
Various capital projects	-	-	-	-
City parks	-	-	-	-
Arts, tourism and conventions	-	-	-	-
Public safety	-	-	-	-
Municipal court	-	-	-	-
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

NOTE: Due to the changes in the City's fund structure initiated when GASB Statement No. 34 was implemented, the fund balance information is available only beginning in 2003.

The City implemented GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions" in fiscal year 2011.

Fiscal Year				
2007	2008	2009	2010	2011
\$ -	\$ -	\$ -	\$ -	\$ 315,614
-	-	-	-	1,570,456
-	-	-	-	14,342,229
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>-</u>
<u>\$ 14,883,402</u>	<u>\$ 15,098,684</u>	<u>\$ 15,201,281</u>	<u>\$ 14,151,906</u>	<u>\$ 16,228,299</u>
\$ -	\$ -	\$ -	\$ -	\$ 953,394
-	-	-	-	16,102,523
-	-	-	-	352,694
-	-	-	-	1,029,173
-	-	-	-	135,328
-	-	-	-	96,783
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>-</u>
<u>\$ 27,511,361</u>	<u>\$ 24,143,412</u>	<u>\$ 16,190,698</u>	<u>\$ 36,967,298</u>	<u>\$ 18,669,895</u>

CITY OF VICTORIA, TEXAS

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (1)

Last nine fiscal years

	Fiscal Year			
	2003	2004	2005	2006
Revenues				
Taxes	\$ 29,286,778	\$ 30,532,177	\$ 32,187,110	\$ 34,415,212
Licenses and permits	576,808	584,247	595,288	704,596
Intergovernmental	6,415,310	3,691,636	4,715,501	4,454,844
Charges for services	1,015,651	1,177,888	1,490,281	1,639,480
Fines and forfeitures	895,716	1,044,418	1,331,397	1,289,136
Investment income	590,233	424,915	790,078	1,855,480
Miscellaneous	586,900	278,659	261,771	3,164,484
Total revenues	<u>39,367,396</u>	<u>37,733,940</u>	<u>41,371,426</u>	<u>47,523,232</u>
Expenditures				
Current				
General government	8,826,837	6,050,675	6,796,494	6,883,983
Public safety	17,738,136	19,150,382	20,489,310	21,195,636
Highways and streets	4,046,523	3,824,406	5,586,168	5,506,925
Culture and recreation	4,058,421	4,290,112	4,413,818	4,872,862
Capital outlay	12,962,792	12,048,011	6,669,082	9,815,300
Debt service				
Principal retirement	2,850,000	2,850,000	3,090,000	3,200,000
Interest and fiscal charges	2,337,628	2,501,208	1,956,240	2,534,977
Paying agents' fees and issue costs	115,759	-	710,900	179,670
Total expenditures	<u>52,936,096</u>	<u>50,714,794</u>	<u>49,712,012</u>	<u>54,189,353</u>
Excess (deficiency) of revenues over expenditures	(13,568,700)	(12,980,854)	(8,340,586)	(6,666,121)
Other financing sources (uses)				
Bonds issued	11,507,400	-	36,640,240	9,880,000
Premium on issuance of bonds	-	-	-	119,097
Payment to escrow	(6,061,727)	-	(21,585,103)	-
Transfers in	5,006,517	3,058,090	2,989,580	5,488,240
Transfers out	(2,633,695)	(1,295,046)	(966,099)	(3,304,140)
Payment from component unit	4,100,000	1,000,000	-	-
Payment to component unit	-	(35,000)	-	-
Total other financing sources (uses)	<u>11,918,495</u>	<u>2,728,044</u>	<u>17,078,618</u>	<u>12,183,197</u>
Change in fund balances	<u>\$ (1,650,205)</u>	<u>\$ (10,252,810)</u>	<u>\$ 8,738,032</u>	<u>\$ 5,517,076</u>
Debt service as a percentage of noncapital expenditures	<u>14.11%</u>	<u>15.53%</u>	<u>12.93%</u>	<u>14.32%</u>

(1) Modified accrual basis of accounting

		Fiscal Year				
2007	2008	2009	2010	2011		
\$ 36,551,459	\$ 38,384,785	\$ 38,607,055	\$ 38,100,542	\$ 41,747,689		
727,532	787,190	654,842	662,792	654,829		
3,325,215	4,411,652	4,127,236	6,923,780	5,568,731		
1,697,048	1,764,291	2,020,751	1,957,973	2,108,045		
1,413,887	1,254,294	1,025,175	913,478	871,159		
2,436,372	1,852,377	654,772	156,822	113,446		
757,739	4,559,666	10,580,086	1,628,730	3,512,629		
<u>46,909,252</u>	<u>53,014,255</u>	<u>57,669,917</u>	<u>50,344,117</u>	<u>54,576,528</u>		
5,634,109	6,162,416	7,079,966	6,842,991	7,691,966		
21,705,108	25,752,199	25,516,863	26,475,134	25,970,544		
4,882,077	4,961,785	6,319,245	4,533,558	17,378,572		
4,825,620	5,952,544	5,758,754	5,787,081	5,473,792		
11,154,436	18,826,980	16,355,509	10,862,646	18,889,663		
3,150,000	3,325,000	3,805,000	3,390,000	3,715,000		
2,824,445	3,117,121	3,057,924	4,103,879	4,037,313		
23,900	185,803	32,687	681,114	203,809		
<u>54,199,695</u>	<u>68,283,848</u>	<u>67,925,948</u>	<u>62,676,403</u>	<u>83,360,659</u>		
(7,290,443)	(15,269,593)	(10,256,031)	(12,332,286)	(28,784,131)		
-	9,995,000	-	35,045,000	9,740,000		
-	195,519	-	515,234	97,204		
-	-	-	(8,985,582)	-		
6,902,090	2,641,257	5,691,053	7,275,415	10,568,226		
(611,243)	(967,006)	(3,285,139)	(1,790,556)	(7,842,309)		
-	-	-	-	-		
-	-	-	-	-		
<u>6,290,847</u>	<u>11,864,770</u>	<u>2,405,914</u>	<u>32,059,511</u>	<u>12,563,121</u>		
\$ <u>(999,596)</u>	\$ <u>(3,404,823)</u>	\$ <u>(7,850,117)</u>	\$ <u>19,727,225</u>	\$ <u>(16,221,010)</u>		
<u>15.07%</u>	<u>14.43%</u>	<u>14.76%</u>	<u>14.98%</u>	<u>12.85%</u>		

CITY OF VICTORIA, TEXAS

TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS (1)

Last ten fiscal years

<u>Fiscal Year</u>	<u>Ad Valorem</u>	<u>Penalty and Interest</u>	<u>Franchise</u>	<u>Sales</u>	<u>Occupancy</u>
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
2011	20,355,447	234,705	4,761,009	14,768,729	1,565,067
Change 2002-2011	45.39%	11.07%	-3.50%	55.45%	127.94%

(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.

Sales tax revenue maintained a slow, but steady increase through fiscal year 2008. Fiscal year 2009 ended with a slight decrease, with a dramatic decrease during 2010, the height of the recession. Victoria's economy has improved since fiscal year 2010. In fiscal year 2011, the addition of the Caterpillar excavator assembly plant, Eagle Ford Shale project and new development of University of Houston-Victoria and the Port of Victoria have all led to confidence in the Victoria area and the increase in sales tax revenue.

<u>Other</u>	<u>Total</u>
\$ 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
62,732	41,747,689
59.74%	42.13%

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
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
2011	2010	1,994,921,555	1,065,424,422	36,528,546	491,583,480	86,389,180

(1) Includes tax-exempt property

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

SOURCE: Victoria County Appraisal District

<u>Less: Tax Exempt Real Property</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Actual Taxable Value</u>	<u>Assessed Value (1) as a Percentage of Actual Value</u>
\$ 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%
547,481,141	3,127,366,042	0.650	3,127,366,042	100.00%

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

Fiscal Year	City Direct Rates			Overlapping Rates		
	Debt Service	General Fund	Total	School District	Junior College	Navigation District
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
2011	0.2554	0.3946	0.6500	1.3226	0.1531	0.0304

SOURCE: Victoria County Appraisal District

Overlapping Rates				
Victoria County	Road and Bridge	Ground Water District	Total	
\$ 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	
0.3436	0.0550	0.0095	1.9142	

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

2011		
Taxpayer	Taxable Assessed Valuation	Percentage of Total City Taxable Assessed Valuation
AEP Texas Central Co.	\$ 27,746,800	0.89%
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%
VMRC 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>5.53%</u>

2002		
Taxpayer	Taxable Assessed Valuation	Percentage of Total City Taxable Assessed Valuation
AEP Central Power & Light Co.	\$ 23,951,290	1.19%
Carlisle Plastics, Inc.	23,014,840	1.14%
MRO Commercial, Inc.	20,611,540	1.02%
Southwestern Bell Telephone Co.	20,334,490	1.01%
Victoria Hospital, L.L.C.	18,534,380	0.92%
Central Power & Light Co.	18,453,300	0.92%
James A. Wayne	10,732,530	0.53%
H.E.B. Grocery	10,075,760	0.50%
Schlumberger Well Services	9,407,560	0.47%
VRMC Limited Partnership	9,048,840	0.45%
	<u>\$ 164,164,530</u>	<u>8.15%</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>
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	344,218	15,986,003	15,301,130	95.72%
2006	16,142,704	(25,448)	16,117,256	15,844,174	98.31%
2007	17,294,507	83,934	17,378,441	17,050,006	98.11%
2008	18,725,721	3,311	18,729,032	18,369,725	98.08%
2009	19,693,268	1,109	19,694,377	19,271,874	97.85%
2010	20,228,599	11,491	20,240,090	19,755,429	97.61%
2011	20,327,879	100,294	20,428,173	19,938,819	97.60%

SOURCE: City of Victoria
Victoria County Tax Assessor/Collector

Collections in Subsequent Years	Total Collections to Date	
	Amount	Percentage of Levy
\$ 298,259	\$ 14,022,957	99.80%
253,195	14,562,194	99.79%
269,071	14,758,789	99.67%
634,972	15,936,102	99.69%
222,017	16,066,191	99.68%
262,697	17,312,703	99.62%
265,706	18,635,431	99.50%
299,985	19,571,859	99.38%
275,885	20,031,314	98.97%
-	19,938,819	97.60%

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

<u>Fiscal Year</u>	<u>Gallons of Water Produced</u>	<u>Gallons of Water Consumed</u>	<u>Gallons of Water Unbilled</u>	<u>Average Percent Unbilled</u>	<u>Gallons of Wastewater Treated</u>
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
2011	4,121,534,000	3,711,082,000	410,452,000	9.96%	2,108,000,000

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

Total Direct Rate for 3/4" Meter			
Water		Sewer	
Base Rate	Usage Rate	Base Rate	Usage Rate
\$ 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
17.96	1.67	22.43	2.22

CITY OF VICTORIA, TEXAS
WATER AND SEWER RATES
Last ten fiscal years

	Fiscal Year			
	2002	2003	2004	2005
Water Rates (per 2,000 gallons)				
Base Rate (meter size)				
¾"	\$ 12.93	\$ 12.93	\$ 12.93	\$ 14.43
1"	28.57	28.57	28.57	36.08
1½"	54.64	54.64	54.64	72.15
2"	85.87	85.87	85.87	115.44
3"	169.24	169.24	169.24	230.88
4"	263.19	263.19	263.19	360.75
6"	523.87	523.87	523.87	523.87
8"	1,232.15	1,232.15	1,232.15	1,232.15
10"	2,609.34	2,609.34	2,609.34	2,609.34
Water usage rate (1,000 gallons increments)				
3-7	1.45	1.45	1.45	1.52
8-18	1.60	1.60	1.60	1.68
19-50	1.90	1.90	1.90	2.00
51-75	-	-	-	2.25
>51	2.05	2.05	2.05	-
76-100	-	-	-	2.40
>100	-	-	-	2.55
Sewer Rates (per 2,000 gallons)				
¾"	18.48	18.48	18.48	18.48
1"	46.11	46.11	46.11	46.20
1½"	92.20	92.20	92.20	92.40
2"	147.73	147.73	147.73	147.84
3"	295.44	295.44	295.44	295.68
4"	461.77	461.77	461.77	462.00
6"	923.52	923.52	923.52	923.52
8"	2,178.13	2,178.13	2,178.13	2,178.13
10"	4,617.60	4,617.60	4,617.60	4,617.60
Sewer usage rate (1,000 gallons increments)				
>2	2.07	2.07	2.07	-
3-7	-	-	-	2.07
8-18	-	-	-	2.12
19-50	-	-	-	2.17
51-75	-	-	-	2.22
76-100	-	-	-	2.37
>100,000	-	-	-	2.52

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						
2006	2007	2008	2009	2010	2011	
\$ 14.43	\$ 15.01	\$ 16.73	\$ 17.09	\$ 17.49	\$ 17.49	
36.08	37.53	41.84	42.73	43.73	43.73	
72.15	75.05	83.66	85.45	87.45	87.45	
115.44	120.08	133.86	136.73	139.93	139.93	
230.88	240.17	267.73	273.45	279.85	279.85	
360.75	375.25	418.31	427.26	437.26	437.26	
721.50	750.50	836.62	854.51	874.51	874.51	
2,308.80	2,401.60	2,677.17	2,734.43	2,798.43	2,798.43	
2,609.34	3,752.50	4,183.08	4,272.55	4,372.55	4,372.55	
1.52	1.52	1.57	1.67	1.67	1.67	
1.68	1.68	1.73	1.83	1.83	1.83	
2.00	2.00	2.05	2.15	2.15	2.15	
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	2.70	
18.48	19.16	21.03	21.41	21.85	21.85	
46.20	47.90	52.57	53.54	54.64	54.64	
92.40	95.80	105.14	107.10	109.30	109.30	
147.84	153.28	168.22	171.34	174.86	174.86	
295.68	306.56	336.44	342.69	349.73	349.73	
462.00	479.00	525.69	535.45	546.45	546.45	
924.00	958.00	1,051.37	1,070.89	1,092.89	1,092.89	
2,956.80	3,065.60	3,364.39	3,426.86	3,497.26	3,497.26	
4,617.60	4,790.00	5,256.86	5,354.47	5,464.47	5,464.47	
-	-	-	-	-	-	
2.07	2.07	2.12	2.22	2.22	2.22	
2.12	2.12	2.17	2.27	2.27	2.27	
2.17	2.17	2.22	2.32	2.32	2.32	
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	2.67	

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

2011			
<u>Customer</u>	<u>Type of Business</u>	<u>12-Month Water Consumption (In Thousands)</u>	<u>Percent of Total Billed</u>
Citizens Medical Center	Hospital	51,150	1.24%
Detar Hospital	Hospital	35,713	0.87%
Victoria College	School	19,721	0.48%
Autumn Park	Apartment Complex	19,133	0.46%
Creekstone	Apartment Complex	17,639	0.43%
Victoria County Jail	Government	17,258	0.42%
Victoria East High	School	16,629	0.40%
Victoria West High	School	16,356	0.40%
Twin Pines	Business	15,202	0.37%
Victoria Memorial	School	13,051	0.32%

2002			
<u>Customer</u>	<u>Type of Business</u>	<u>12-Month Water Consumption (In Thousands)</u>	<u>Percent of Total Billed</u>
Citizens Medical Center	Hospital	51,044	1.37%
City Park Zoological	Zoo	25,238	0.68%
DeTar Hospital	Hospital	24,068	0.64%
Marbrisa Apartments	Apartment Complex	16,844	0.45%
Victoria County Judge	County Jail	13,412	0.36%
Blueridge North & South	Apartment Complex	12,234	0.33%
DMC Building	Apartment Complex	12,173	0.33%
Fox Run Apartments	Apartment Complex	11,266	0.30%
Silvermine Apartments	Apartment Complex	9,819	0.26%
Victoria Housing Authority	Apartment Complex	9,696	0.26%

SOURCE: City of Victoria Utility Billing Office

CITY OF VICTORIA, TEXAS

RATIOS OF OUTSTANDING DEBT BY TYPE

Last ten fiscal years

Fiscal Year	Governmental Activities		Business-type Activities	Total Primary Government	Percentage of Personal Income	Per Capita
	Certificates of Obligation	General Obligation Bonds	Revenue Bonds			
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	6.93%	2,643
2010	61,375,000	30,475,000	73,040,000	164,890,000	N/A	2,630
2011	59,740,000 *	38,135,000	69,125,000	167,000,000	N/A	2,668

NOTES: *Payments on the 2011 TxDOT Pass-Through Toll Revenue & Limited Tax Bonds (\$9,740,000 principal) will be reimbursed by the Texas Department of Transportation through a pass-through toll contract as well as funds pledged by the County of Victoria, Texas over the next eleven years.

By the terms of the 2009B "Build America Bonds", the U.S. Treasury Department will offset the cost of the bonds by subsidizing an average of \$495,000 in annual bond interest cost.

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

Fiscal Year	General Bonded Debt Outstanding			Debt Service Monies Available	Net Bonded Debt
	Certificates of Obligation	General Obligation Bonds	Total		
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
2011	59,740,000 *	38,135,000	97,875,000	953,394	96,921,606

NOTES: *Payments on the 2011 TxDOT Pass-Through Toll Revenue & Limited Tax Bonds (\$9,740,000 principal) will be reimbursed by the Texas Department of Transportation through a pass-through toll contract as well as funds pledged by the County of Victoria, Texas over the next eleven years.

By the terms of the 2009B "Build America Bonds", the U.S. Treasury Department will offset the cost of the bonds by subsidizing an average of \$495,000 in annual bond interest cost.

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

SOURCE: City of Victoria

<u>Percentage of Actual Taxable Value of Property</u>	<u>Per Capita</u>
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
3.09%	1,548



CITY OF VICTORIA, TEXAS*DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**(UNAUDITED)**September 30, 2011*

	<u>Gross Debt Outstanding</u>		<u>Percentage Applicable To City</u>	<u>Amount Applicable To City</u>
	<u>Date</u>	<u>Amount</u>		
Direct Debt:				
City of Victoria	9/30/2011	<u>\$ 97,875,000</u> *	100.00%	<u>\$ 97,875,000</u>
Overlapping Debt:				
Victoria County	9/30/2011	11,610,000	62.97%	7,310,817
Victoria County Junior College District	9/30/2011	13,730,000	62.97%	8,645,781
Victoria County Navigation District	9/30/2011	1,015,000	62.97%	639,146
Victoria Independent School District	9/30/2011	<u>173,649,992</u>	70.91%	<u>123,135,209</u>
Total Overlapping Debt		<u>200,004,992</u>		<u>139,730,953</u>
Total		<u>\$ 297,879,992</u>		<u>\$ 237,605,953</u>

NOTES: 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.

*Payments on the 2011 TxDOT Pass-Through Toll Revenue & Limited Tax Bonds (\$9,740,000 principal) will be reimbursed by the Texas Department of Transportation through a pass-through toll contract as well as funds pledged by the County of Victoria, Texas over the next eleven years.

By the terms of the 2009B "Build America Bonds", the U.S. Treasury Department will offset the cost of the bonds by subsidizing an average of \$495,000 in annual bond interest cost.

SOURCE: Municipal Advisory Council of Texas

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Debt limit	\$ 100,655,464	\$ 104,558,503	\$ 105,941,582	\$ 113,346,267
Total net debt applicable to limit	<u>48,685,725</u>	<u>51,098,653</u>	<u>48,335,110</u>	<u>61,496,614</u>
Legal debt margin	<u>\$ 51,969,739</u>	<u>\$ 53,459,850</u>	<u>\$ 57,606,472</u>	<u>\$ 51,849,653</u>
Total net debt applicable to the limit as a percentage of debt limit	48.37%	48.87%	45.62%	54.26%

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>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 116,976,114	\$ 125,322,513	\$ 138,709,044	\$ 151,486,678	\$ 156,810,850	\$ 156,368,302
<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>96,921,606</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>	<u>\$ 59,446,696</u>
58.37%	51.86%	51.48%	44.62%	57.92%	61.98%

Legal Debt Margin Calculation for Fiscal Year 2011

Assessed value	\$ 3,127,366,042
Debt limit	156,368,302
Debt applicable to limit	
General obligation bonds	97,875,000
Less: Debt Service Fund Balance	<u>953,394</u>
Total amount of debt applicable to debt limit	<u>96,921,606</u>
Legal debt margin	<u>\$ 59,446,696</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
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
2011	24,108,368	11,113,257	12,995,111	4,683,607

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.

As of September 30, 2011, the City did not have any subordinate bonds outstanding.

SOURCE: City of Victoria

Water and Sewer Revenue Bonds

Subordinate Bonds		
Average Debt		
<u>Service Requirements</u>	<u>Priority Bonds Coverage</u>	<u>Subordinate Bonds Coverage</u>
\$ 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
-	2.77	N/A

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>
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	2,385,575	38,151	13,786	6.1%
2010	62,701	N/A	N/A	13,854	7.6%
2011	62,592	N/A	N/A	14,409	6.9%

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

SOURCE: (1) Population figures for the years are estimates provided by the Planning Department
(2) U.S. Department of Commerce, Bureau of Economic Analysis - Estimates based on Victoria County Area statistical data. Data for 2010 and 2011 is not yet available.
(3) Victoria Independent School District as of October 5, 2011
(4) U.S. Department of Labor

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

2011

<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total Area Employment</u>
Victoria Independent School District	2,165	4.96%
The Inteplast Group	1,975	4.53%
Formosa Plastics	1,663	3.81%
Citizens Medical Center	1,127	2.58%
DeTar Helathcare System	939	2.15%
City of Victoria	605	1.39%
Dow-Seadrift Operations	600	1.38%
Invista	600	1.38%
Ranstad	600	1.38%
Alcoa	599	1.37%
	<u>10,873</u>	<u>24.93%</u>

2002

<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total Area Employment</u>
Victoria Independent School District	2,229	5.18%
The Inteplast Group	1,500	3.49%
Formosa Plastics	1,500	3.49%
Citizens Medical Center	1,235	2.87%
DeTar Healthcare System	940	2.18%
Koch-Invista	814	1.89%
Dow-Seadrift Operations	670	1.56%
Calhoun Independent School District	609	1.42%
City of Victoria	609	1.42%
Alcoa	604	1.40%
	<u>10,710</u>	<u>24.89%</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			
	2002	2003	2004	2005
General government				
City manager	10	10	10	10
Legal	4	5.5	5.5	5.5
Financial	7	7	7	7
Municipal court	7	6.5	6.5	6.5
Human resources	6	6	6	6
Planning	10	10	10	10
Development services administration	-	-	-	-
Geographic information system (GIS)	-	-	-	-
Building services	12	12	12	12
City secretary	3	3	3	3
Public information office	-	-	-	-
Public safety				
Police	143	143	143	150
Fire	109	109	109	107
Inspections	14	13	11	11
Code enforcement	-	-	-	5
Traffic control	9	9	9	9
Highways and streets				
Engineering	14	14	14	14
Streets and drainage	34	34	34	34
Culture and recreation				
Parks and recreation	34	34	34	35
Public library	28	29	29	29
Water/wastewater	76	77	74	81
Community center	6	6	6	6
Environmental services	44	44	50	45
Vehicle and equipment services	20	1	1	1
Information technology	7	8	8	8
Communications	3	2	2	2
Purchasing	5	4	4	4
Safety management	2	2	2	2
Print shop	2	2	2	2
Total	609	591	592	605

- 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.

Fiscal Year					
<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
10	11	11	12	10	10
5.5	5.5	5.5	5.5	4.5	4
7	7	7	7	6	6
5.5	5.5	5.5	5.5	5.5	5
6	5	5	5	5	4
10	10	10	10	4	4
-	-	-	-	2	2
-	-	-	-	3	3
12	12	12	12	12	10
3	4	4	4	4	3
-	-	-	-	2	2
148	146	146	147	149	154
107	107	118	118	118	118
11	11	11	11	12	10
5	5	7	7	5	4
9	9	10	11	10	9
14	14	13	12	12	11
34	34	34	34	34	31
35	37	41	41	43	41
28	28	28	28	28	27
81	80	80	80	82	96
6	6	7	7	7	7
46	48	43	43	26	24
2	2	2	2	2	2
10	10	10	10	10	10
2	2	2	1	1	1
4	4	4	4	3	3
2	2	2	2	2	2
2	2	2	2	2	2
<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>
<u>605</u>	<u>607</u>	<u>620</u>	<u>621</u>	<u>604</u>	<u>605</u>

* 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 2011 includes the results of a hiring freeze of 15 positions; in addition 5 police officers were hired under the COPS grant and the City assumed the operations of the Wastewater Treatment Plant, formerly operated under contract with GBRA, an addition of 14 employees.

CITY OF VICTORIA, TEXAS

OPERATING INDICATORS BY FUNCTION/PROGRAM

Last ten fiscal years

Function/Program	Fiscal Year			
	2002	2003	2004	2005
General government				
Building permits issued	1,482	1,657	2,060	1,371
Building inspections conducted	10,756	10,035	11,344	13,349
Birth certificates registered	2,086	2,047	2,160	2,098
Death certificates registered	864	881	871	944
Birth certificates issued	6,364	6,283	4,785	6,927
Death certificates issued	6,551	6,648	6,564	7,147
Public safety				
Police				
Physical arrests	3,549	3,635	5,182	4,911
Parking violations	1,642	2,849	1,980	1,527
Traffic violations	13,317	8,802	12,355	12,728
Warrants issued	3,199	2,346	1,999	3,035
Fire				
Total Incidents	7,081	7,476	6,813	7,087
Fires	444	421	352	458
Rescue/Emergency Medical	5,193	5,413	5,070	5,326
Inspections	N/A	610	735	827
Streets and highways				
Street resurfacing (linear feet)	68,825	231,242	30,094	44,088
Culture and recreation				
Community center admissions (event contracts)				
Dome	103	118	111	118
Annex	195	169	176	161
Arena	36	34	26	30
Library				
Number of Items	133,390	139,301	141,709	142,319
Circulation	272,044	270,156	288,451	285,435
Gate Count	195,993	210,241	238,077	230,218
Water and wastewater				
Water				
Active water connections	20,856	21,318	21,474	21,700
Active sewer connections	19,597	19,819	19,969	20,085
Active garbage accounts	18,172	17,982	18,258	18,432
Average daily consumption (pumped) (in 000's)	10,240	10,036	9,467	9,591
Peak monthly consumption (in 000's)	347,861	261,682	255,920	313,298
Wastewater				
Average daily sewage treatment	7,686,430	6,833,000	8,218,447	7,029,795
Environmental services				
Refuse collection				
Refuse collected (tons per month)	N/A	2,301	2,303	2,248
Landfill tonnage accepted	137,954	151,828	154,458	135,049
Recyclables collected (tons per year)	N/A	668.42	603.97	612.39

NOTE: N/A denotes information not available

SOURCE: Various City departments

Fiscal Year					
2006	2007	2008	2009	2010	2011
1,294	1,147	1,345	1,433	1,627	1,484
10,415	11,062	9,883	6,138	6,066	5,874
2,255	2,374	2,376	1,998	2,146	2,009
983	1,003	984	795	885	924
6,567	7,246	7,251	6,569	6,043	5,645
7,677	6,863	6,767	5,698	5,295	5,269
5,775	4,427	4,461	4,044	3,152	3,387
939	1,080	641	472	368	223
13,726	14,303	14,482	12,143	7,303	8,756
3,279	4,583	5,520	1,812	1,879	1,960
7,175	7,355	8,152	8,551	8,455	9,072
493	381	557	621	349	554
5,393	5,706	6,166	7,930	6,568	6,832
830	874	1,210	1,279	1,555	1,351
24,990	29,756	31,178	12,907	16,250	7,000
107	120	116	120	98	89
155	136	120	133	102	85
29	29	23	27	14	22
145,318	148,764	138,804	140,599	141,887	146,455
279,679	276,357	284,919	313,099	271,281	340,204
226,171	228,114	242,388	263,730	336,580	245,844
21,861	21,962	22,041	22,129	22,071	22,312
20,235	20,435	20,532	20,461	20,587	20,720
18,655	18,131	19,233	19,018	19,014	19,105
10,067	8,615	9,584	10,718	8,617	11,292
349,686	233,143	372,618	354,264	319,293	407,616
6,469,471	8,812,263	6,837,775	6,038,356	7,370,000	5,800,000
2,240	2,473	2,139	1,723	1,936	1,669
166,475	160,048	140,508	140,791	102,657	202,723
742.45	691.52	479.13	269.56	196.31	389.90

CITY OF VICTORIA, TEXAS

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

Last ten fiscal years

Function/Program	Fiscal Year			
	2002	2003	2004	2005
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)	303.77	303.42	307.31	307.72
Streetlights	6,055	6,058	6,070	6,276
Traffic signals	73	74	74	74
School zone flashers	58	58	58	58
Culture and recreation				
Acreage	750.0	750.0	750.0	750.0
Playgrounds	14	14	14	14
Baseball/softball diamonds	15	15	15	15
Community centers	1	1	1	1
Libraries	1	1	1	1
Water and wastewater				
Water				
Water mains (miles)	400.0	345.0	355.0	356.6
Wastewater				
Sanitary sewers (miles)	350.0	327.0	335.0	336.4
Storm sewers (miles)	440.6	444.3	447.3	449.9
Environmental services				
Refuse collection				
Garbage collection trucks	16	16	16	16
Brush and large item collection trucks	N/A	N/A	N/A	N/A
Yard waste collection trucks	N/A	N/A	N/A	N/A
Recycling collection trucks	N/A	N/A	N/A	N/A

NOTES: N/A denotes information not available

The decrease in street lights between 2007 and 2008 is 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						
2006	2007	2008	2009	2010	2011	
3	3	3	3	3	3	3
1	1	1	1	1	1	1
32	34	36	36	36	36	35
4	4	4	5	5	5	5
309.87	310.60	310.82	312.00	314.50	312.60	
6367	6475	4359	4380	4429	4473	
76	76		78	78	81	
58	58	58	61	61	61	
750.0	748.0	748.0	748.0	748.0	876.0	
14	14	15	15	15	16	
15	27	27	21	19	19	
1	1	1	1	1	1	
1	1	1	1	1	1	
361	361.5	361.5	363	365.8	366.8	
337.2	337.6	337.6	337	342	342	
450.9	451.2	451.2	450	452	452	
16	17	17	11	11	7	
N/A	N/A	N/A	N/A	N/A	5	
N/A	N/A	N/A	N/A	N/A	4	
N/A	N/A	N/A	N/A	N/A	1	





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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, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 7, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 & Uhen, LLP

March 7, 2012



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

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

Compliance

We have audited City of Victoria, Texas' (the "City") compliance with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2011. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2011.

Internal Control Over Compliance

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

Harrison, Waldrop & Ullrich, LLP

March 7, 2012

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

For the year ended September 30, 2011

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Expenditures</u>
FEDERAL EXPENDITURES			
U.S. Department of Housing and Urban Development			
Community Development Block Grant	14.218	B-09-MC-48-0510	\$ 1,066,684
Total U.S. Department of Housing and Urban Development			<u>1,066,684</u>
U.S. Department of Transportation			
<i>Passed Through Texas Department of Transportation</i>			
STEP - Wave	20.600	2011-VICTORIAPD-IDM	3,424
Metropolitan Planning Program	20.205	50-11XF0023	<u>133,163</u>
Total U.S. Department of Transportation			<u>136,587</u>
U.S. Department of Homeland Security			
<i>Passed through Texas Department of Public Safety's Division of Emergency Management</i>			
State Homeland Security Program	97.073	2008-GE-T8-0034	79,834
State Homeland Security Program	97.073	2009-SS-T9-0064	388,694
State Homeland Security Program	97.073	2010-SS-T0-0008	<u>98,993</u>
Total U.S. Department of Homeland Security			<u>567,521</u>
U.S. Department of Energy			
Energy Efficiency and Conservation Block Grant	81.128	DE-SC0002843	<u>244,670</u>
U.S. Department of Justice			
2010 COPS Hiring Program	16.710	2010-UM-WX-0372	201,723
<i>Passed Through the Office of the Governor Criminal Justice Division</i>			
Justice Assistance Grant Program	16.738	2010-DJ-BX-0092	39,925
Edward Byrne Memorial Justice Assistance Grant - 2009 ARRA	16.803	SU-09-A10-23359-01	97,884
Edward Byrne Memorial Justice Assistance Grant - 2009 ARRA	16.803	2009-DJ-BX-1318	7,780
Edward Byrne Memorial Justice Assistance Grant - 2009 ARRA	16.804	2009-SB-B9-2825	<u>27,006</u>
Total U.S. Department of Justice			<u>374,318</u>
TOTAL FEDERAL EXPENDITURES			<u>2,389,780</u>

CITY OF VICTORIA, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

For the year ended September 30, 2011

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Expenditures</u>
STATE EXPENDITURES			
Texas Department of Transportation			
<i>Passed Through Texas Automobile Theft Prevention Authority</i>			
Automobile Theft Grant	N/A	SA-T01-10070-11	\$ 73,926
Automobile Theft Grant	N/A	SA-T01-10070-12	<u>10,946</u>
Total Texas Department of Transportation			<u>84,872</u>
Texas Commission on Environmental Quality			
Rider 8 Local Air Quality Planning Grant	N/A	582-11-11225	327,062
TCEQ State Funded Grant	N/A	582-8-86231	<u>11,683</u>
Total Texas Commission on Environmental Quality			<u>338,745</u>
Law Enforcement Officers Standards and Education			
Training Grant	N/A	N/A	<u>6,859</u>
Texas State Library and Archives Commission			
LoanStar Library Grant	N/A	442-11749	<u>24,435</u>
Texas Department of State Health Services			
2011 EMS Local Projects Grant	N/A	2011-037315-001	<u>2,694</u>
Texas Department of Public Safety			
<i>Passed Through Governor's Division of Emergency Management</i>			
Local Border Security Program FY2011	N/A	LBSP-11	<u>27,070</u>
TOTAL STATE EXPENDITURES			<u>484,675</u>
TOTAL FEDERAL AND STATE EXPENDITURES			<u>\$ 2,874,455</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, 2011

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, 2011

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>
16.710	2010 COPS Hiring Program
97.073	State Homeland Security Program

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, 2011

None were reported.