

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

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FOR THE YEAR ENDED SEPTEMBER 30, 2010

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INDEPENDENT AUDITORS' REPORT

Mayor and City Council
City of Vidor

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Vidor (the City) as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's administrators. 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. 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, each major fund, and the aggregate remaining fund information of the City of Vidor as of September 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2010, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise City of Vidor's basic financial statements. Although the combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements, they have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

January 21, 2011

CITY OF VIDOR, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial Report, we, the management of the City of Vidor, discuss and analyze the City's financial performance for the fiscal year ended September 30, 2010. Please read the independent auditors' report on page 1, and the City's Basic Financial Statements which begin on page 10.

FINANCIAL HIGHLIGHTS

These financial highlights summarize the City's financial position and operations as presented in more detail in the Financial Statements, as listed in the accompanying Table of Contents.

- ▶ The City's net assets increased \$381,967 comparing the prior year's net assets with the current year as a result of this year's operations. While net assets of our business-type activities decreased by \$16,578 or 4.4 percent, net assets of our governmental activities increased by \$398,545 or 5.9 percent.
- ▶ During the year, the City had net expenses that were \$5,297,260 more than the \$5,734,125 generated in tax and other revenues for governmental programs.
- ▶ In the City's business-type activities, revenues decreased \$11,385 to \$936,085 while expenses increased \$62,026 to \$945,208.
- ▶ The General Fund ended the year with a fund balance of \$2,298,713.
- ▶ The resources available for appropriation were \$318,147 less than budgeted for the General Fund.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Assets and the Statement of Activities on pages 10 through 12. These provide information about the activities of the City as a whole and present a long-term view of the City's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

The City's Fund financial statements starting on page 13 report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. For governmental activities, these statements tell how services were financed in the short-term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the City were sold to departments within the City or to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the City.

The notes to the financial statements starting on page 21 provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for non-major funds contain even more information about the City's individual funds. These statements are provided for additional understanding of the City's fiscal operations.

REPORTING THE CITY AS A WHOLE

The Statement of Net Assets and the Statement of Activities

The analysis of the City's overall financial condition and operations is presented below. Its primary purpose is to show whether the City is better off or worse off as a result of the year's activities. The Statement of Net Assets includes all the City's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the City's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The City's revenues are divided into those provided by outside parties who share the costs of some programs, such as fines and fees paid by individuals, and grants provided by the state and federal agencies, and revenues provided by the taxpayers (general revenues). All the City's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the City's net assets and changes in them. The City's net assets (the difference between assets and liabilities) provide one measure of the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the City, however, you should consider non-financial factors as well, the City's property tax base, and the condition of the City's facilities.

In the Statement of Net Assets and the Statement of Activities, the City is divided into two kinds of activities:

- ▶ **Governmental activities**—Most of the City's basic services are reported here, including the police, public works, administration, city council, library, municipal court, streets, drainage, maintenance, animal control, and parks and recreation. Property taxes, sales taxes, franchise fees, and state and federal grants finance most of these activities.
- ▶ **Business-type activities**—The City charges a fee to “customers” to help it cover all or most of the cost of services it provides in the sanitation department.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements begin on page 13 and provide detailed information about the most significant funds—not the City as a whole. Laws and contracts require the City to establish such funds. The City's administration establishes many other funds to help it control and manage money for particular purposes such as capital construction and debt service. The City's two kinds of funds, governmental and proprietary, use different accounting approaches.

Governmental funds—Most of the City's basic services are reported in governmental funds. These use modified accrual basis of accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. The differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds are described in reconciling schedules following each of the fund financial statements.

Proprietary funds—The City reports the activities for which it charges users (whether outside customers or other units of the City) in proprietary funds using the same accounting methods employed in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds (one category of proprietary funds) are the business-type activities reported in the government-wide statements but containing more detail and additional information, such as cash flows.

THE CITY AS TRUSTEE

Reporting the City's Fiduciary Responsibilities

The City is the trustee for funds seized by the police. These funds are then held and kept separate until released as provided by law. Management excluded these funds from the City's other financial statements because the City cannot use these assets to finance its operations until it is determined by either the state or federal agencies what part will eventually be released to the City as additional resources to support law enforcement.

NOTES TO THE 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 21 to 34 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the net assets (Table I) and changes in net assets (Table II) of the City's governmental and business-type activities.

Net assets of the City's governmental activities changed from \$6,768,986 to \$7,167,531. The change is due to an increase in Net Assets of \$398,545. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements were \$3,927,687 at September 30, 2010.

In 2010, net assets of our business-type activities decreased by \$16,578.

Table 1
City of Vidor
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and Other Assets	\$ 4,857,328	\$ 9,005,412	\$ 236,602	\$ 217,648	\$ 5,093,930	\$ 9,223,060
Capital Assets	10,904,099	5,921,409	371,644	450,764	11,275,743	6,372,173
Total Assets	<u>15,761,427</u>	<u>14,926,821</u>	<u>608,246</u>	<u>668,412</u>	<u>16,369,673</u>	<u>15,595,233</u>
Long-Term Liabilities Outstanding	7,470,489	7,550,064	99,017	151,294	7,569,506	7,701,358
Other Liabilities	1,123,407	607,771	148,035	139,346	1,271,442	747,117
Total Liabilities	<u>8,593,896</u>	<u>8,157,835</u>	<u>247,052</u>	<u>290,640</u>	<u>8,840,948</u>	<u>8,448,475</u>
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	3,239,844	(1,793,655)	-	-	3,239,844	(1,793,655)
Restricted	-	-	-	-	-	-
Unrestricted	<u>3,927,687</u>	<u>8,562,641</u>	<u>361,194</u>	<u>377,772</u>	<u>4,288,881</u>	<u>8,940,413</u>
Total Net Assets	<u>\$ 7,167,531</u>	<u>\$ 6,768,986</u>	<u>\$ 361,194</u>	<u>\$ 377,772</u>	<u>\$ 7,528,725</u>	<u>\$ 7,146,758</u>

The unrestricted net assets, \$4,288,881 may be used to meet the government's ongoing obligations to citizens and creditors.

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

As reflected in the following table (Table 2) the City's net assets increased by \$381,967 during the current fiscal year. The difference is split between both the governmental activities and the business-type activities. Net assets for the governmental activities increased \$398,545 and net assets for the business-type activities decreased \$16,578.

Table 2
City of Vidor
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program Revenues:						
Charges for Services	\$ 697,758	\$ 665,525	\$ 936,085	\$ 947,470	\$ 1,633,843	\$ 1,612,995
Operating Grants and Contributions	90,789	52,731	-	-	90,789	52,731
General Revenues:						
Property Taxes	2,246,169	2,275,500	-	-	2,246,169	2,275,500
Sales Taxes	1,973,512	2,302,936	-	-	1,973,512	2,302,936
Franchise Taxes	455,847	430,519	-	-	455,847	430,519
Other Taxes	59,077	77,952	-	-	59,077	77,952
Penalty and Interest	52,332	11,453	-	-	52,332	11,453
Grants and Contributions	230,739	766,581	-	-	230,739	766,581
Other	136,045	215,912	-	-	136,045	215,912
Investment Earnings	16,861	52,518	576	1,125	17,437	53,643
Total Revenues	<u>5,959,129</u>	<u>6,851,627</u>	<u>936,661</u>	<u>948,595</u>	<u>6,895,790</u>	<u>7,800,222</u>
Expenses:						
City Council	227,059	179,004	-	-	227,059	179,004
Municipal Court	230,366	150,419	-	-	230,366	150,419
City Manager	154,411	140,402	-	-	154,411	140,402
Financial Administration	244,178	240,584	-	-	244,178	240,584
City Secretary	68,780	63,365	-	-	68,780	63,365
Police	2,437,982	2,450,400	-	-	2,437,982	2,450,400
Animal Control	109,959	113,657	-	-	109,959	113,657
Streets, Drainage and Maintenance	1,079,877	1,503,729	-	-	1,079,877	1,503,729
Public Works	216,067	226,122	-	-	216,067	226,122
Tourism	82,360	39,350	-	-	82,360	39,350
Parks and Recreation	162,053	162,370	-	-	162,053	162,370
Library	186,435	167,756	-	-	186,435	167,756
Bond Interest	359,755	382,783	-	-	359,755	382,783
Fiscal Agent's Fees	1,302	1,303	-	-	1,302	1,303
Other Business-type Activities	-	-	953,239	893,483	953,239	893,483
Total Expenses	<u>5,560,584</u>	<u>5,821,244</u>	<u>953,239</u>	<u>893,483</u>	<u>6,513,823</u>	<u>6,714,727</u>
Increase (Decrease) in Net Assets						
Before Transfers and Special Items	398,545	1,030,383	(16,578)	55,112	381,967	1,085,495
Gain on Sale of Assets	-	-	-	-	-	-
Other (Uses)	-	(3,146)	-	-	-	(3,146)
Increase (Decrease) in Net Assets	398,545	1,027,237	(16,578)	55,112	381,967	1,082,349
Net Assets at 9/30/09	6,768,986	5,741,749	377,772	322,660	7,146,758	6,064,409
Prior Period Adjustment	-	-	-	-	-	-
Net Assets at 9/30/10	<u>\$ 7,167,531</u>	<u>\$ 6,768,986</u>	<u>\$ 361,194</u>	<u>\$ 377,772</u>	<u>\$ 7,528,725</u>	<u>\$ 7,146,758</u>

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

In comparison to the government-wide statements, the fund-level statements focus on the key funds of the City. 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 government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,705,807 a decrease of \$5,297,260 in comparison with the prior year.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved and total fund balance of the general fund was \$2,298,713.

The fund balance of the City's general fund increased by \$163,433 during the current fiscal year.

The debt service fund has a total fund balance of \$129,882, a decrease of \$12,535, all of which is reserved for the payment of debt service.

The capital projects fund has a fund balance of \$987,922, all of which is reserved. The fund balance decreased by \$5,392,225 from the prior fiscal year. This decrease is due to the completion of the city hall building.

PROPRIETARY FUNDS

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

Unrestricted net assets of the Sanitation Fund at the end of the fiscal year amounted to \$361,194. Net assets of the Sanitation Fund decreased by \$16,578. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS - The City's investment on capital assets for its governmental and business-type activities as of September 30, 2010, amount to \$11,275,742 (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure, machinery and equipment, and construction in progress. Capital assets held by the City at the end of the current year are summarized as follows: (Table 3)

Table 3
City of Vidor
Capital Assets at Year-End
(Net of Depreciation)

	Governmental Activities 2010	Business-Type Activities 2010	Total 2010
Land	\$ 1,066,602	\$ -	\$ 1,066,602
Buildings	6,528,013	-	6,528,013
Infrastructure	2,120,933	-	2,120,933
Machinery and Equipment	573,395	371,644	945,039
Construction in Progress	615,155	-	615,155
	<u>\$ 10,904,098</u>	<u>\$ 371,644</u>	<u>\$ 11,275,742</u>

During the current year, major capital additions for governmental activities were as follows:

- ☐ Acquisition of Machinery and Equipment \$321,697
- ☐ Completion of City Hall Building \$5,851,082

In addition, the following major acquisitions were made for the business-type activities:

- ☐ Investment in Machinery and Equipment \$20,013

Additional information about the City's capital assets is presented in Note F of the financial statements.

LONG-TERM DEBT – At the end of the current fiscal, the City had total bonds outstanding of \$7,638,503 and capital leases for sanitation trucks with a balance of \$151,294. The City also has long-term liabilities related to compensated absences.

The debt position of the City is summarized below and is more fully analyzed in Note G of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2010 budget tax rates. One of those factors is the economy. The City's increase in property values, population, and sales tax revenue project a small, but healthy growth in the City. The City Council has traditionally resisted increasing taxes and as a result only projected a minimal increase in property taxes.

These indicators were taken into account when adopting the General Fund budget for 2011. Amounts available for appropriation in the General Fund budget are \$4,774,349, a decrease of 8.58% percent over the final 2010 budget of \$5,222,269. A projected decrease in property tax accounts and sales tax accounts for the decrease in revenue. The City will use its revenues to finance programs it currently offers. Budgeted expenditures are expected to decrease nearly 5.63 percent to \$4,979,207 from \$5,276,322 in 2010. The City has added no major new programs or initiatives to the 2011 budget.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's Supervisor of Accounting and Finance, at the City of Vidor, 1395 North Main, Vidor, Texas.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE STATEMENTS

CITY OF VIDOR
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010

EXHIBIT A-1

	Governmental Activities	Primary Government Business Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 3,597,402	\$ 210,302	\$ 3,807,704
Receivables (net of allowance for uncollectibles)	1,259,926	26,300	1,286,226
Capital Assets:			
Land	1,066,602	-	1,066,602
Infrastructure, net	2,120,934	-	2,120,934
Buildings, net	6,528,012	-	6,528,012
Machinery and Equipment, net	573,396	371,644	945,040
Construction in Progress	615,155	-	615,155
Total Assets	15,761,427	608,246	16,369,673
LIABILITIES			
Accounts Payable	822,481	23,754	846,235
Intergovernmental Payable	19,583	5,077	24,660
Accrued Interest Payable	45,399	-	45,399
Deferred Revenues	-	23,827	23,827
Other Current Liabilities	42,178	43,100	85,278
Noncurrent Liabilities			
Due Within One Year	193,766	52,277	246,043
Due in More Than One Year	7,470,489	99,017	7,569,506
Total Liabilities	8,593,896	247,052	8,840,948
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	3,239,844	-	3,239,844
Unrestricted Net Assets	3,927,687	361,194	4,288,881
Total Net Assets	\$ 7,167,531	\$ 361,194	\$ 7,528,725

The notes to the Financial Statements are an integral part of this statement.

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

Program Revenues				
	Expenses	Charges for Services	Operating Grants and Contributions	
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
City Council	\$ 227,059	\$ -	\$ -	-
Municipal Court	230,366	559,637		-
City Manager	154,411	-		-
Financial Administration	244,178	75,000		-
City Secretary	68,780	-		-
Police	2,437,982	-		83,317
Animal Control	109,959	-		-
Streets	905,405	-		-
Maintenance	174,472	-		-
Public Works	216,067	47,405		-
Tourism	82,360	-		-
Parks and recreation	162,053	14,639		-
Libraries	186,435	1,077		7,472
Bond Interest	359,755	-		-
Fiscal Agent's Fees	1,302	-		-
Total Governmental Activities:	5,560,584	697,758		90,789
BUSINESS-TYPE ACTIVITIES:				
	953,239	936,085		-
Total Business-Type Activities:	953,239	936,085		-
TOTAL PRIMARY GOVERNMENT:	\$ 6,513,823	\$ 1,633,843	\$	90,789

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes
Property Taxes, Levied for Debt Service
Sales Taxes
Franchise Taxes
Other Taxes
Penalty and Interest
Grants and Contributions Not Restricted
Miscellaneous Revenue
Investment Earnings

Total General Revenues

Change in Net Assets

Net Assets--Beginning

Net Assets--Ending

The notes to the Financial Statements are an integral part of this statement.

Net (Expense) Revenue and
Changes in Net Assets

Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (227,059)	\$ -	\$ (227,059)
329,271	-	329,271
(154,411)	-	(154,411)
(169,178)	-	(169,178)
(68,780)	-	(68,780)
(2,354,665)	-	(2,354,665)
(109,959)	-	(109,959)
(905,405)	-	(905,405)
(174,472)	-	(174,472)
(168,662)	-	(168,662)
(82,360)	-	(82,360)
(147,414)	-	(147,414)
(177,886)	-	(177,886)
(359,755)	-	(359,755)
(1,302)	-	(1,302)
(4,772,037)	-	(4,772,037)
-	(17,154)	(17,154)
-	(17,154)	(17,154)
(4,772,037)	(17,154)	(4,789,191)
1,758,030	-	1,758,030
488,139	-	488,139
1,973,512	-	1,973,512
455,847	-	455,847
59,077	-	59,077
52,332	-	52,332
230,739	-	230,739
136,045	-	136,045
16,861	576	17,437
5,170,582	576	5,171,158
398,545	(16,578)	381,967
6,768,986	377,772	7,146,758
\$ 7,167,531	\$ 361,194	\$ 7,528,725

GOVERNMENTAL FUND FINANCIAL STATEMENTS

CITY OF VIDOR
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010

	General Fund	Capital Projects	Other Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 2,090,142	\$ 979,805	\$ 527,455	\$ 3,597,402
Taxes Receivable	353,964	-	-	353,964
Receivables (Net)	3,259	-	-	3,259
Intergovernmental Receivables	374,233	-	-	374,233
Due from Other Funds	-	66,274	-	66,274
Construction in Progress	-	615,155	-	615,155
Total Assets	\$ 2,821,598	\$ 1,661,234	\$ 527,455	\$ 5,010,287
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 107,160	\$ 673,312	\$ 42,009	\$ 822,481
Intergovernmental Payable	19,583	-	-	19,583
Due to Other Funds	-	-	66,274	66,274
Deferred Revenues	353,964	-	-	353,964
Other Current Liabilities	42,178	-	-	42,178
Total Liabilities	522,885	673,312	108,283	1,304,480
Fund Balances:				
Unreserved and Undesignated:				
Reported in the General Fund	2,298,713	-	-	2,298,713
Reported in the Special Revenue Fund	-	-	289,290	289,290
Reported in the Debt Service Fund	-	-	129,882	129,882
Reported in the Capital Projects Fund	-	987,922	-	987,922
Total Fund Balances	2,298,713	987,922	419,172	3,705,807
Total Liabilities and Fund Balances	\$ 2,821,598	\$ 1,661,234	\$ 527,455	\$ 5,010,287

The notes to the Financial Statements are an integral part of this statement.

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

Total Fund Balances - Governmental Funds	\$ 3,705,807
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$9,349,367 and the accumulated depreciation was \$3,427,959. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to decrease net assets.	(2,283,250)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2010 capital outlays and debt principal payments is to increase net assets.	5,251,549
The 2010 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.	(342,922)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net assets.	836,347
Net Assets of Governmental Activities	\$ 7,167,531

The notes to the Financial Statements are an integral part of this statement.

CITY OF VIDOR
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	General Fund	Capital Projects	Other Funds	Total Governmental Funds
REVENUES:				
Taxes:				
Property Taxes	\$ 1,673,235	\$ -	\$ 502,002	\$ 2,175,237
General Sales and Use Taxes	1,973,512	-	-	1,973,512
Franchise Tax	455,847	-	-	455,847
Other Taxes	-	-	59,077	59,077
Penalty and Interest on Taxes	42,104	-	10,228	52,332
Licenses and Permits	41,818	-	-	41,818
Intergovernmental Revenue and Grants	152,209	-	160,451	312,660
Charges for Services	96,303	-	-	96,303
Fines	379,720	-	25,845	405,565
Forfeits	-	-	55,237	55,237
Investment Earnings	6,674	8,168	2,019	16,861
Contributions & Donations from Private Sources	2,529	-	6,339	8,868
Other Revenue	80,171	-	637	80,808
Total Revenues	4,904,122	8,168	821,835	5,734,125
EXPENDITURES:				
Current:				
General Government	-	5,385,162	-	5,385,162
City Council	219,272	-	-	219,272
Municipal Court	154,802	-	68,789	223,591
City Manager	154,411	-	-	154,411
Financial Administration	244,178	-	-	244,178
City Secretary	68,780	-	-	68,780
Public Safety:				
Police	2,425,634	-	90,165	2,515,799
Animal Control	107,994	-	453	108,447
Streets/Drainage	670,885	-	114,933	785,818
Maintenance	171,273	-	-	171,273
Public Works	214,971	-	-	214,971
Tourism	-	-	82,360	82,360
Culture and Recreation:				
Parks and recreation	136,226	15,231	-	151,457
Library	172,263	-	8,037	180,300
Debt Service:				
Bond Principal	-	-	165,000	165,000
Bond Interest	-	-	359,264	359,264
Fiscal Agent's Fees	-	-	1,302	1,302
Total Expenditures	4,740,689	5,400,393	890,303	11,031,385
Net Change in Fund Balances	163,433	(5,392,225)	(68,468)	(5,297,260)
Fund Balance - October 1 (Beginning)	2,135,280	6,380,147	487,640	9,003,067
Fund Balance - September 30 (Ending)	\$ 2,298,713	\$ 987,922	\$ 419,172	\$ 3,705,807

The notes to the Financial Statements are an integral part of this statement.

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

Total Net Change in Fund Balances - Governmental Funds	\$ (5,297,260)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2010 capital outlays and debt principal payments is to increase net assets.	5,814,902
Depreciation is not recognized as an expense in 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.	(342,922)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net assets.	223,825
Change in Net Assets of Governmental Activities	\$ 398,545

The notes to the Financial Statements are an integral part of this statement.

CITY OF VIDOR
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Property Taxes	\$ 1,737,569	\$ 1,737,569	\$ 1,673,235	\$ (64,334)
General Sales and Use Taxes	2,400,000	2,400,000	1,973,512	(426,488)
Franchise Tax	441,000	441,000	455,847	14,847
Penalty and Interest on Taxes	52,000	52,000	42,104	(9,896)
Licenses and Permits	50,000	50,000	41,818	(8,182)
Intergovernmental Revenue and Grants	-	-	152,209	152,209
Charges for Services	99,700	99,700	96,303	(3,397)
Fines	326,000	326,000	379,720	53,720
Investment Earnings	9,900	9,900	6,674	(3,226)
Contributions & Donations from Private Sources	2,800	2,800	2,529	(271)
Other Revenue	103,300	103,300	80,171	(23,129)
Total Revenues	5,222,269	5,222,269	4,904,122	(318,147)
EXPENDITURES:				
Current:				
General Government:				
City Council	243,184	241,027	219,272	21,755
Municipal Court	161,917	161,917	154,802	7,115
City Manager	161,181	161,181	154,411	6,770
Financial Administration	263,208	263,208	244,178	19,030
City Secretary	69,149	69,149	68,780	369
Public Safety:				
Police	2,543,553	2,543,553	2,425,634	117,919
Animal Control	109,592	111,749	107,994	3,755
Streets/Drainage	984,187	984,187	670,885	313,302
Maintenance	200,114	200,114	171,273	28,841
Public Works	232,037	232,037	214,971	17,066
Culture and Recreation:				
Parks and recreation	136,198	136,198	136,226	(28)
Library	172,002	172,002	172,263	(261)
Total Expenditures	5,276,322	5,276,322	4,740,689	535,633
Net Change	(54,053)	(54,053)	163,433	217,486
Fund Balance - October 1 (Beginning)	2,135,280	2,135,280	2,135,280	-
Fund Balance - September 30 (Ending)	\$ 2,081,227	\$ 2,081,227	\$ 2,298,713	\$ 217,486

The accompanying notes are an integral part of this statement.

PROPRIETARY FUND FINANCIAL STATEMENTS

CITY OF VIDOR
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2010

EXHIBIT D-1

Business Type
Activities

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 210,302
Accounts Receivable-Net of Uncollectible Allowance	26,300
Total Current Assets	236,602

Noncurrent Assets:

Capital Assets:

Machinery and Equipment	990,363
Accumulated Depreciation - Machinery & Equipment	(618,719)
Total Noncurrent Assets	371,644

Total Assets	608,246
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LIABILITIES

Current Liabilities:

Accounts Payable	23,754
Intergovernmental Payable	5,077
Deferred Revenue	23,827
Capital Leases Payable - Current	52,277
Other Current Liabilities	43,100
Total Current Liabilities	148,035

NonCurrent Liabilities:

Capital Leases Payable - Noncurrent	99,017
Total Noncurrent Liabilities	99,017

Total Liabilities	247,052
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NET ASSETS

Unrestricted Net Assets	361,194
Total Net Assets	\$ 361,194

The notes to the Financial Statements are an integral part of this statement.

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

EXHIBIT D-2

	Business Type Activities
OPERATING REVENUES:	
Charges for Sanitation Service	\$ 936,085
Total Operating Revenues	936,085
OPERATING EXPENSES:	
Personnel Services - Salaries and Wages	316,383
Personnel Services - Employee Benefits	166,802
Purchased Property Services	275,951
Other Operating Expenses	33,218
Supplies	54,642
Depreciation	98,212
Total Operating Expenses	945,208
Operating Income (Loss)	(9,123)
NON-OPERATING REVENUES (EXPENSES):	
Investment Earnings	576
(Loss) on Sale of Fixed Asset	(921)
Interest Expense - Non-Operating	(7,110)
Total Non-operating Revenue (Expenses)	(7,455)
Change in Net Assets	(16,578)
Total Net Assets - October 1 (Beginning)	377,772
Total Net Assets - September 30 (Ending)	\$ 361,194

The notes to the Financial Statements are an integral part of this statement.

CITY OF VIDOR
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Business Type Activities
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 931,533
Cash Payments to Employees for Services	(483,185)
Cash Payments for Other Operating Expenses	(368,738)
Net Cash Provided by Operating Activities	79,610
<u>Cash Flows from Non-Capital Financing Activities:</u>	
(Loss) on Sale of Fixed Asset	(921)
Interest Expense	(7,110)
Net Cash Provided by (Used for) Non-Capital Financing Activities	(8,031)
<u>Cash Flows from Capital & Related Financing Activities:</u>	
Acquisition of Capital Assets	(19,092)
Borrowing Under Capital Lease	(37,432)
Net Cash Provided by (Used for) Capital & Related Financing Activities	(56,524)
<u>Cash Flows from Investing Activities:</u>	
Interest and Dividends on Investments	576
Net Increase in Cash and Cash Equivalents	15,631
Cash and Cash Equivalents at Beginning of the Year:	194,671
Cash and Cash Equivalents at the End of the Year:	\$ 210,302
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided By Operating Activities:</u>	
Operating Income (Loss):	\$ (9,123)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	98,212
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (increase) in Receivables	(3,323)
Increase (decrease) in Accounts Payable	171
Increase (decrease) in Deferred Revenue	(1,229)
Increase (decrease) in Other Liabilities	(5,098)
Net Cash Provided by Operating Activities	\$ 79,610

The notes to the Financial Statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

CITY OF VIDOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The City of Vidor is a Home Rule City governed by an elected Mayor and six councilmen. The City provides law enforcement, streets and drainage, code enforcement, animal control, municipal court, and several cultural activities such as a library and parks. The City is located in the western portion of Orange County, Texas and is the economic center of Ward 4 of the County.

The City of Vidor, Texas is a primary government as defined by Governmental Accounting Standards Board Statement (GASB) No. 14. The City does not have any component units as defined in GASB 14.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Assets and the Statement of Activities are government-wide financial statements. They report information on all of the City of Vidor nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, federal and state grants, charges for services, and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates how other people or entities that participate in programs the City operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the City. The "grants and contributions" columns include amounts paid by organizations outside the City to help meet the operational or capital requirements of a given function. If a revenue is not a program revenue, it is a general revenue used to support all of the City's functions. Taxes are always general revenues.

Interfund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due from on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Assets and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance and on the Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Assets. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and enterprise funds remain on the government-wide statements and appear on the government-wide Statement of Net Assets as internal balances and on the Statement of Activities as interfund transfers.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for City operations, they are not included in the government-wide statements. The City considers some governmental and enterprise funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

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

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the 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 use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The City considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. The City considers them "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors some times require the City to refund all or part of the unused amount.

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The City applies all GASB pronouncements as well as the Financial Accounting Standards Council pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Assets. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

D. FUND ACCOUNTING

The City reports the following major governmental funds:

- 1. General Fund** – The General Fund is the City's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
- 2. Capital Projects Fund** - The Capital Projects Fund is used to provide resources for capital projects.

The City reports the following major enterprise fund:

Sanitation Fund - The Sanitation Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the costs (expenses, including depreciation) of providing sanitation services to the general public on a continuing basis are financed through user charges.

The City reports one fiduciary fund:

Agency Fund – The Agency Fund is used for custody of seized money for which the City does not have ownership.

Additionally, the City reports the following fund types:

Governmental Funds:

1. **Debt Service Fund** – The Debt Service Fund accounts for the accumulation of resources to pay interest and principal on long-term debt.
2. **Special Revenue Funds** - The Special Revenue Funds account for resources restricted to, or designated for, specific purposes by a grantor. Federal financial assistance often is accounted for in a Special Revenue Fund.

E. OTHER ACCOUNTING POLICIES

1. ***Budgets and Budgetary Accounting*** The City Council adopts an annual budget for the various funds. The legally adopted budgets for the Governmental Funds are prepared, generally, in accordance with the basis of accounting utilized by that fund. Once a budget is approved, it can be amended at the function and fund level only by approval of a majority of the City Council. Each amendment must have Council approval and amendments are reflected in the minutes of the Council. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year. All budgeted appropriations lapse at year end.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end lapse. Encumbrances do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

2. ***Cash and Investments*** For purposes of the statement of cash flows for proprietary funds, the City considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.
3. ***Inventories*** The City does not maintain any inventories of material significance.
4. ***Long-term Debt*** In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

5. **Capital Assets** Capital assets, which include land, buildings, furniture and equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, furniture and equipment of the City are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	30-40
Infrastructure	20-40
Furniture & Fixtures	10
Machinery & Equipment	7-12

6. **Interfund Transactions** Transactions between funds that would be treated as revenues, expenditures, or expenses if they involved organizations external to the City are accounted for as revenues, expenditures, or expenses in the funds involved. Transactions which constitute reimbursements for expenditures or expenses initially made from that fund; but which are properly attributable to another fund, are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditures or expenses in the fund that is reimbursed.

Non-recurring or non-routine transfers of equity between funds are reported as additions to, or reductions of, the fund balance of governmental funds. Transfers of equity to proprietary funds are reported as additions to, or reductions in, retained earnings or contributed capital as is appropriate in the circumstances. All other legally authorized transfers are treated as operating transfers and are included in the results of operation of both governmental and proprietary funds.

7. **Deferred Revenue** Deferred Revenue accounted for on the balance sheet of the general fund statement relates to uncollected property taxes. Deferred revenue is not presented in the entity wide Statements of Net Assets of Statement of Activity because tax revenues are recognized when levied and not when collected. Deferred revenue presented in the proprietary fund represents pre-payment of service fees and is carried as a liability until the fee is earned.

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

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

Cash balances for most individual funds are maintained in a pooled cash account, except where the City is legally required to maintain separate bank cash accounts. The earnings on the pooled cash account are prorated to the individual funds. For accounting purposes, the cash balances for each fund related to the pooled cash account are maintained as if they were separate cash accounts and displayed on the combined balance sheet within the financial statement caption Cash. Any overdraft balances for pooled cash, if any, for an individual fund is reported as "Due to" for the fund providing the money and as "Due from" for the fund that provided the money.

Both cash deposits and investments held at a financial institution can be categorized according to three levels of risk. These three levels of risk are:

Category 1 - Cash or Investments that are insured, registered or held by the City or by its agent in the City's name.

Category 2 - Cash or Investments that are uninsured and unregistered held by the counter-party's trust department or agent in the City's name.

Category 3 - Uninsured and unregistered investments held by the counterparty, its trust department, or its agent, but not in the City's name.

Based on these three levels of risk, all of the City's investments are classified as Category 1.

At September 30, 2010, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$3,834,962. The City's cash deposits at September 30, 2010, and during the year ended September 30, 2010, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

The pledged collateral is categorized as follows:

Amount insured by FDIC coverage.....	\$ 250,000
Amount collateralized with securities held by a third party in the City's name.....	4,776,869
Total	\$ 5,026,869

Temporary Investment:

The City is authorized to invest in those securities and obligations authorized by the Public Funds Investment Act-Chapter 2256 of the Government Code.

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

	<u>Carrying Amount</u>	<u>Market Value</u>
TexPool Investment Pool	<u>\$ 1,390,651</u>	<u>\$ 1,390,651</u>

In accordance with GASB Statement No. 31, the City's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. The term "short-term" refers to investments which have a remaining term of one year or less at time of changes. Nonnegotiable certificates of deposit and money market bank accounts are examples of nonparticipating interest-earning investment contracts. Certificates of Deposit and money market bank accounts are recorded as cash in these financial statements.

The City's investments in pools (TexPool) are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is a 2a7-like pool, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

B. RESTRICTED ASSETS

Sanitation Fund – Restricted assets in the Sanitation Fund consist of \$50,000 in the Texpool Investment Pool to cover customer deposits on containers.

C. PROPERTY TAXES

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1st of the year following the year in which imposed. On January 31st of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal year.

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

D. INTERFUND BALANCES

Interfund balances at September 30, 2010, consisted of the following individual fund balances:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Capital Projects Fund		
Municipal Court Bldg Security	\$ 27,393	\$ -
Municipal Court Technology	<u>38,881</u>	<u>-</u>
Total Capital Projects Fund	<u>66,274</u>	<u>-</u>
Municipal Court Bldg Security Fund		
Capital Projects Fund	-	27,393
Municipal Court Technology Fund		
Capital Projects Fund	<u>-</u>	<u>38,881</u>
Total Special Revenue Fund	<u>-</u>	<u>66,274</u>
Total	<u>\$ 66,274</u>	<u>\$ 66,274</u>

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at September 30, 2010, were as follows:

	<u>Property Taxes</u>	<u>Other Governments</u>	<u>Other Receivables</u>	<u>Total Receivables</u>
Governmental Activities:				
General Fund	\$ 353,964	\$ 374,233	\$ 3,259	\$ 731,456
Total - Governmental Activities	<u>\$ 353,964</u>	<u>\$ 374,233</u>	<u>\$ 3,259</u>	<u>\$ 731,456</u>
Business-Type Activities:				
Sanitation Fund	\$ -	\$ -	\$ 26,300	\$ 26,300
Total - Bus.-Type Activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,300</u>	<u>\$ 26,300</u>

Payables at September 30, 2010, were as follows:

	<u>Accounts Payable</u>	<u>Other Governments</u>	<u>Other Current</u>	<u>Total Payables</u>
Governmental Activities:				
General Fund	\$ 107,160	\$ 19,583	\$ 42,178	\$ 168,921
Capital Projects Fund	673,312	-	-	673,312
Nonmajor Gov. Funds	<u>42,009</u>	<u>-</u>	<u>-</u>	<u>42,009</u>
Total - Gov. Activities	<u>\$ 822,481</u>	<u>\$ 19,583</u>	<u>\$ 42,178</u>	<u>\$ 884,242</u>
Business-Type Activities:				
Sanitation Fund	\$ 23,754	\$ 5,077	\$ 43,100	\$ 71,931
Total - Bus.-Type Activities	<u>\$ 23,754</u>	<u>\$ 5,077</u>	<u>\$ 43,100</u>	<u>\$ 71,931</u>

F. CAPITAL ASSET ACTIVITY

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

	Balance 10/1/09	Additions	Deletions	Balance 9/30/10
Governmental Activities:				
Land	\$ 1,066,602	\$	\$	\$ 1,066,602
Buildings	1,292,262	5,851,082		7,143,344
Infrastructure	2,463,772	56,546		2,520,318
Machinery and Equipment	3,007,863	321,697	(33,170)	3,296,390
Construction in Progress	1,518,868	125,561	(1,029,274)	615,155
Total	9,349,367	6,354,886	(1,062,444)	14,641,809
Accumulated Depreciation	(3,427,959)	(342,922)	33,170	(3,737,711)
Governmental Activities Capital Assets, Net	<u>\$ 5,921,408</u>	<u>\$ 6,011,964</u>	<u>\$ (1,029,274)</u>	<u>\$ 10,904,098</u>
Business-type Activities (Sanitation):				
Machinery and Equipment	\$ 980,884	\$ 20,013	\$ (10,534)	\$ 990,363
Accumulated Depreciation	(530,120)	(98,212)	9,613	(618,719)
Business-type Activities Capital Assets, Net	<u>\$ 450,764</u>	<u>\$ (78,199)</u>	<u>\$ (921)</u>	<u>\$ 371,644</u>

Depreciation expense was charged to governmental functions as follows:

City Council	\$ 7,787
Municipal Court	6,775
Police Department	125,653
Animal Control	1,512
Streets and Drainage	166,005
Maintenance	3,199
Public Works	1,096
Library	20,299
Parks and Recreation	10,596
Total Depreciation Expense	<u>\$ 342,922</u>

A portion of the infrastructure in the amount of \$616,417 is attributable to land improvements, which are not depreciable. The improvements consist of purchasing land and clearing improvements to the land to facilitate drainage. It has not been determined if the City will be responsible for maintaining these land improvements in the future or if the land and obligation to maintain drainage in the future will be transferred to the Orange County Drainage District which has overall responsibility for the County's drainage.

G. CHANGES IN LONG-TERM DEBT

A. Certificates of Obligation - The City issued Certificates of Obligation in 1996 to build a new police station. This debt was paid off in full in the current fiscal year.

B. Certificates of Obligation - Tax and solid waste surplus revenue series 2003 were issued in August 2003 to fund necessary costs for a landfill closure. Those funds not used to close the landfill and convert it to a park will be used for capital improvements to the streets and drainage system.

C. Certificates of Obligation – On October 23, 2008, the City issued Tax and Revenue Certificates of Obligation Bonds in the amount of \$6,500,000 to build a new city hall.

D. Capital Lease – The City used a capital lease to pay for a sanitation truck for the Sanitation Department at the close of the fiscal year. The lease is shown as debt in the Proprietary Fund.

E. Capital Lease – The City used a capital lease to pay for a sanitation truck for the Sanitation Department at the close of the fiscal year. The lease is shown as debt in the Proprietary Fund.

F. Capital Lease – The City used a capital lease to pay for (2) Dodge Charger Patrol Cars and a 2010 Dump Truck.

A summary of the City's long-term debt transactions for the year ended September 30, 2010, are included in the following table:

	Maturity Dates	Interest Rates	Balance 10/1/09	Issued	Retired	Balance 9/30/10
Governmental Activities:						
Bonds and Capital Lease Payable						
Certificates of Obligation						
Tax & Solid Waste System	Feb 15th &	4.70%-				
Surplus Revenue, Series 2003	Aug 15th	5.00%	1,190,000	-	65,000	1,125,000
Certificates of Obligation,	Feb 15th &					
Tax & Revenue, Series 2008	Aug 15th		6,500,000	-	100,000	6,400,000
Capital Lease - 2010			-	133,248	19,745	113,503
Total Bonds & Capital Lease Payable			7,690,000	133,248	184,745	7,638,503
Other Liabilities						
Compensated Absences			25,064	35,498	34,810	25,752
Total Other Liabilities			25,064	35,498	34,810	25,752
Total Governmental Activities Long-term Liabilities			<u>7,715,064</u>	<u>168,746</u>	<u>219,555</u>	<u>7,664,255</u>
Business-type Activities:						
Capital Lease - 2008	Quarterly	5.14%	73,151	-	18,943	54,208
Capital Lease - 2009	Quarterly	5.52%	115,575	-	18,489	97,086
Total Business-type Activities Long-term Liabilities			<u>\$ 188,726</u>	<u>\$ -</u>	<u>\$ 37,432</u>	<u>\$ 151,294</u>

Annual debt service requirements to maturity, including principal and interest, for general long-term debt at September 30, 2010, are as follows:

Certificates of Obligation Tax and Solid Waste System Surplus Revenue, Series 2003			
<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Annual Debt Service</u>
2011	\$ 65,000	\$ 50,015	\$ 115,015
2012	70,000	46,765	116,765
2013	70,000	43,965	113,965
2014	75,000	41,165	116,165
2015	80,000	38,165	118,165
Thereafter	<u>765,000</u>	<u>166,605</u>	<u>931,605</u>
Total	<u>\$ 1,125,000</u>	<u>\$ 386,680</u>	<u>\$ 1,511,680</u>

Certificates of Obligation Tax & Revenue, Series 2008			
<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Annual Debt Service</u>
2011	\$ 100,000	\$ 302,499	\$ 402,499
2012	115,000	298,999	413,999
2013	120,000	294,974	414,974
2014	130,000	290,774	420,774
2015	135,000	285,574	420,574
Thereafter	<u>5,800,000</u>	<u>4,045,669</u>	<u>9,845,669</u>
Total	<u>\$ 6,400,000</u>	<u>\$ 5,518,488</u>	<u>\$ 11,918,488</u>

Capital Lease for (2) Dodge Patrol Cars and 2010 Dump Truck - 2010			
<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Annual Debt Service</u>
2011	\$ 28,767	\$ 5,296	\$ 34,062
2012	30,277	3,785	34,062
2013	31,867	2,196	34,062
2014	18,931	709	19,640
2015	3,661	47	3,708
Thereafter	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 113,503</u>	<u>\$ 12,033</u>	<u>\$ 125,536</u>

Total General Long-term Debt			
Year Ending September 30,	Principal	Interest	Annual Debt Service
2011	\$ 193,767	\$ 357,810	\$ 551,577
2012	215,277	349,549	564,826
2013	221,867	341,135	563,002
2014	223,931	332,648	556,579
2015	218,661	323,786	542,447
Thereafter	6,565,000	4,212,274	10,777,274
Total	<u>\$ 7,638,503</u>	<u>\$ 5,917,202</u>	<u>\$ 13,555,705</u>

Annual debt service requirements to maturity, including principal and interest, for sanitation fund long-term debt at September 30, 2010, are as follows:

Capital Lease for Sanitation Truck - 2008			
Year Ending September 30,	Principal	Interest	Annual Debt Service
2011	\$ 26,412	\$ 2,283	\$ 28,695
2012	27,796	899	28,695
Total	<u>\$ 54,208</u>	<u>\$ 3,182</u>	<u>\$ 57,390</u>

Capital Lease for Sanitation Truck - 2009			
Year Ending September 30,	Principal	Interest	Annual Debt Service
2011	\$ 25,865	\$ 4,830	\$ 30,695
2012	27,323	3,372	30,695
2013	28,862	1,833	30,695
2014	15,036	312	15,347
Total	<u>\$ 97,086</u>	<u>\$ 10,347</u>	<u>\$ 107,433</u>

Total Sanitation Fund Long-term Debt			
Year Ending September 30,	Principal	Interest	Annual Debt Service
2011	\$ 52,277	\$ 7,113	\$ 59,390
2012	55,120	4,271	59,391
2013	28,862	1,833	30,695
2014	15,035	312	15,347
Total	<u>\$ 151,294</u>	<u>\$ 13,529</u>	<u>\$ 164,823</u>

H. EMPLOYEE'S RETIREMENT PLAN

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

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677; in addition, the 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 for Plan Year 2010 were as follows:

Employee deposit rate:	7%
Matching ratio (city to employee):	2 to 1
Years required for vesting	10
Service requirement eligibility (expressed as age/years of service)	60/10, 0/20
Updated service credit	100% Repeating, Transfers
Annuity increase (to retirees)	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 the rate goes into effect. The annual pension cost and net pension obligation/(asset) are as follows:

Annual Required Contribution (ARC)	\$ 547,777
Interest on Net Pension Obligation	-
Adjustment to the ARC	-
Annual Pension Cost (APC)	547,777
Contributions Made	(547,777)
Increase (decrease) to net pension	-
Net Pension Obligation/(Asset), beginning of year	-
Net Pension Obligation/(Asset), end of year	\$ -

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

Valuation Date	12/31/2007	12/31/2008	12/31/2009
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	30 years; closed period	29 years; closed period	28 years; closed period
Amortization Period for new Gains/Losses	30 years	30 years	30 years
Asset Valuation Method	Amortized Cost	Amortized Cost	10-year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return*	7.0%	7.5%	7.5%
Projected Salary Increases*	Varies by age and service	Varies by age and service	Varies by age and service
* Includes Inflation at	3.0%	3.0%	3.0%
Cost of Living Adjustments	2.1%	2.1%	2.1%

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UALL as a Percentage of Covered Payroll
12/31/2009	\$ 7,120,513	\$ 10,605,694	67.1%	\$ 3,485,181	\$ 2,662,821	130.9%

I. COMMUNITY DEVELOPMENT BLOCK GRANT

The City receives Federal Awards from the Texas Department of Community and Rural Affairs (ORCA) to improve and expand water and sewer system services that are provided by the Orange County Water Control and Improvement District #1 (OCWCID#1). The City has applied and received several of these grants on behalf of the OCWCID#1. Each grant is governed by an agreement the City conveys upon completion of the projects, in a fee simple transaction, all sewer and water facility improvements to OCWCID#1. The grants usually require a local match which is provided by the OCWCID#1. Additionally, the OCWCID#1 is responsible for all costs related to these grants and is required to reimburse the City for all expenditures related to these grants.

J. RISK MANAGEMENT & LITIGATION

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City obtains insurance coverage through participation in a public entity risk pool, where risk is transferred to the pool within policy limits purchased.

Workers' compensation and auto liability insurance are also covered in the same manner. There have been no significant reductions in insurance coverage from the preceding year and settlement amounts have not exceeded insurance coverage for the current year.

The attorney for the City estimates that the amount of actual or potential claims against the City will not materially affect the financial condition of the City. Therefore, the General Fund contains no provision for, and the General Long-term Debt Account Group does not present estimated claims.

L. LAND-FILL REMEDIATION

The City of Vidor, Texas is under an order from the Environmental Protection Agency, through the Texas Commission on Environmental Quality, TCEQ, (formerly the Texas Natural Resources Conservation Commission – TNRCC), to remediate a closed land fill that the City ceased to operate in 1973. The land fill was located on private property and the City has developed a schedule of compliance with the Agreed Order to remediate the site. The City engaged the professional engineering firm of Carroll and Blackman, P.E. and they have written a plan to satisfy the requirements of the TCEQ. The City has hired a fiscal agent and sold bonds to provide the funds to perform the remediation plan prepared by the engineers. The City obtained a grant from the Texas Parks and Wildlife Department to decrease the City's costs and assist in the creation of a park in place of the site. The City has bought the necessary land. The City has been assured by its engineers that the total cost for the project is well within the proposed debt offering of approximately one million six hundred thousand dollars.

As of September 30, 2005, the land fill remediation was essentially complete and TCEQ has accepted the remediation as completed. The City began construction of a park upon TCEQ's approval. The City is in the final stages of the Park and completion is expected during Fiscal Year 2010-11.

M. SUBSEQUENT EVENT

Subsequent events have been evaluated by management through January 21, 2011, which is the date these financial statements were accepted by management.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF VIDOR
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2010

	Agency Fund
ASSETS	
Cash and Cash Equivalents	\$ 27,258
Total Assets	\$ 27,258
LIABILITIES	
Due to Fiduciary Funds	\$ 27,258
Total Liabilities	\$ 27,258

The accompanying notes are an integral part of this statement.

ADDITIONAL SUPPLEMENTARY INFORMATION

NOT REQUIRED

COMBINING FUND STATEMENTS
NONMAJOR GOVERNMENTAL FUNDS

CITY OF VIDOR
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010

	Child Safety	Police Seizure	Municipal Court Bldg Security
ASSETS			
Cash and Cash Equivalents	\$ 10,907	\$ 843	\$ 48,966
Total Assets	\$ 10,907	\$ 843	\$ 48,966
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ -	\$ -	\$ 113
Due to Other Funds	-	-	27,393
Total Liabilities	-	-	27,506
Fund Balances:			
Unreserved and Undesignated:			
Reported in the Special Revenue Fund	10,907	843	21,460
Reported in the Debt Service Fund	-	-	-
Total Fund Balances	10,907	843	21,460
Total Liabilities and Fund Balances	\$ 10,907	\$ 843	\$ 48,966

The notes to the Financial Statements are an integral part of this statement.

EXHIBIT H-1 (Cont'd)

Animal Shelter	Library	Municipal Court Technology	Step Fund Police	Emergency Management System Grant	LEOSE	Community Development Block Grant	Federal Forfeiture
\$ 4,379	\$ 8,562	\$ 54,239	\$ 971	\$ 67,864	\$ 12,898	\$ -	\$ 67,007
\$ 4,379	\$ 8,562	\$ 54,239	\$ 971	\$ 67,864	\$ 12,898	\$ -	\$ 67,007
\$ -	\$ -	\$ 748	\$ -	\$ 6,049	\$ -	\$ -	\$ 35,099
-	-	38,881	-	-	-	-	-
-	-	39,629	-	6,049	-	-	35,099
4,379	8,562	14,610	971	61,815	12,898	-	31,908
-	-	-	-	-	-	-	-
4,379	8,562	14,610	971	61,815	12,898	-	31,908
\$ 4,379	\$ 8,562	\$ 54,239	\$ 971	\$ 67,864	\$ 12,898	\$ -	\$ 67,007

CITY OF VIDOR
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010

	Hotel Occupancy	Total Nonmajor Special Revenue Funds	Landfill Debt Service	City Hall Debt Service
ASSETS				
Cash and Cash Equivalents	\$ 120,937	\$ 397,573	\$ 72,235	\$ 57,647
Total Assets	\$ 120,937	\$ 397,573	\$ 72,235	\$ 57,647
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ -	\$ 42,009	\$ -	\$ -
Due to Other Funds	-	66,274	-	-
Total Liabilities	-	108,283	-	-
Fund Balances:				
Unreserved and Undesignated:				
Reported in the Special Revenue Fund	120,937	289,290	-	-
Reported in the Debt Service Fund	-	-	72,235	57,647
Total Fund Balances	120,937	289,290	72,235	57,647
Total Liabilities and Fund Balances	\$ 120,937	\$ 397,573	\$ 72,235	\$ 57,647

The notes to the Financial Statements are an integral part of this statement.

Total Nonmajor Debt Service Funds	Total Nonmajor Governmental Funds
\$ 129,882	\$ 527,455
\$ 129,882	\$ 527,455
\$ -	\$ 42,009
-	66,274
-	108,283
-	289,290
129,882	129,882
129,882	419,172
\$ 129,882	\$ 527,455

CITY OF VIDOR
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Child Safety	Police Seizure	Municipal Court Bldg Security
REVENUES:			
Taxes:			
Property Taxes	\$ -	\$ -	\$ -
Other Taxes	-	-	-
Penalty and Interest on Taxes	-	-	-
Intergovernmental Revenue and Grants	-	-	-
Fines	1,182	-	9,864
Forfeits	-	-	-
Investment Earnings	38	2	156
Contributions & Donations from Private Sources	-	-	-
Other Revenue	-	637	-
Total Revenues	1,220	639	10,020
EXPENDITURES:			
Current:			
General Government:			
Municipal Court	-	-	28,145
Public Safety:			
Police	738	-	-
Animal Control	-	-	-
Streets/Drainage	-	-	-
Tourism	-	-	-
Culture and Recreation:			
Library	-	-	-
Debt Service:			
Bond Principal	-	-	-
Bond Interest	-	-	-
Fiscal Agent's Fees	-	-	-
Total Expenditures	738	-	28,145
Net Change in Fund Balance	482	639	(18,125)
Fund Balance - October 1 (Beginning)	10,425	204	39,585
Fund Balance - September 30 (Ending)	\$ 10,907	\$ 843	\$ 21,460

The notes to the Financial Statements are an integral part of this statement.

Animal Shelter	Library	Municipal Court Technology	Step Fund Police	Emergency Management System Grant	LEOSE	Community Development Block Grant	Federal Forfeiture
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	7,472	-	636	35,274	2,136	114,933	-
-	-	14,799	-	-	-	-	-
-	-	-	-	-	-	-	55,237
15	30	171	3	222	43	-	116
1,339	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,354	7,502	14,970	639	35,496	2,179	114,933	55,353
-	-	40,644	-	-	-	-	-
-	-	-	-	28,347	1,140	-	59,940
453	-	-	-	-	-	-	-
-	-	-	-	-	-	114,933	-
-	-	-	-	-	-	-	-
-	8,037	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
453	8,037	40,644	-	28,347	1,140	114,933	59,940
901	(535)	(25,674)	639	7,149	1,039	-	(4,587)
3,478	9,097	40,284	332	54,666	11,859	-	36,495
\$ 4,379	\$ 8,562	\$ 14,610	\$ 971	\$ 61,815	\$ 12,898	\$ -	\$ 31,908

CITY OF VIDOR
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Hotel Occupancy	Nonmajor Special Revenue Funds	Landfill Debt Service	City Hall Debt Service
REVENUES:				
Taxes:				
Property Taxes	\$ -	\$ -	\$ 125,847	\$ 376,155
Other Taxes	59,077	59,077	-	-
Penalty and Interest on Taxes	-	-	4,617	5,611
Intergovernmental Revenue and Grants	-	160,451	-	-
Fines	-	25,845	-	-
Forfeits	-	55,237	-	-
Investment Earnings	422	1,218	409	392
Contributions & Donations from Private Sources	5,000	6,339	-	-
Other Revenue	-	637	-	-
Total Revenues	64,499	308,804	130,873	382,158
EXPENDITURES:				
Current:				
General Government:				
Municipal Court	-	68,789	-	-
Public Safety:				
Police	-	90,165	-	-
Animal Control	-	453	-	-
Streets/Drainage	-	114,933	-	-
Tourism	82,360	82,360	-	-
Culture and Recreation:				
Library	-	8,037	-	-
Debt Service:				
Bond Principal	-	-	65,000	100,000
Bond Interest	-	-	53,265	305,999
Fiscal Agent's Fees	-	-	802	500
Total Expenditures	82,360	364,737	119,067	406,499
Net Change in Fund Balance	(17,861)	(55,933)	11,806	(24,341)
Fund Balance - October 1 (Beginning)	138,798	345,223	60,429	81,988
Fund Balance - September 30 (Ending)	\$ 120,937	\$ 289,290	\$ 72,235	\$ 57,647

The notes to the Financial Statements are an integral part of this statement.

Total Nonmajor Debt Service Funds	Total Nonmajor Governmental Funds
\$ 502,002	\$ 502,002
-	59,077
10,228	10,228
-	160,451
-	25,845
-	55,237
801	2,019
-	6,339
-	637
513,031	821,835
-	68,789
-	90,165
-	453
-	114,933
-	82,360
-	8,037
165,000	165,000
359,264	359,264
1,302	1,302
525,566	890,303
(12,535)	(68,468)
142,417	487,640
\$ 129,882	\$ 419,172

REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE

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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*

Mayor and City Council
City of Vidor

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Vidor, as of and for the year ended September 30, 2010, which collectively comprise the City Vidor's basic financial statements and have issued our report thereon dated January 21, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Vidor'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 of Vidor's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Vidor'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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity'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 of Vidor'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 or other matters that are required to be reported under *Government Auditing Standards*.

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

January 21, 2011