



Comprehensive Annual Financial Report

Year Ended September 30, 2015
City of Victoria, Texas

CITY OF VICTORIA, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the year ended September 30, 2015

Prepared by the Finance Department
City of Victoria, Texas

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CITY OF VICTORIA

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

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March 24, 2016

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, 2015, 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 the Victoria Recreation Association, Inc. are also reported herein as discretely presented (*constituting a separate entity*) 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 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, or include a sitting Council member:

1. Board of Adjustments & Appeals
2. Housing Authority Board
3. Library Board
4. Planning Commission
5. Tax Increment Financing Board
6. Food Establishment Appeals Board
7. Health Authority for City/County Health Dept.
8. Victoria Housing Finance Corporation Board
9. Building and Standards Commission
10. City-County Board of Health
11. Victoria Economic Development Corp.
12. Parks Commission
13. Victoria Development Commission
14. Victoria Sales Tax Dev. Corporation Board
15. Victoria Metropolitan Planning Commission
16. Victoria Health Facilities Development Corp.
17. Victoria Recreation Association Board
18. Victoria Central Appraisal District
19. Golden Crescent Regional Planning Comm.

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. The public works sector includes Engineering, Traffic Control, Water/Wastewater (*the City owns and operates a water pumping and distribution system, a surface water treatment facility, and a wastewater collection and treatment system*), and Streets and Drainage (*provides street cleaning, street maintenance, and drainage structure maintenance, as well as some capability for rehabilitation of streets, drainage structures, and sidewalks*). Various refuse collection departments, including Solid Waste, Brush and Bulky Item, Yard Waste and Recycling, are operated in the City's environmental services sector.

Also included in the City's program of services are a building inspection and code enforcement department, and a parks system, which includes recreational programs and a community center. 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, and Municipal Court Judge, according to the Charter, which was amended in 2012, are appointed 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. 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, emergency medical services 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.

2015 Economic Condition and Outlook

Texas:

The Federal Reserve Bank of Dallas reports, as of February 2016, that the Texas economy continued its modest growth through the end of 2015 even as the near-term outlook dimmed. The manufacturing sector saw persistent softness in 2015, and a January 2016 decline in the Texas Manufacturing Outlook Survey production index signifies this trend may continue into the new year. However, both the Texas Service Sector Outlook Survey and service sector employment point to sustained moderate growth in services, which make up about three-quarters of the state economy. Exports fell for the fourth time in the last five months in November, and the state's unemployment rate ticked up for the fourth consecutive month in December. The employment growth forecast for 2016 currently stands at 1.1 percent, 0.4 percentage points below 2015's growth and 2.5 percentage points below 2014's.

Texas payroll employment grew at a 1.6 percent annual rate in December—the first time in a decade that Texas has trailed the U.S. for three consecutive months. Overall job growth for the state was 1.5 percent in 2015 (December over December), less than half the 3.6 percent rate seen in 2014.

While the state's unemployment rate has increased 0.6 percentage points from its low of 4.1 in August 2015, the labor force has also been growing in recent months, suggesting that some of the change in the unemployment rate is due to new job seekers, not just those losing jobs.

The five-month moving average for Texas construction contract values fell 3.5 percent in December. Declines were seen across the five-month-moving-averages for most categories except residential contract values, which increased 0.1 percent. Nonresidential contract values fell 1.7 percent, and nonbuilding contract values—encompassing projects such as roads and bridges—were down 14.6 percent.

Oil prices have declined significantly since December, although they ticked up to \$32 per barrel for the week ending Jan. 29. From early December through the end of January, oil prices dropped 21 percent and the rig count fell by 52 rigs (15.6 percent). The impact of these declines has not been uniform across energy-producing regions. While Eagle Ford production has fallen sharply in response to low energy prices, production in the relatively low-cost Permian Basin maintained steady growth in 2015.

The stronger dollar, which has dampened exports, has also negatively impacted the state's manufacturing sector. While the Texas manufacturing sector has sustained significant losses, U.S. manufacturing sector employment actually grew by 0.2 percent in 2015. On the upside, the Texas service sector continues to show resilience during this most recent slump in oil prices.

Victoria:

Just like Texas, Victoria's economy clearly benefited from the oil surge in the past few years, but will likely retract some with the recent dip the industry has taken. Drilling has slowed in the neighboring Eagle Ford Shale production area, and some companies are seeing layoffs and a decline in production. While the oil and gas activity has slowed down, the industry has made a significant investment in the Eagle Ford Shale region and activity should continue in coming years. Although Victoria County did not have a single Eagle Ford Shale rig in its boundaries, Victoria became the hub for much of the shale oil play because of its shopping, entertainment, restaurants and health care facilities. The area rig count has dropped to below 2012 levels and the price of oil continues to reflect the glut in world oil supplies. It is not surprising that various sectors of the local economy are feeling its effects including Caterpillar, who announced that the Victoria plant selected to build the company's new line of on-highway vocational trucks had been cancelled, due to market conditions in the heavy truck industry.

Yet the strength of Victoria's diverse economy is showing itself. Sales tax estimates for this fiscal year were budgeted to be higher than last year's budgeted level and through the first quarter sales tax collections were level with this year's projections. Several new commercial projects are underway including a large Victory Honda facility, a new housing development east of Loop 463 and the entire community is eagerly awaiting the opening of Outlaw Pass, a family entertainment complex featuring go-karts, a new adventure golf course and an arcade/entertainment center. Also underway are DeTar Hospital's emergency room expansion project of \$8 million and two new medical buildings in the medical park on Springwood Drive valued at more than \$3.6 million. In the first four months of fiscal year 2016, the City issued more than \$27 million in commercial building permits and \$8 million in residential property permits compared to \$5 million commercial and \$19 million residential the prior year.

The Port of Victoria is a vital economic engine serving the Victoria region. Located 9 miles from Victoria, the Port is situated on over 2,000 acres and is served by rail and four-lane divided highways. Major products transferred are liquid and dry bulk and general and project cargos. Convenient to the Eagle Ford shale formation, companies at the Port of Victoria are currently serving the oil and gas industry by shipping and storing crude oil and frac sand. The Port has recently formed an Industrial Park with multi-modal access and serves as a center for the chemical, construction and steel fabrication and agribusiness industries offering access to all transportation modes. Victoria County has Foreign Trade Zone access. Over the past 5 years the Port of Victoria has invested over \$14 million in infrastructure to accommodate the growing logistics needs of business.

University of Houston-Victoria (UH-V) has celebrated the opening of their three-story, 63,000 square foot Academic & Regional Economic Development Building. The \$12.5 million building will house academic classroom space, meeting areas, and the offices of the Small Business Development Center. Additionally, the University has purchased 5.1 acres of apartment property across the street from the current campus to be re-developed into academic and dormitory facilities for their increasing student enrollment. The

Texas State House of Representatives approved \$60 million in tuition revenue bonds for UH-V in April of 2015 to help grow the University of Houston-Victoria's facilities.

Victoria College opened the doors to its \$22 million, 116,000 sq. ft. Emerging Technology Complex in May, 2015. The multi-level complex will support the growing demand for workforce training for new and existing business and industry. It will also serve as a state-of-the-art facility to host local, regional, and statewide meetings and conferences. The new complex on the grounds of the Lone Tree II Industrial Park sends a clear message of our community's commitment to workforce development and education.

In 2015, Smartasset.com ranked Victoria #4 in a list of top places in Texas for seniors in the workforce to find a job; and newgeography.com ranked Victoria #13 on the list of best small towns for job growth in the U.S.A.

Major Initiatives

For Fiscal Year 2015 and Into the Future:

A lot has been accomplished and Fiscal Year 2015 budgetary priorities were met. For example, the proposed pay programs were implemented and employment turnover rate is on a decline; the Residential Street Construction Program, Preventive Street Maintenance Program, Thoroughfare Street Program, Street Sweeping Program, and Street Striping Program were implemented; City's parks and right-of-way property appearances are improving. Riverside Park Brush Clearing Program was implemented and showed good results; the drainage-mowing program was implemented; staff is in the process of implementing the new software purchased for City Secretary and Development Services; and has implemented the Utility Billing Office software; and, the City is on track with implementing its 2016 Capital Expenditure Replacement Program. The Advance Traffic Management System was implemented; the Police Department body cameras and vehicle video and mobile data terminals have been implemented; the construction of Fire Station No. 6 was completed and the station became operational in early December 2015; the City's Capital Improvement Program has been updated and is being implemented. Major park improvements have been implemented, for example, the Community Center Splash Pad Project is well underway with an anticipated operational date of summer 2016; Riverside Park's Grover's Bend parking lot was completed; the Riverside Convention Center Building conceptual design was completed and the old building demolished. The new Wastewater Treatment Plant is on track and is planned to be completed by Fall 2016; the new Publics Work Facility has been completed; and, the "capping" of 46.3 acres of the City landfill was finalized in June 2015. Lastly, the City's Comprehensive Plan Update Project is scheduled for adoption in Spring 2016.

The above 2015 budgetary priorities, and others not listed, have been implemented while maintaining an adequate fund balance/working capital balance reserve.

Every year the City strives to improve the current level of core services within available resources to serve our citizens, businesses, and visitors in the City. Developing the fiscal year 2016 budget, allocating available resources to the various budgetary priorities was a challenge. The budgetary priorities consist of the following: a pay program; establish an OPEB Trust Fund; continue to implement the City's Capital Improvement Program; maintain and improve residential streets, storm drainage system, and City's utility system; continue providing effective and efficient residential refuse collection service programs; address environmental issues; maintain and improve public safety, update the City's geographic information system (GIS), traffic signal maintenance, park and library services; continue to replace routine capital assets; and, maintain adequate fund balance/working capital reserves.

All of these budgetary priorities have been incorporated into the fiscal year 2016 budget while at the same time reducing the City's tax rate from 58.40¢ to 57.11¢. Since fiscal year 2004, the City's tax rate has been reduced by 12.89¢.

Personnel

One of the biggest assets of the City is our outstanding workforce. In order to maintain competitiveness as an employer and to reward employees for providing superior service, it is important that the City recognize employees for their efforts. The budget includes funding for a three percent across-the-board (ATB) pay program for all employees, excluding "non-supervisory" certified police officers and firefighter personnel. "Non-supervisory" certified police officers and firefighter personnel will receive their step pay

raises. Additionally, pay ranges for certified police and fire personnel will be adjusted to compensate for market movement. Employees who fall below the new minimum salary for their appropriate pay range will receive an adjustment to the minimum. The estimated total cost of the pay programs is \$1,279,299.

The total budgeted positions for fiscal year 2016 is 621, a net increase of three full-time positions compared to fiscal year 2015 adopted budget. Four Police Officers and one Assistant Fire Chief position were added to the proposed budget; and, due to reorganization, one Police Department Principal Clerk position was deleted, and one Director of Intergovernmental Relations position was deleted, due to retirement.

The City participates in the Texas Municipal Retirement System (TMRS) and Social Security for full-time employees. The TMRS contribution is determined by an actuarial study that is conducted annually. The annual contribution rate for the City for 2016 is 16.86%, compared to 2015 rate 17.55%. The City is meeting its annual Texas Municipal Retirement System (TMRS) requirements and it is not expecting any major future change in TMRS rates, other than normal adjustment for inflation factor.

Due to an increase in medical claims and new medical mandates required by the Federal Health Care Reform Act, the City updated its health and dental plan design and increased health insurance premiums in 2014, but no premium increase was implemented in 2015. The health plan design provides additional medical plans for employees to choose from, with various medical cost allocations between employee and City. Certain plans provide an incentive to employee/family in managing their health; other plans offer a high deductible with a health savings account (*health savings account is a tax-advantaged medical savings account*). The City offers one dental plan.

For 2016, health plan premiums were increased. Depending on the health plan selected by the employees, retirees, and dependents, health insurance premiums cost to participant will vary from \$97.97/month to \$611.14/month. The City's total Fiscal Year 2016 health and dental plan contribution is \$3,516,382, a decrease of 0.21 percent or \$7,478 from last year's budget.

Retirees (*over 65*) were placed in a Retiree Exchange System and a Health Reimbursement Account for eligible retirees was established in fiscal year 2014. This change in retiree (*over 65*) health plan design gives the retirees the power to direct their own health care and choose a plan on the exchange that works for their individual needs, while at the same time reducing City's medical cost exposure.

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.

Other Post-Employment Benefits (OPEB)

In order to address the City's post-employment health care benefit liability, an OPEB Trust was established in fiscal year 2015. By creating an OPEB Trust Fund, the City is able to finance future OPEB cost/liabilities in large part from the investment earnings provided by the OPEB Trust Fund; i.e., the investments earning is expected to generate significant revenue to reduce the City's OPEB obligations.

Capital Improvement Program

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 is 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 that can 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 (*routine capital expenditures are sometimes included*) 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.

The 2016 budget is proactive in supporting the City's Capital Improvement Program (CIP). The fiscal year 2016 budget includes \$11,752,771 of capital improvement projects, of which \$8,222,062 is budgeted in the General Governmental Capital Project Fund and \$3,530,709 is budgeted in the Utility Capital Project Fund. In addition to the Capital Project Fund CIP budget, the General Fund and Water/Wastewater Fund include funding for the 2016 CIP of \$3,519,000 and \$1,200,000, respectively.

If the CIP for both General Fund and Water/Wastewater Fund were included, the total fiscal year 2016 Capital Improvement Program would total \$16,471,771, consisting of \$15,965,104 in "new" capital improvement projects and \$506,667 of on-going capital improvement projects. *Note: the total CIP from fiscal year 2016 thru 2020 is estimated at \$155.3 million.*

Fiscal Year 2016 Capital Improvement Program is as follows.

| <i>Type of Fund</i> | <i>FY 2016</i> | <i>FY 2015</i> | <i>Increase /</i> | <i>%</i> |
|--|------------------------|------------------------|-----------------------|-----------------|
| | <i>Original Budget</i> | <i>Original Budget</i> | <i>(Decrease)</i> | <i>Change</i> |
| <i>Capital Project Funds</i> | | | | |
| <i>Governmental Capital Project Fund</i> | \$8,222,062 | \$ 14,141,969 | \$(5,919,907) | (41.86)% |
| <i>Utility Capital Project Fund</i> | 3,530,709 | 31,178,206 | (27,647,497) | (88.68)% |
| <i>Total Capital Project Funds</i> | \$11,752,771 | \$45,320,175 | \$(33,567,404) | (74.07)% |
| <i>General Fund</i> | 3,519,000 | 1,990,000 | 1,529,000 | 76.83% |
| <i>Water/Wastewater Fund</i> | 1,200,000 | 1,200,000 | 0 | 0.00% |
| <i>Total Capital Improvements Program</i> | \$16,471,771 | \$48,510,175 | \$(32,038,404) | (66.04)% |

Street and Drainage Maintenance Programs

Aging street infrastructure is a nationwide problem and one of the biggest challenges facing many cities and counties throughout the nation. Victoria's streets are no different from the streets in most U.S. cities. Many are in poor condition and need to be rebuilt while others are in good condition, but if not maintained properly will continue to deteriorate to the point they must also be rebuilt. In order to dramatically improve the conditions of our residential and major thoroughfare streets over the next decade, the following \$10.8 million street programs have been incorporated into the fiscal year 2016 budget, an increase of \$891,932 from last year's budget:

- a. ***Residential Street Construction Program*** – The Residential Street Construction Program will address residential streets in subdivisions whose average street rating is less than 85 and does not require extensive utility replacement. The fiscal year 2016 budget includes approximately \$4.2 million for the Residential Street Construction Program, which encompasses the surrounding residential streets in the area of Oliver/Welder subdivision, Southwest Ben Jordan Street, Hanselman Road, North Street, Anthony Street (Lone Tree to Rio Grande), and North Heights (Phase II) Subdivision. The 2016 Residential Street Construction Program will be funded with \$739,177 from the General Fund Budget, \$999,177 from leftover bond proceeds from completed capital improvement street projects, and a \$2.5 million Certificate of Obligation Bond Issue. The 2016 Residential Street Construction Program was included in the City's Fiscal Year 2016 Capital Improvement Program.

- b. ***Residential Preventive Street Maintenance Program*** – Currently, the City has a backlog of residential streets requiring regular maintenance. The fiscal year 2016 General Fund budget includes approximately \$2.02 million for the Residential Preventive Street Maintenance Program (RPSMP). The RPSMP will address and maintain residential streets in subdivisions whose average street rating is 85 or higher. The RPSMP is a planned strategy of cost effective treatments to an existing good-condition roadway system that preserves the system, retards future deterioration, maintains or improves the functional condition of the system, and extends the service life of structurally sound pavement.

- c. *Thoroughfare Street Program* – The Thoroughfare Street Program will address public streets that accumulate traffic from collector streets and local streets for distribution through the thoroughfare and highway system. These streets distribute medium to high volume traffic and provide access to commercial, mixed-use and residential areas. The fiscal year 2016 budget includes approximately \$3.5 million for the Thoroughfare Street Program, which consists of \$1.96 million for the reconstruction of Red River Street Project (Ben Jordan to Laurent Street); \$983,111 for the Placedo Benavides Drive Engineering and Right-of-Way Project; and, \$598,000 for the re-construction of Burroughsville Road to the end and Lone Tree Road to Highway 59. The City's Sales Tax Development Corporation will fund the 2016 Thoroughfare Street Program. The 2016 Thoroughfare Street Program was included in the City's Fiscal Year 2016 Capital Improvement.
- d. *Street Point-Repair Program* – The proposed fiscal year 2016 General Fund budget includes \$300,000 for various street maintenance tasks which would include repairing potholes, repairing base failures, repairing utility cuts in streets, performing level-up on pavement depressions, ruts and settlements, and repairing concrete sidewalks and curbs.
- e. *Street Sweeping Program* – Regular street sweeping is one of the most cost-effective Best Management Practices used to remove sediment, metals, petroleum products, trash, and vegetation that accumulate on streets. An effective street sweeping program is important for removing debris from roadsides and gutters, which could ultimately end up in the storm drains. Keeping the storm drains clear not only helps to mitigate water pollution, but also reduces the likelihood of flooding during heavy rain. The Street Sweeping Program was outsourced in fiscal year 2015 for \$320,000. The fiscal year 2016 General Fund budget increases the street sweeping budget by \$180,000 for a total \$500,000 Street Sweeping Program.
- f. *Street Striping Program* – The Street Striping Program is designed to refresh the striping that has faded or is worn due to traffic conditions throughout the City. The fiscal year 2016 General Fund budget includes \$250,000 for the Street Striping Program, the same amount as last year.

Water and Wastewater Operations

The City strives to maintain its water and wastewater systems in a proactive rather than reactive manner, and has been able to fund some large capital expenditures without issuing debt. In fiscal year 2015, \$1.2 million was funded for North Heights Phase II Utility Replacement Project and Deleon Utility Project; for fiscal year 2016, \$1.2 million was funded for North Heights Utility replacement Phase III Program, without issuing debt. In addition, financed by utility system revenue bonds, in 2012 the water department began implementation of an Automated Meter Reader (AMR) System, whereby the system electronically collects data from utility metering devices and transfers data to a central database for billing and/or analysis. The AMR system was fully operational by the end of fiscal year 2013. The system is estimated to reduce personnel, meter maintenance, and vehicle maintenance operating cost by \$2.5 million and increase revenues by approximately \$8.6 million, over 15 years. In order to ensure Victoria's economy continues to grow and remain strong, Victoria has an aggressive policy to ensure it has adequate water supply for its current and future customers. 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 and 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. Another option available to the City is a contractual arrangement with the Guadalupe-Blanco River Authority, which allows access to a five-year rolling annual average of 1,240 acre/feet of surface water stored in Canyon Reservoir, with no more than 3,600 acre/feet to be used in any given year.

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.

Environmental Programs

In order to address the many quality of life issues that come before us each year, the fiscal year 2016 budget includes funding for a weedy lot and demolition program; partnering with Texas Land Management in managing the City's composting program; as well as an Air Quality Grant through Texas Commission on Environmental Quality.

City of Victoria strives to be a leader, within our geographical area, in implementing successful collection and recycling programs. The City operates residential, brush and bulky item, and yard waste collection services for its citizens. In addition, the City contracts with Waste Management to operate the Household Hazardous Waste Program and to operate the recycling collection facility.

Victoria continues to maintain an adequate landfill capacity. It is estimated that the City's permitted landfill has approximately 20-23 years remaining life, at an average annual garbage growth rate of 1 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 once the 200 acres are permitted. In addition to the increased acreage, the recycling and household hazardous waste programs will further extend the life of the landfill.

The landfill generates a large amount of methane gas which was being flared. The City partnered with Renovar Energy Corporation (Renovar) in order to capitalize on the potential benefits of utilizing the City Landfill methane gas as a sellable energy source and create a new revenue source. This revenue will be allocated to the City's closure and post-closure liability.

During fiscal year 2015, the City capped 46.6 acres at a cost of \$3.2 million, utilizing closure/postclosure funds. In the near future, the City will be installing/improving/repairing the landfill gas extraction system; expanding the landfill by acquiring more land; and addressing various other landfill closure maintenance costs.

Public Safety

Public Safety is a top priority in our community, which can be seen in the increased police presence on the streets and in the Fire Department's continued response time improvement. With a combined funding proposal of \$27,040,070, the Police and Fire Departments are the two largest departments in the City. Some of the Police and Fire Department budgetary priorities consist of the following items:

- a. The new \$2.7 million Fire Station No. 6 became operational in December 2015; manned with twelve new fire fighters, one fire-pumper truck and one ambulance.
- b. An Assistant Fire Chief and vehicle were added at a budgetary cost of \$123,729.
- c. Two Lucas II CPR devices were included in the budget at a cost of \$32,000.
- d. The Fire Department's training and education budget was increased by \$35,000 in order for six personnel to attend paramedic training classes at Victoria College and four personnel to attend firefighter academy training.
- e. Four additional police officers and two vehicles were included in the budget at a cost of \$346,265.
- f. Police Department software maintenance budget was increased by \$45,700, mainly due to the new body camera equipment.

Updating the City's Geographic Information System (GIS)

The GIS is a system designed to capture, store, manipulate, analyze, manage, and present all types of spatial or geographic data. The fiscal year 2016 budget includes \$114,500 to update the GIS's Pictometry (*aerial image capture process that produces imagery showing the fronts and sides of building and location on the ground – images are captured by low-flying airplanes*).

Park and Recreational Service Programs

The fiscal year 2016 budget includes \$2.03 million in Park and Recreational Services Improvement Programs. The 2016 Park and Recreational Services Improvement Programs consist of the following: \$75,000 for the demolition of the City's pool; \$12,300 to install disk golf at Riverside Park's Fox Bend area; \$8,000 to replace the duck pond grass area; \$60,000 to retrofit Riverside Park restroom areas; \$222,700 to replace Riverside Park Children's Park parking lot. The fiscal year 2016 Park and Recreational Services Improvement Program also includes \$150,000 to replace playground equipment at Riverside Park Children Park area and \$1.5 million to construct a new administration office and maintenance facility in Riverside Park, which has been included in the City's 2016 Capital Improvement Program.

As you may recall, the City owned and operated a municipal pool that exceeded its useful life. In fiscal year 2014, the City and YMCA entered into a partnership to construct a new pool. The City will contribute up to \$1,564,260 (*three annual allocations of \$521,420, starting in fiscal year 2015*) towards the construction of the pool and in return the YMCA, for each year during the useful life of the pool, will provide specific, scheduled sessions in which members of the general public may use the pool to the same extent and in the same manner as members of the YMCA. The fiscal year 2016 budget includes the second \$521,420 allocation for the City/YMCA Pool Project.

Traffic Signal Maintenance Program

The fiscal year 2016 budget includes \$67,600 in funding to replace the damaged signal pole at Loma Vista and Ben Jordan, replace the damaged signal pole at Loop 463 and Main Street, replace span wire on Navarro near Academy Store, and replace twenty wireless beacon control units for school flashers.

Library Service Programs

Serving the citizens of Victoria County, the City Library houses a collection of over 154,000 items. Reference collections of note, for use within the Library, are the Local History, Genealogy collection and the Business/Investment collection. Also noteworthy is the circulating collection for children. In addition to books, the Library circulates a collection of audio and video tapes and popular compact discs. Updates and additions to the library's collection are possible annually with funding for books and electronic subscriptions in fiscal year 2016 at \$294,200, compared to \$283,647 in fiscal year 2015. Upgrades and continual maintenance to the facility have taken place over the past few fiscal years including a complete interior renovation and landscaping; additional improvements to the children's area to further define it as a space for "children"; as well as the addition of aesthetic lighting on the Main Street side of the building and safety lighting on the east and north sides of the building.

City's Comprehensive Plan

The Comprehensive Plan provides the Mayor and City Council, the Planning Commission, City management and staff, property owners, residents and other stakeholders with a long-range guide for the future growth of Victoria and its surrounding area. It does not impose another layer of regulations, but rather builds on what Victoria already has. It brings existing plans together, organizes, and streamlines existing programs in an effort to maximize "customer" satisfaction, the customer being citizens of Victoria. The City's Plan was originally initiated in 2000, reviewed and updated in November 2009 as the Victoria 2025 Comprehensive Plan. The fiscal year 2015 General Fund included \$175,000 to update the City's Comprehensive Plan. In February 2016, the Planning Commission recommended that the City Council adopt the updated 2035 Comprehensive Plan, with a plan for Council adoption in April 2016.

Routine Capital Expenditures

The fiscal year 2016 budget includes \$13.2 million in capital expenditures, an increase of 37.7 percent. The increase is mainly due to replacing more vehicles than last year, funding a new Park and Recreation Administration Office and Maintenance building, installing turf at the Riverside Park Stadium, implementing various building improvement projects at the Community Center and Environmental Services facilities. The \$13.2 million capital expenditure budget will be funded with \$5.6 million of

reoccurring revenues and \$7.6 million of “one-time” use of fund balance or working capital balance (\$2.8M General Fund; \$946K Water/Wastewater Fund, \$2.5M Environmental Services Fund, \$881K Community Center Fund, \$357K Motel Tax Fund, and \$107K Information Technology Fund).

The following table recaps the \$13.2 million capital expenditures for fiscal year 2016, compared to fiscal year 2015.

| <i>Type of Fund</i> | <i>FY 2015 Original Budget</i> | <i>FY 2016 Original Budget</i> | <i>Increase / (Decrease)</i> | <i>% Change</i> |
|---|--|--|----------------------------------|----------------------|
| <i>Governmental Funds</i> | \$5,572,262 | \$ 6,114,015 | \$ 541,753 | 9.72% |
| <i>Enterprise Funds</i> | 2,175,023 | 3,926,963 | 1,751,940 | 80.55% |
| <i>Internal Service Funds</i> | 1,853,625 | 3,180,013 | 1,326,388 | 71.56% |
| <i>Total Capital Replacement</i> | <i>\$9,600,910</i> | <i>\$13,220,991</i> | <i>\$3,620,081</i> | <i>37.71%</i> |

Maintaining Adequate Fund Balance and Working Capital Balance

Sales tax rebates and the property tax base have increased over past years; however, the City has found itself more dependent upon sales tax rebates than property tax base. Sales tax rebate revenue can be volatile in any given year. Because of this, the General Fund’s minimum fund balance level becomes an important issue.

In prior years, Council set a policy of maintaining the General Fund fund balance reserve at 15 percent of budgeted expenditures; however, over the years, Council has increased the minimum fund balance reserve. In fiscal year 2014, the minimum fund balance reserve was set at 23.5 percent; and, in fiscal year 2015, the General Fund minimum fund balance was increased to 25 percent of budgeted expenditures, in order to create an adequate reserve to address future economic uncertainties.

The fiscal year 2016 budget sets the General Fund minimum fund balance reserve at 25 percent of budgeted expenditures. The minimum fund balance (*25% of \$51,981,060 budgeted expenditures*) is projected to be \$12,995,265 which represents approximately 3 months of fund balance reserve. The estimated ending fund balance for fiscal year 2016 is \$13,102,902, which is approximately \$107,637 over the minimum reserve fund balance. These funds will be reserved in order to address future contingencies, fund the City’s capital improvement program, economic development programs, or expense as Council determines.

The Enterprise Funds estimated ending working capital reserve balance is three months of total operating and debt expenses. The Internal Service Funds, which account for the financial goods and services provided to other City departments on a cost-reimbursement basis, estimated ending working capital reserve balance is a minimum of one to two months of total operating expenses (*depending on the type of fund, some funds will have a higher reserve*), per City policy.

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.

Other Programs to Note

Swan Crossing Program - The City of Victoria developed a fifty-five 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 is a public-private partnership between the City, private builders and lenders. Homes in the Swan Crossing subdivision range in size from 1,100 to 1,462 square feet and have either 3 bedrooms, 2 baths or 4 bedrooms, 2 baths both with an oversized one car garage with

prices starting at \$104,300. A majority of the homes in the subdivision must be sold to income qualified homebuyers who are 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. Up to \$5,000 assistance is also available through Community Development Block Grant to help with principal buy-down and closing cost. Twenty-three (23) homes been constructed through this housing initiative and 8 additional homes are under construction. Swan Crossing is achieving its desired result of providing affordable housing within the City of Victoria. We have also donated 17 lots to Golden Crescent Habitat for Humanity and 3 of those homes are under construction with 14 homes completed. The subdivision only has seven (7) lots that remain available.

Community Development - The City of Victoria 2015-2016 Community Development Block Grant (CDBG) program activities correlate directly with the priorities outlined in the City's 2015-2019 Consolidated Plan and Strategy. During the program year, October 1, 2015 to September 30, 2016, the City of Victoria will utilize CDBG funds totaling \$528,462 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 | \$ 51,000 | 9.65% |
| 2. Public Services Programs | 85,862 | 16.25% |
| 3. Public Facilities/Improvements | 275,000 | 52.04% |
| 4. Affordable Housing | 20,000 | 3.78% |
| 5. Program Administration | <u>96,600</u> | 18.28% |
| Total: | <u>\$528,462</u> | |

Transportation - Victoria has seen millions of Federal and State Transportation dollars come its way, with a major project that constructed two overpasses on Loop 463, Salem Road to Mockingbird Lane; and subsequently, the project was expanded to construct frontage roads along US Hwy 59, and an additional overpass on Loop 463 at Airline Road.

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 29,000 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 2014, the Victoria Metropolitan Planning Organization (MPO) approved the 2015-2018 Transportation Improvement Program (TIP). The TIP is a fiscally constrained four-year plan that identifies transportation projects in the metropolitan area. As required by the federal transportation bill, Moving Ahead for Progress in the 21st Century (MAP-21), the Victoria MPO must develop the TIP in coordination with the State (TxDOT) and local public transit operators. The 2015-2018 TIP can be viewed in its entirety at <http://www.victoriatx.org/home/showdocument?id=5524>.

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 that result in an overrun of subfunction balances are not released until additional appropriations are made available. Open encumbrances are reported in the financial statements as restricted, committed, or assigned for specific purposes at September 30, 2015.

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. The initial contract began in August 2012, which was for a period of three years. There's an option for two additional one year extensions which has been executed and will extend the contract out to July 2017.

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. However, as of the end of fiscal year 2015, the City is not utilizing the sweep product. In its place, the collective balances held in each bank account generate earnings credit at a rate that is currently higher than that offered by the sweep product. The earnings credit offsets the charges for the full suite of depository services. Any excess funds are then invested accordingly.

The City will continue to monitor the use of the collective balances to offset the charges for depository services versus the use of the sweep arrangement. Should the sweep provide a more advantageous rate, the City will explore using this product again.

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 and other governmental entities
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 generally limited in maturity to less than two years per the City's investment policy unless specifically matched to a particular cash flow.

Risk Management

For fiscal year 2015, the City had most of its liability risks covered by insurance. These coverages are summarized below:

| | |
|------------------------------|-----------------------------------|
| General Liability, including | \$2,000,000 occurrence |
| EMS Errors & Omissions | \$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 | \$3,401,982 (per scheduled equipment) \$1,000,000 newly purchased equipment \$5,000 deductible per occurrence |
| Comprehensive Property Damage | \$139,565,595 combined building and contents \$500,000 blanket extra expense \$139,365,595 earth movement \$1,000,000 property in transit \$1,000,000 newly acq/constr. \$100,000 property of others \$20,000 pollutant cleanup \$5,000 deductible per occurrence \$25,000 deductible per occurrence on flood and earthquake |
| Electronic Data Processing Equipment | \$6,105,975 per scheduled equipment (replacement cost) \$250 deductible on computer equipment \$25,000 on flood & earthquake |
| Employee Benefits Liability | Included in public officials & employee liability \$25,000 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 |
| Boiler and Machinery | \$63,398,061 (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. The plan assumes all risk up to \$175,000 of claims per participant annually; after this a reinsurance policy pays any remaining claims for the remainder of the year. Prior to 2016, the City utilized Boon Chapman as administrators. Beginning January 1, 2016, the City is using Benefit Administrative Services, LLC (BAS) as its new health plan administrator. This firm provides intensive review of claims before they are paid, including managed care, utilization review, discharge review, precertification review, and hospital audits.

Since October 1, 1989, the City has been self-insured 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.

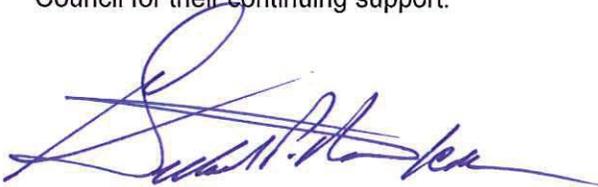
Certificate of Achievement

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, 2014. This was the thirty-second 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 Mayor and Council for their continuing support.



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



Charmelle Garrett
City Manager



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

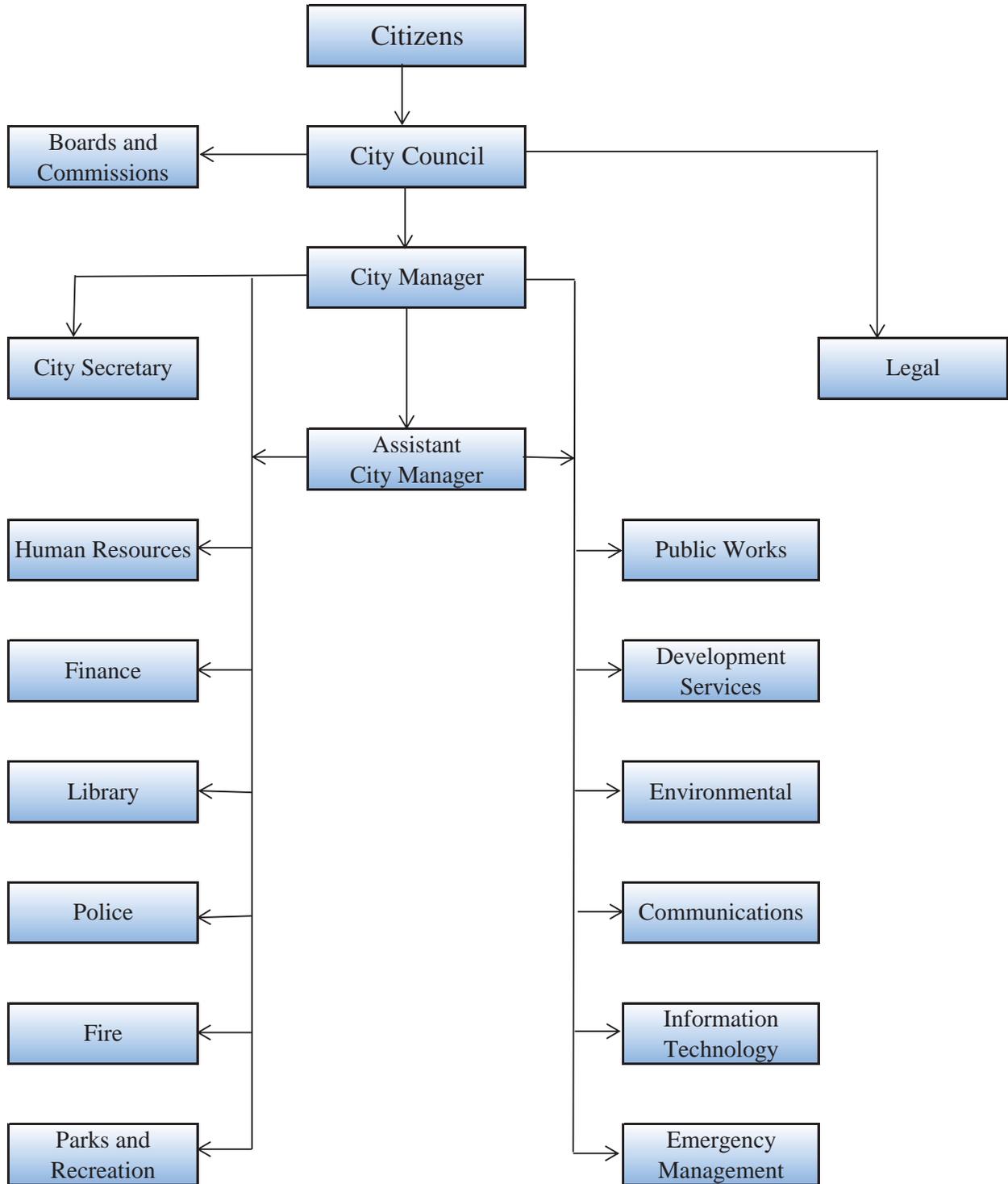
Presented to

**City of Victoria
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2014

Executive Director/CEO



PRINCIPAL CITY OFFICIALS

ELECTED OFFICIALS



| Name | Position | Years of Service | Term Expires |
|--------------------|----------------------------------|------------------|--------------|
| <i>Front Row</i> | | | |
| Jan Scott | Council Member, District 4 | 0 | May, 2018 |
| Paul Polasek | Mayor | 9 | May, 2016 |
| Josephine E. Soliz | Council Member, District 2 | 3 | May, 2018 |
| <i>Back Row</i> | | | |
| Tom Halepaska | Council Member, Super District 6 | 11 | May, 2016 |
| Dr. Andrew Young | Council Member, District 5 | 2 | May, 2016 |
| Jeff Bauknight | Mayor Pro-Tem, District 3 | 2 | May, 2018 |
| Emett Alvarez | Council Member, District 1 | 3 | May, 2018 |

ADMINISTRATIVE OFFICIALS

| Name | Position | Years of Service | |
|-----------------------|------------------------------------|-------------------|----------|
| | | Current With City | Position |
| Charmelle Garrett | City Manager | 25 | 4 |
| John Kaminski | Assistant City Manager | 27 | 3 |
| Gilbert P. Reyna, Jr. | Director of Finance | 20 | 20 |
| Thomas Gwosdz | City Attorney | 6 | 6 |
| Cheryl Marthiljohni | Director of Human Resources | 5 | 5 |
| James Foote | Director of Information Technology | 8 | 3 |
| Jared Mayfield | Director of Development Services | 19 | 3 |
| Jeffrey Craig | Police Chief | 4 | 4 |
| Taner Drake | Fire Chief | 4 | 4 |
| Colby VanGundy | Director of Parks and Recreation | 2 | 2 |
| Dayna Williams-Capone | Director of Public Library | 8 | 6 |
| Lynn Short | Director of Public Works | 23 | 12 |
| Darryl Lesak | Director of Environmental Services | 7 | 3 |
| O.C. Garza | Director of Communications | 14 | 6 |



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

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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 the City of Victoria, Texas (the "City") as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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. The financial statements of the Sales Tax Development Corporation and the Victoria Recreation Association, Inc. were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2015 the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68 "*Accounting and Financial Reporting for Pensions*" and GASB Statement No. 71 "*Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*". Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in net pension liability and related ratios, schedule of employer contributions, and historical other postemployment benefits information, as listed in the table of contents, 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. 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 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 basic financial statements.

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

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal and state awards are fairly stated in all material respects in relation to the basic 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2016, on our consideration of the City's internal control over financial reporting and on 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* in considering the City's internal control over financial reporting and compliance.



HARRISON, WALDROP & UHEREK, L.L.P.
Certified Public Accountants

March 24, 2016

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, 2015. 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.

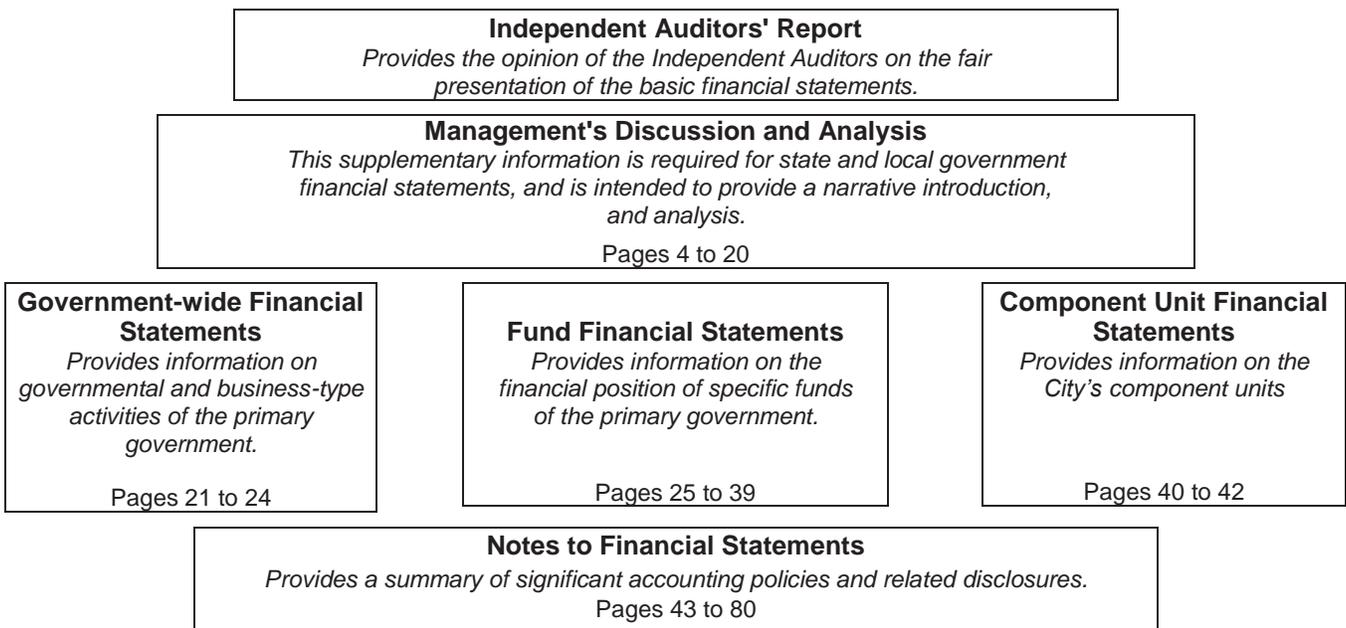
FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City exceeded its liabilities at the close of the fiscal year ended September 30, 2015, by \$160,688,757. Of this amount, \$8,408,231 of unrestricted net position is available to meet the City's ongoing obligations to citizens and creditors (see pages 7 and 8 for further detail).
- At September 30, 2015, the City's governmental funds reported combined ending fund balances of \$33,564,254, an increase of \$3,392,750 (11%) in comparison with prior year. The unassigned fund balance is \$16,650,305 (see page 11 for further detail).
- At September 30, 2015, unassigned fund balance for the General Fund was \$16,650,305 or 38% of total General Fund expenditures.
- The total cost of all City activities was \$91,279,465 for the fiscal year. Net cost of all activities was \$45,885,659.
- During the year, the City's general revenues exceeded net expenses of the primary government by \$3,902,037. This represents a 2% increase in net position from the previous fiscal year.
- The City's outstanding long-term debt had a net decrease of \$10,089,304. The main reason for the decrease is due to the fact that during the fiscal year 2015, the City paid \$13,595,000 in principal payments and \$2,713,417 was paid on landfill closure costs (see page 15 for further detail).

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 Position

The statement of net position presents information on all of the City's assets, deferred outflows, liabilities, and deferred inflows, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The statement of net position can be found on pages 21 through 22.

Statement of Activities

The statement of activities presents information showing how the government's net position changed during fiscal year 2015. All changes in net position 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 23 through 24.

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 and Community Center). 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 25 and 26) and the governmental fund statement of revenues, expenditures, and changes in fund balances (pages 28 and 29) provide reconciliations to facilitate this comparison between governmental funds and governmental activities (pages 27 and 30).

OVERVIEW OF THE FINANCIAL STATEMENTS - (Continued)

Fund Financial Statements - (Continued)

Governmental Funds - (Continued)

The City maintains several individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, and the Capital Construction Fund (3037), 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 and Community Center). 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 and Community Center).

The basic proprietary fund financial statements follow the governmental fund financial statements (pages 31 through 38).

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 page 39 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 43 through 80 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, a schedule of changes in net pension liability and related ratios, and a schedule of employer contributions. Required supplementary information can be found on pages 81 through 85 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 86 through 186 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows by \$160,688,757 at the close of the fiscal year ended September 30, 2015.

At the end of fiscal year 2015, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

City of Victoria, Texas

Net Position

| | Governmental Activities | | Business-type Activities | | Total | |
|----------------------------------|-------------------------|----------------------|--------------------------|----------------------|-----------------------|-----------------------|
| | 2015 | 2014* | 2015 | 2014* | 2015 | 2014* |
| Current assets | \$ 51,256,163 | \$ 50,002,608 | \$ 37,546,195 | \$ 47,212,737 | \$ 88,802,358 | \$ 97,215,345 |
| Capital assets (net) | <u>163,775,825</u> | <u>169,300,095</u> | <u>132,690,075</u> | <u>126,249,060</u> | <u>296,465,900</u> | <u>295,549,155</u> |
| Total assets | <u>215,031,988</u> | <u>219,302,703</u> | <u>170,236,270</u> | <u>173,461,797</u> | <u>385,268,258</u> | <u>392,764,500</u> |
| Deferred outflows of resources | <u>7,604,594</u> | <u>6,053,613</u> | <u>1,111,296</u> | <u>1,092,205</u> | <u>8,715,890</u> | <u>7,145,818</u> |
| Current and other liabilities | 12,439,977 | 13,231,389 | 11,390,739 | 13,181,784 | 23,830,716 | 26,413,173 |
| Noncurrent liabilities | <u>122,929,097</u> | <u>124,531,535</u> | <u>85,428,243</u> | <u>92,178,890</u> | <u>208,357,340</u> | <u>216,710,425</u> |
| Total liabilities | <u>135,369,074</u> | <u>137,762,924</u> | <u>96,818,982</u> | <u>105,360,674</u> | <u>232,188,056</u> | <u>243,123,598</u> |
| Deferred inflows of resources | <u>905,689</u> | - | <u>201,646</u> | - | <u>1,107,335</u> | - |
| Net position: | | | | | | |
| Net investment in capital assets | 83,609,268 | 88,654,073 | 65,123,880 | 60,853,934 | 148,733,148 | 149,508,007 |
| Restricted | 3,547,378 | 3,524,554 | - | - | 3,547,378 | 3,524,554 |
| Unrestricted | <u>(794,827)</u> | <u>(4,585,235)</u> | <u>9,203,058</u> | <u>8,339,394</u> | <u>8,408,231</u> | <u>3,754,159</u> |
| Total net position | <u>\$ 86,361,819</u> | <u>\$ 87,593,392</u> | <u>\$ 74,326,938</u> | <u>\$ 69,193,328</u> | <u>\$ 160,688,757</u> | <u>\$ 156,786,720</u> |

*2014 net position has been restated. See Note 21 of this report.

The largest portion of the City's fiscal year 2015 net position (93% or \$148,733,148) 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 position of \$3,547,378 consisting of \$1,413,773 for debt service, \$1,830,046 for special programs related to recreation, and \$303,559 for public safety programs. The remaining balance of \$8,408,231 may be used to meet the government's ongoing obligations to citizens and creditors; over all, the City's net position increased by \$3,902,037, which consists of a decrease of \$1,231,573 in governmental net position and an increase of \$5,133,610 in business-type net position.

City of Victoria, Texas Changes in Net Position

| | Governmental Activities | | Business-type Activities | | Total | |
|---|----------------------------|----------------------|-----------------------------|----------------------|----------------------|----------------------|
| | 2015 | 2014 [*] | 2015 | 2014 [*] | 2015 | 2014 [*] |
| REVENUES | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 7,570,967 | \$ 7,124,329 | \$ 31,823,056 | \$ 30,590,135 | \$39,394,023 | \$37,714,464 |
| Operating grants and contributions | 3,961,463 | 3,255,156 | - | - | 3,961,463 | 3,255,156 |
| Capital grants and contributions | 407,335 | - | 1,630,985 | 1,374,311 | 2,038,320 | 1,374,311 |
| General revenues: | | | | | | |
| Property taxes | 23,339,865 | 22,403,124 | - | - | 23,339,865 | 22,403,124 |
| Other taxes | 25,280,708 | 25,038,129 | - | - | 25,280,708 | 25,038,129 |
| Other | 1,088,349 | 939,731 | 78,774 | 50,934 | 1,167,123 | 990,665 |
| Total revenues | <u>61,648,687</u> | <u>58,760,469</u> | <u>33,532,815</u> | <u>32,015,380</u> | <u>95,181,502</u> | <u>90,775,849</u> |
| EXPENSES | | | | | | |
| General government | 5,630,383 | 6,094,985 | - | - | 5,630,383 | 6,094,985 |
| Public safety | 27,620,120 | 25,286,282 | - | - | 27,620,120 | 25,286,282 |
| Development | 19,636,633 | 20,425,736 | - | - | 19,636,633 | 20,425,736 |
| Building services | 673,904 | 608,534 | - | - | 673,904 | 608,534 |
| Recreation | 7,611,173 | 7,602,241 | - | - | 7,611,173 | 7,602,241 |
| Interest on long-term debt | 4,402,538 | 4,282,847 | - | - | 4,402,538 | 4,282,847 |
| Water/wastewater | - | - | 20,960,979 | 20,553,362 | 20,960,979 | 20,553,362 |
| Environmental services | - | - | 3,743,052 | 4,212,510 | 3,743,052 | 4,212,510 |
| Other | - | - | 1,000,683 | 923,786 | 1,000,683 | 923,786 |
| Total expenses | <u>65,574,751</u> | <u>64,300,625</u> | <u>25,704,714</u> | <u>25,689,658</u> | <u>91,279,465</u> | <u>89,990,283</u> |
| Change in net position before transfers | (3,926,064) | (5,540,156) | 7,828,101 | 6,325,722 | 3,902,037 | 785,566 |
| Transfers | <u>2,694,491</u> | <u>2,588,860</u> | <u>(2,694,491)</u> | <u>(2,588,860)</u> | - | - |
| Change in net position | (1,231,573) | (2,951,296) | 5,133,610 | 3,736,862 | 3,902,037 | 785,566 |
| Net position - October 1 | 87,593,392 | 116,601,963 | 69,193,328 | 71,257,945 | 156,786,720 | 187,859,908 |
| Impact of change in acctg. principle | - | <u>(26,057,275)</u> | - | <u>(5,801,479)</u> | - | <u>(31,858,754)</u> |
| Net position - September 30 | <u>\$ 86,361,819</u> | <u>\$ 87,593,392</u> | <u>\$ 74,326,938</u> | <u>\$ 69,193,328</u> | <u>\$160,688,757</u> | <u>\$156,786,720</u> |

*2014 net position has been restated. See Note 21 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)

The over-all increase in net position is \$3,902,037, which consists of a decrease of \$1,231,573 in governmental activities and an increase of \$5,133,610 in business-type activities. The decrease in the governmental activities is mainly due to the increase in fiscal year 2015 expenses as a result of adding twelve personnel to staff the new fire station. The increase in the business-type activities is mainly the net effect of an increase in water and sewer sales (due to a rate increase), water meter connection fees, increase in certain operating expenses, and capital contributions from the Sales Tax Development Corporation, a discretely presented component unit.

Governmental Activities

**City of Victoria, Texas
2015 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 | \$ 5,630,383 | 8.59% | \$ 3,205,473 | 26.85% | (\$ 2,424,910) |
| Public safety | 27,620,120 | 42.12% | 5,471,757 | 45.83% | (22,148,363) |
| Development | 19,636,633 | 29.94% | 2,681,860 | 22.46% | (16,954,773) |
| Building services | 673,904 | 1.03% | - | 0.00% | (673,904) |
| Recreation | 7,611,173 | 11.61% | 580,675 | 4.86% | (7,030,498) |
| Interest on long-term debt | <u>4,402,538</u> | 6.71% | - | 0.00% | <u>(4,402,538)</u> |
| | <u>\$65,574,751</u> | | <u>\$11,939,765</u> | | <u>(\$ 53,634,986)</u> |

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

| <u>Description</u> | <u>Revenues</u> | | <u>Revenues</u> | |
|------------------------------------|----------------------|-----------------------|----------------------|-----------------------|
| | <u>2015</u> | <u>% of Total</u> | <u>2014</u> | <u>% of Total</u> |
| Charges for services | \$ 7,570,967 | 11.77% | \$ 7,124,329 | 11.61% |
| Operating grants and contributions | 3,961,463 | 6.16% | 3,255,156 | 5.31% |
| Capital grants and contributions | 407,335 | 0.63% | - | 0.00% |
| Property taxes | 23,339,865 | 36.27% | 22,403,124 | 36.52% |
| Sales taxes | 17,937,136 | 27.88% | 17,692,397 | 28.84% |
| Franchise taxes | 5,410,432 | 8.41% | 5,308,414 | 8.65% |
| Other taxes | 1,933,140 | 3.00% | 2,037,318 | 3.32% |
| Unrestricted investment earnings | 115,633 | 0.18% | 130,688 | 0.21% |
| Miscellaneous | 972,716 | 1.51% | 809,043 | 1.32% |
| Transfers | <u>2,694,491</u> | 4.19% | <u>2,588,860</u> | 4.22% |
| Total | <u>\$ 64,343,178</u> | | <u>\$ 61,349,329</u> | |

GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)

Business-type Activities

Fiscal year 2015 business-type activities increased the City's net position by \$5,133,610. The net position increase is due mainly to:

- 1) Water and Wastewater Fund revenues came in approximately \$368K over budget, mainly due to water sales, water meter connection fees, and industrial surcharges;
- 2) Water and Wastewater Fund received a capital grant contribution from the Victoria Sales Tax Development Corporation in the amount of \$2.4 million; and,
- 3) Water and Wastewater Fund operating expenses came in approximately \$1.06 million less than budget, mainly due to maintenance costs and various capital projects coming in under budget.

**City of Victoria, Texas
2015 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 | \$20,960,979 | 81.55% | \$27,964,535 | 83.59% | \$7,003,556 |
| Environmental services | 3,743,052 | 14.56% | 5,124,448 | 15.31% | 1,381,396 |
| Other | <u>1,000,683</u> | 3.89% | <u>365,058</u> | 1.10% | (<u>635,625</u>) |
| | <u>\$25,704,714</u> | | <u>\$33,454,041</u> | | <u>\$7,749,327</u> |

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

| <u>Description</u> | <u>Revenues 2015</u> | <u>% of Total</u> | <u>Revenues 2014</u> | <u>% of Total</u> |
|-------------------------------------|--------------------------|-----------------------|--------------------------|-----------------------|
| Charges for services | \$31,823,056 | 103.19% | \$30,590,135 | 103.95% |
| Capital grants and contributions | 1,630,985 | 5.29% | 1,374,311 | 4.67% |
| Unrestricted investment earnings | 78,774 | 0.26% | 50,934 | 0.17% |
| Transfers | (<u>2,694,491</u>) | (8.74%) | (<u>2,588,860</u>) | (8.79%) |
| Total | <u>\$30,838,324</u> | | <u>\$29,426,520</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, unassigned 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 2015, the City's governmental funds reported combined ending fund balances of \$33,564,254, an increase of \$3,392,750. The main reasons for the increase in the City's governmental funds are the issuance of the 2014 Certificates of Obligation, increase in sales tax and franchise tax receipts and reimbursements from TxDOT Overpass – Loop 463 Salem Road Project, per the "Pass-Through Agreement for Payment of Pass-Through Tolls" executed by the City of Victoria and Texas Department of Transportation.

The City's governmental funds combined fund balance of \$33,564,254 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 2015, unassigned fund balance of the General Fund was \$16,650,305 while total General Fund fund balance was \$17,871,815. 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 38% of the total General Fund expenditures, while total fund balance represents 41% of that same amount.

The General Fund fund balance decreased by \$416,437, which was mainly the net result of an increase in sales tax and franchise tax receipts, various operating costs coming in under budget and an increase in transfers to construction (one-time expense).

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 2015, fund balance of the Capital Construction Fund (3037) was \$10,329,013.

The main reason for the increase in the Capital Construction Fund (3037) fund balance is due to the issuance of the 2014 Certificates of Obligation.

3. *The Debt Service Fund* is a debt service fund used to account for the General Obligation Bond and Certificate of Obligation Bond debt repayments and revenue collections. At the end of fiscal year 2015, fund balance of the Debt Service Fund was \$1,102,779. The main reason for the \$11,702 increase in the Debt Service Fund fund balance is mainly the result of increase in collection of delinquent taxes.

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 position of proprietary funds at the end of the fiscal year amounted to:

| <u>Fund</u> | 2015 | (As Restated) |
|------------------------|--------------------------------------|---|
| | <u>Unrestricted Net Position</u> | <u>2014 Unrestricted Net Position</u> |
| Water and Wastewater | \$5,085,939 | \$5,338,507 |
| Environmental Services | 2,539,160 | 1,515,388 |
| Other | <u>1,577,959</u> | <u>1,485,499</u> |
| Total | <u>\$ 9,203,058</u> | <u>\$ 8,339,394</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 2015 General Fund original budget and fiscal year 2015 General Fund final amended budget for expenditures (including transfers) was \$3,258,884. The \$3,258,884 is made up of the following: \$2,838,844 for fiscal year 2014 carryover encumbrances and fiscal year 2015 budget amendments of \$420,000 associated to a replacement ambulance and a seal-coat project.
- The original fiscal year 2015 budget included approximately \$2.4 million of "one-time" expenditures mainly consisting of capital acquisition and improvement projects.
- For fiscal year 2015, the General Fund revenues came in \$1.0 million higher than the General Fund amended 2015 budget or \$124K higher than the General Fund projected 2015 budget, mainly due to sales tax, franchise tax, licenses and permits, charges for services, municipal court fees, and miscellaneous revenue.
- For fiscal year 2015, the General Fund actual expenditures, including encumbrances, came in approximately \$2.9 million lower than the General Fund amended fiscal year 2015 budget or \$367K lower than the General Fund projected 2015 budget. The positive variances are mainly the net result of personnel and capital outlay expense coming in higher than expected and various maintenance costs coming 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, 2015, amounts to \$296,465,900 (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 \$916,745 or 0.3% (a (\$5,524,270) or 3.26% decrease for governmental activities and \$6,441,015 or 5.10% 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 | \$ 28,000 | \$ - | \$ 35,050 | \$ - | \$ 63,050 |
| Buildings | 42,824 | 10,989 | 2,252,750 | 16,636 | 2,267,949 |
| Other structure improvements | 454,010 | 19,400 | 34,622 | - | 469,232 |
| Infrastructure - streets, drainage, traffic, and sidewalks, etc. | 14,012,104 | - | - | - | 14,012,104 |
| Construction in progress | 7,417,491 | 14,600,882 | 11,281,925 | 6,638,038 | (2,539,504) |
| Machinery, equipment, and vehicles | 4,261,966 | 1,813,986 | 270,915 | 118,963 | 2,599,932 |
| Water and wastewater distribution system | - | - | 6,183,408 | - | 6,183,408 |
| Total | <u>\$ 26,216,395</u> | <u>\$ 16,445,257</u> | <u>\$ 20,058,670</u> | <u>\$ 6,773,637</u> | 23,056,171 |
| | | | | | FY 2015 depreciation expense (24,085,234) |
| | | | | | FY 2015 accumulated depreciation deletions 1,945,808 |
| | | | | | Primary government beginning capital assets balance <u>295,549,155</u> |
| | | | | | Primary government ending capital assets balance <u>\$296,465,900</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, 2015:

| | City of Victoria, Texas | | | | | |
|--|--------------------------------|----------------------|---------------------------------|----------------------|----------------------|----------------------|
| | Capital Assets | | | | | |
| | (Net of Depreciation) | | | | | |
| | Governmental Activities | | Business-type Activities | | Total | |
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Land | \$ 4,389,837 | \$ 4,361,837 | \$ 4,425,685 | \$ 4,390,635 | \$ 8,815,522 | \$ 8,752,472 |
| Construction in progress | 7,921,399 | 15,104,790 | 16,179,594 | 11,535,707 | 24,100,993 | 26,640,497 |
| Machinery and equipment | 15,468,385 | 16,708,436 | 1,821,281 | 2,080,103 | 17,289,666 | 18,788,539 |
| Buildings | 7,866,737 | 8,776,203 | 27,558,758 | 26,683,531 | 35,425,495 | 35,459,734 |
| Improvements other than buildings | 3,147,492 | 3,051,940 | 803,575 | 900,903 | 3,951,067 | 3,952,843 |
| Infrastructure | 124,981,975 | 121,296,889 | 956,422 | 1,089,296 | 125,938,397 | 122,386,185 |
| Water and wastewater distribution system | - | - | 80,944,760 | 79,568,885 | 80,944,760 | 79,568,885 |
| Total | <u>\$163,775,825</u> | <u>\$169,300,095</u> | <u>\$132,690,075</u> | <u>\$126,249,060</u> | <u>\$296,465,900</u> | <u>\$295,549,155</u> |

Additional information on the City's capital assets can be found in Note 6 of this report.

CAPITAL ASSET AND DEBT ADMINISTRATION - (Continued)

Long-Term Debt

At the end of fiscal year 2015, the City had total bonded debt outstanding of \$173,020,000. Of this amount, \$95,760,000 comprises debt backed by the full faith and credit of the government and \$77,260,000 secured solely by specific revenue sources (i.e., revenue bonds). In addition, the City had outstanding \$1,522,721 in compensated absences, \$202,134 in other post employment benefits payable, \$35,015,598 in net pension liability, \$3,991,730 in estimated landfill closure and post-closure care cost; and \$7,339,696 in net bond premium (discount) as of September 30, 2015.

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

| | Governmental Activities | | Business-type Activities | | Total | |
|---|-------------------------|-----------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2015 | 2014* | 2015 | 2014* | 2015 | 2014* |
| General obligation bonds | \$ 50,480,000 | \$ 43,360,000 | \$ - | \$ - | \$ 50,480,000 | \$ 43,360,000 |
| Certificate of obligation bonds | 45,280,000 | 54,080,000 | - | - | 45,280,000 | 54,080,000 |
| Revenue bonds | - | - | 77,260,000 | 83,290,000 | 77,260,000 | 83,290,000 |
| Compensated absences | 1,257,040 | 1,230,473 | 265,681 | 250,797 | 1,522,721 | 1,481,270 |
| OPEB payable | 166,712 | 106,751 | 35,422 | 21,621 | 202,134 | 128,372 |
| Net pension liability | 28,639,257 | 29,001,674 | 6,376,341 | 6,457,031 | 35,015,598 | 35,458,705 |
| Estimated landfill closure and post-closure care cost | - | - | 3,991,730 | 6,618,630 | 3,991,730 | 6,618,630 |
| Net bond premium (discount) | <u>3,401,983</u> | <u>2,492,041</u> | <u>3,937,713</u> | <u>4,272,165</u> | <u>7,339,696</u> | <u>6,764,206</u> |
| Total | <u>\$129,224,992</u> | <u>\$ 130,270,939</u> | <u>\$ 91,866,887</u> | <u>\$100,910,244</u> | <u>\$221,091,879</u> | <u>\$231,181,183</u> |

*2014 debt has been restated. See Note 21 of this report.

The City's debt had a net decrease of \$10,089,304 or 4.36%. The key factors to this net decrease are the following:

- Debt payments of \$7,505,000 in governmental activities bonds and \$6,090,000 in business-type activities bonds were made during fiscal year 2015,
- The City issued the 2014 Certificates of Obligation in the amount of \$5,945,000 during fiscal year 2015,
- The City issued the 2015 General Obligation Refunding Bonds in the amount of \$11,770,000 during fiscal year 2015 which refunded \$11,890,000 of outstanding debt,
- The City also issued the 2015 and 2015A Utility System Revenue Refunding Bonds in the amounts of \$4,620,000 and \$7,880,000, respectively, during fiscal year 2015 which refunded a combined amount \$12,440,000 of outstanding debt,
- Net pension liability decreased by \$443,107,
- Landfill closure/post-closure care cost had a net decrease of \$2,626,900, and
- Bond premium had a net increase of \$575,490.

Additional information on the City's debt can be found in Note 12 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The Federal Reserve Bank of Dallas reports, as of February 2016, that the Texas economy continued its modest growth through the end of 2015 even as the near-term outlook dimmed. The manufacturing sector saw persistent softness in 2015, and a January 2016 decline in the Texas Manufacturing Outlook Survey production index signifies this trend may continue into the new year. However, both the Texas Service Sector Outlook Survey and service sector employment point to sustained moderate growth in services, which make up about three-quarters of the state economy. Exports fell for the fourth time in the last five months in November, and the state's unemployment rate ticked up for the fourth consecutive month in December. The employment growth forecast for 2016 currently stands at 1.1 percent, 0.4 percentage points below 2015's growth and 2.5 percentage points below 2014's.

Texas payroll employment grew at a 1.6 percent annual rate in December—the first time in a decade that Texas has trailed the U.S. for three consecutive months. Overall job growth for the state was 1.5 percent in 2015 (December over December), less than half the 3.6 percent rate seen in 2014.

While the state's unemployment rate has increased 0.6 percentage points from its low of 4.1 in August 2015, the labor force has also been growing in recent months, suggesting that some of the change in the unemployment rate is due to new job seekers, not just those losing jobs.

The five-month moving average for Texas construction contract values fell 3.5 percent in December. Declines were seen across the five-month-moving-averages for most categories except residential contract values, which increased 0.1 percent. Nonresidential contract values fell 1.7 percent, and nonbuilding contract values—encompassing projects such as roads and bridges—were down 14.6 percent.

Oil prices have declined significantly since December, although they ticked up to \$32 per barrel for the week ending Jan. 29. From early December through the end of January, oil prices dropped 21 percent and the rig count fell by 52 rigs (15.6 percent). The impact of these declines has not been uniform across energy-producing regions. While Eagle Ford production has fallen sharply in response to low energy prices, production in the relatively low-cost Permian Basin maintained steady growth in 2015.

The stronger dollar, which has dampened exports, has also negatively impacted the state's manufacturing sector. While the Texas manufacturing sector has sustained significant losses, U.S. manufacturing sector employment actually grew by 0.2 percent in 2015. On the upside, the Texas service sector continues to show resilience during this most recent slump in oil prices.

Just like Texas, Victoria's economy clearly benefited from the oil surge in the past few years, but will likely retract some with the recent dip the industry has taken. Drilling has slowed in the neighboring Eagle Ford Shale production area, and some companies are seeing layoffs and a decline in production. While the oil and gas activity has slowed down, the industry has made a significant investment in the Eagle Ford Shale region and activity should continue in coming years. Although Victoria County did not have a single Eagle Ford Shale rig in its boundaries, Victoria became the hub for much of the shale oil play because of its shopping, entertainment, restaurants and health care facilities. The area rig count has dropped to below 2012 levels and the price of oil continues to reflect the glut in world oil supplies. It is not surprising that various sectors of the local economy are feeling its effects including Caterpillar, who announced that the Victoria plant selected to build the company's new line of on-highway vocational trucks had been cancelled, due to market conditions in the heavy truck industry.

Yet the strength of Victoria's diverse economy is showing itself. Sales tax estimates for this fiscal year were budgeted to be higher than last year's budgeted level and through the first quarter sales tax collections were level with this year's projections. Several new commercial projects are underway including a large Victory Honda facility, a new housing development east of Loop 463 and the entire community is eagerly awaiting the opening of Outlaw Pass, a family entertainment complex featuring go-karts, a new adventure golf course and an arcade/entertainment center. Also underway are DeTar Hospital's emergency room expansion project of \$8 million and two new medical buildings in the medical park on Springwood Drive valued at more than \$3.6 million. In the first four months of fiscal year 2016, the City issued more than \$27 million in commercial building permits and \$8 million in residential property permits compared to \$5 million commercial and \$19 million residential the prior year.

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

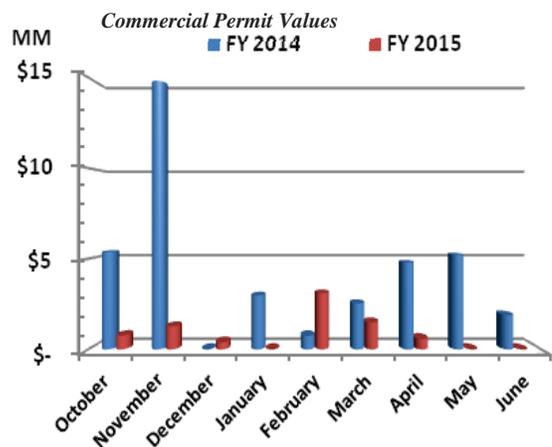
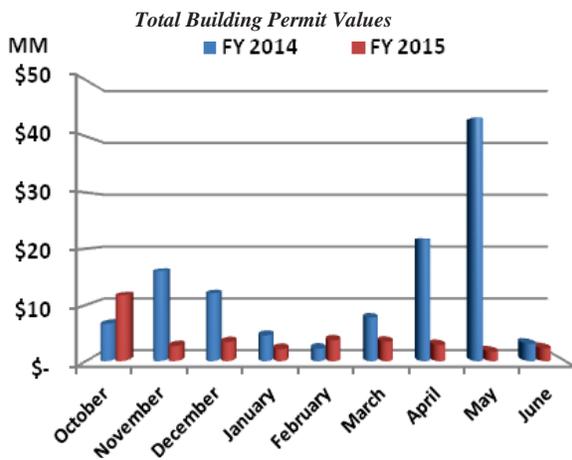
The Port of Victoria is a vital economic engine serving the Victoria region. Located 9 miles from Victoria, the Port is situated on over 2,000 acres and is served by rail and four-lane divided highways. Major products transferred are liquid and dry bulk and general and project cargos. Convenient to the Eagle Ford shale formation, companies at the Port of Victoria are currently serving the oil and gas industry by shipping and storing crude oil and frac sand. The Port has recently formed an Industrial Park with multi-modal access and serves as a center for the chemical, construction and steel fabrication and agribusiness industries offering access to all transportation modes. Victoria County has Foreign Trade Zone access. Over the past 5 years the Port of Victoria has invested over \$14 million in infrastructure to accommodate the growing logistics needs of business.

University of Houston-Victoria (UH-V) has celebrated the opening of their three-story, 63,000 square foot Academic & Regional Economic Development Building. The \$12.5 million building will house academic classroom space, meeting areas, and the offices of the Small Business Development Center. Additionally, the University has purchased 5.1 acres of apartment property across the street from the current campus to be re-developed into academic and dormitory facilities for their increasing student enrollment. The Texas State House of Representatives approved \$60 million in tuition revenue bonds for UH-V in April of 2015 to help grow the University of Houston-Victoria's facilities.

Victoria College opened the doors to its \$22 million, 116,000 sq. ft. Emerging Technology Complex in May, 2015. The multi-level complex will support the growing demand for workforce training for new and existing business and industry. It will also serve as a state-of the-art facility to host local, regional, and statewide meetings and conferences. The new complex on the grounds of the Lone Tree II Industrial Park sends a clear message of our community's commitment to workforce development and education.

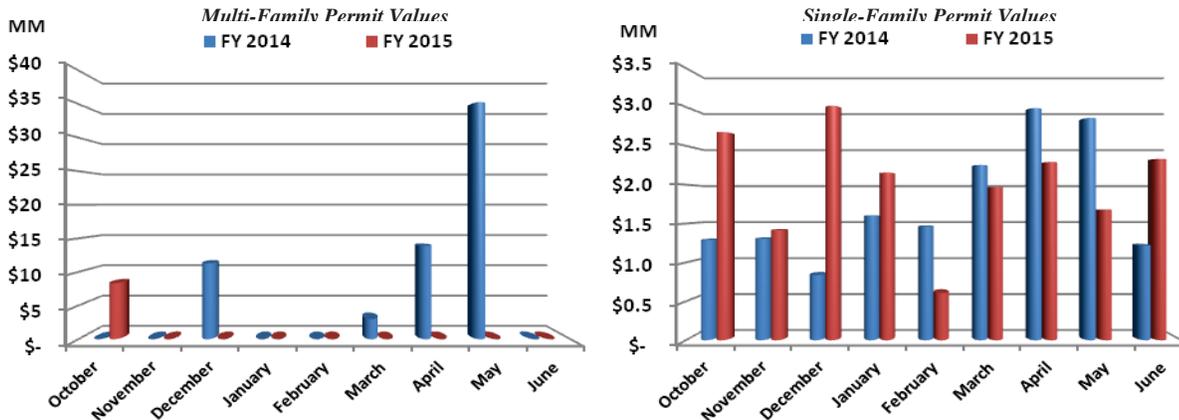
In 2015, Smartasset.com ranked Victoria #4 in a list of top places in Texas for seniors in the workforce to find a job; and newgeography.com ranked Victoria #13 on the list of best small towns for job growth in the U.S.A.

The total building permit value (*i.e. new construction for commercial, multi-family units, and single-family units*) decreased by 71 percent or \$83.6 million, comparing June 2015 to June 2014 values. The decrease is mainly due to the several large commercial and multi-family units being permitted last year. As of June 2015, total commercial permit value is \$7.6 million, a decrease of 80 percent or \$30.8 million from last year's values.



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

As of June 2015, Victoria's multi-family permit value is \$8.3 million, a decrease of 87 percent or \$55.1 million from last year's values; and, single-family permit value is \$18.1 million, an increase of 15 percent or \$2.3 million from last year's values.



Construction activity has slowed in the past twelve months, which is expected due to the current economic trends; however, the single-family market has remained relatively stable over the past years. While the oil price decline is affecting economic growth in most parts of the state, including Victoria, the diversification of the state and Victoria's business complex leaves Texas and Victoria far less vulnerable to fluctuations in the energy sector than in the past years. Per Wells Fargo Securities, LLC Economic Group: "Lower energy prices will lead to a significant slowdown in Texas, Oklahoma, and Louisiana but will not upend the recovery in these states. Our most recent forecast for Texas shows GDP and employment growth slowing to about half of last year's pace in 2015. Houston and smaller oil towns, such as Midland, Odessa, Victoria, and Longview, would appear to be somewhat more vulnerable, but should weather this down cycle better than they have in the past."

In order to ensure Victoria's economy continues to grow and remain strong, Victoria has an aggressive policy to ensure it has adequate water supply for its current and future customers. 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 and 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. Another option available to the City is a contractual arrangement with the Guadalupe-Blanco River Authority, which allows access to a five-year rolling annual average of 1,240 acre/feet of surface water stored in Canyon Reservoir, with no more than 3,600 acre/feet to be used in any given year.

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.

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

- Victoria is located in the heart of the Golden Crescent of South Texas, equidistant from Austin, Houston, San Antonio and Corpus Christi. The Coastal Plains region of Texas is an area renown for hunting, fishing, and birding. With major highways 77, 59, 87 and the future Interstate 69 all intersecting in Victoria, and with a prime position along the NAFTA Corridor, the City is known as "The Crossroads of South Texas". With a diverse population of about 66,000 and encompassing an area of approximately 36 square miles, Victoria is a cultural, historical, agricultural, medical, educational and economic hub for the area and is the largest city in the nearly 175,000 populated seven county region. Boasting a retail trade area of more than 207,000 shoppers, retail sales in Victoria are at \$1.69 billion dollars and traffic counts indicate more than 125,000 drivers are on the road in Victoria on any given day.

Over the past fourteen years (2002 thru 2016), City's population has grown approximately 9.1%. The population is projected to grow by 9.7% over the next eleven years or 0.69% per year.

- As of the first quarter of fiscal year 2016, sales tax revenues came in level with projections.
- 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, 2015. The fiscal year 2015-2016 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 \$4,178,822,370; an increase of 5% or \$199 million over last year's tax roll (adjusted for frozen taxable appraised values) of \$3,979,855,103.
- The ad valorem tax rate for fiscal year 2016 was set at 57.11¢, a decrease of 1.29¢ from last year's tax rate of 58.40¢. The tax rate is allocated at 32.65¢ for General Fund maintenance and operating costs (a decrease of 0.69¢), and 24.46¢ for Debt Service Fund (a decrease of 0.60¢).
- The General Fund unassigned fund balance at September 30, 2015, came in \$4,535,934 above the minimum required unassigned fund balance of \$12,114,371, for a total year-end unassigned fund balance of \$6,650,305. The City has a policy of maintaining a minimum unassigned fund balance of 25% of total expenditures. The excess unassigned fund balance will be used during fiscal year 2016 on one-time/non-recurring expenditures, capital improvement projects, or at Council's discretion.
- The fiscal year 2016 Budget includes \$3,560,583 of General Fund one-time expenditures and \$990,940 of Water and Wastewater Fund one-time expenses.
- There was no increase in water and sewer base rates or residential collections fees budgeted in fiscal year 2016.
- City's landfill generates a large amount of methane gas that was being flared. While the flare system destroys the methane produced by the landfill, this potential energy source was not being recovered and put to beneficial use; it could be a new source of revenue for the City. Consequently, during the latter part of fiscal year 2010, the City partnered with Renovar Energy Corporation (Renovar) in order to capitalize on the potential benefits of usage of the City landfill gas.

The City's Capital Improvement Program Projects through 2020 consist of approximately \$155.3 million: in progress - \$75.5 million, FY 2016 - \$18.0 million, FY 2017 - \$15.4 million, FY 2018 - \$14.5 million, FY 2019 - \$19.6 million, and FY 2020 - \$12.3 million (more detailed information on this subject can be found in the City's Fiscal Year 2016 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 POSITION
September 30, 2015

| | Primary Government | | | Component Units |
|---|----------------------------|-----------------------------|--------------------|--------------------|
| | Governmental Activities | Business-type Activities | Total | |
| ASSETS | | | | |
| Current assets | | | | |
| Cash and cash equivalents | \$ 23,772,403 | \$ 13,389,387 | \$ 37,161,790 | \$ 7,059,303 |
| Investments | 19,320,576 | 3,500,846 | 22,821,422 | 12,555,067 |
| Receivables (net) | 7,712,472 | 2,877,674 | 10,590,146 | 646,363 |
| Internal balances | (94,574) | 94,574 | - | - |
| Due from primary government | - | - | - | 387,428 |
| Inventory | 422,963 | 154,280 | 577,243 | - |
| Returned checks | 18,204 | 1,520 | 19,724 | - |
| Prepaid items | 69,119 | - | 69,119 | - |
| Restricted assets | | | | |
| Cash and cash equivalents | 35,000 | 7,224,557 | 7,259,557 | - |
| Investments | - | 10,303,357 | 10,303,357 | - |
| Total current assets | 51,256,163 | 37,546,195 | 88,802,358 | 20,648,161 |
| Noncurrent assets | | | | |
| Capital assets | | | | |
| Land and other assets not being depreciated | 12,311,236 | 20,605,279 | 32,916,515 | 6,576,517 |
| Buildings, improvements, and equipment (net) | 151,464,589 | 112,084,796 | 263,549,385 | 5,814,708 |
| Total noncurrent assets | 163,775,825 | 132,690,075 | 296,465,900 | 12,391,225 |
| Total assets | 215,031,988 | 170,236,270 | 385,268,258 | 33,039,386 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred amount on refunding | 3,459,395 | 188,395 | 3,647,790 | - |
| Deferred outflow related to TMRS | 4,145,199 | 922,901 | 5,068,100 | - |
| Total deferred outflows of resources | 7,604,594 | 1,111,296 | 8,715,890 | - |

| | Primary Government | | | Component Units |
|---|----------------------------|-----------------------------|-----------------------|----------------------|
| | Governmental Activities | Business-type Activities | Total | |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Accounts payable | \$ 2,735,575 | \$ 813,709 | \$ 3,549,284 | \$ 739,529 |
| Accounts payable (payable from restricted assets) | - | 2,347,686 | 2,347,686 | - |
| Accrued expenses | 1,993,940 | 344,637 | 2,338,577 | - |
| Due to other governments | 134,220 | 42,229 | 176,449 | - |
| Due to component unit | - | 387,428 | 387,428 | - |
| Customer deposits | - | 44,700 | 44,700 | - |
| Claims payable | 709,939 | - | 709,939 | - |
| Unearned revenue | 91,826 | - | 91,826 | - |
| Accrued compensated absences | 40,895 | 8,644 | 49,539 | - |
| Accrued interest payable | 478,582 | 971,706 | 1,450,288 | 24,916 |
| Current portion of long-term obligations | 6,255,000 | 6,430,000 | 12,685,000 | 985,000 |
| Total current liabilities | <u>12,439,977</u> | <u>11,390,739</u> | <u>23,830,716</u> | <u>1,749,445</u> |
| Noncurrent liabilities | | | | |
| Noncurrent portion of long-term obligations | 92,906,983 | 74,767,713 | 167,674,696 | 1,051,771 |
| Accrued compensated absences | 1,216,145 | 257,037 | 1,473,182 | - |
| Other post employment benefits payable | 166,712 | 35,422 | 202,134 | - |
| Net pension liability | 28,639,257 | 6,376,341 | 35,015,598 | - |
| Estimated landfill closure and postclosure care cost | - | 3,991,730 | 3,991,730 | - |
| Total noncurrent liabilities | <u>122,929,097</u> | <u>85,428,243</u> | <u>208,357,340</u> | <u>1,051,771</u> |
| Total liabilities | <u>135,369,074</u> | <u>96,818,982</u> | <u>232,188,056</u> | <u>2,801,216</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred inflow related to TMRS | <u>905,689</u> | <u>201,646</u> | <u>1,107,335</u> | <u>-</u> |
| Total deferred inflows of resources | <u>905,689</u> | <u>201,646</u> | <u>1,107,335</u> | <u>-</u> |
| NET POSITION | | | | |
| Net investment in capital assets | 83,609,268 | 65,123,880 | 148,733,148 | 10,354,454 |
| Restricted for: | | | | |
| Debt service | 1,413,773 | - | 1,413,773 | - |
| Public safety | 303,559 | - | 303,559 | - |
| Recreation | 1,830,046 | - | 1,830,046 | - |
| Unrestricted | <u>(794,827)</u> | <u>9,203,058</u> | <u>8,408,231</u> | <u>19,883,716</u> |
| Total net position | <u>\$ 86,361,819</u> | <u>\$ 74,326,938</u> | <u>\$ 160,688,757</u> | <u>\$ 30,238,170</u> |

The accompanying notes are an integral part of this statement.

CITY OF VICTORIA, TEXAS
STATEMENT OF ACTIVITIES
For the year ended September 30, 2015

| Function/Programs | Expenses | Program Revenues | | |
|--------------------------------|----------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary Government | | | | |
| Governmental activities | | | | |
| General government | \$ 5,630,383 | \$ 1,979,444 | \$ 1,226,029 | \$ - |
| Public safety | 27,620,120 | 5,075,992 | 395,765 | - |
| Development | 19,636,633 | - | 2,274,525 | 407,335 |
| Building services | 673,904 | - | - | - |
| Recreation | 7,611,173 | 515,531 | 65,144 | - |
| Interest on long-term debt | 4,402,538 | - | - | - |
| Total governmental activities | <u>65,574,751</u> | <u>7,570,967</u> | <u>3,961,463</u> | <u>407,335</u> |
| Business-type activities | | | | |
| Water/wastewater | 20,960,979 | 26,333,550 | - | 1,630,985 |
| Environmental services | 3,743,052 | 5,124,448 | - | - |
| Other | 1,000,683 | 365,058 | - | - |
| Total business-type activities | <u>25,704,714</u> | <u>31,823,056</u> | <u>-</u> | <u>1,630,985</u> |
| Total primary government | <u>\$ 91,279,465</u> | <u>\$ 39,394,023</u> | <u>\$ 3,961,463</u> | <u>\$ 2,038,320</u> |
| Component Units | <u>\$ 4,528,197</u> | <u>\$ 30,493</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 position

Net position - beginning, as restated (See Note 21)

Net position - ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and
Changes in Net Position

Primary Government

| Governmental Activities | Business- type Activities | Total | Component Units |
|----------------------------|---------------------------------|-----------------------|----------------------|
| \$ (2,424,910) | \$ - | \$ (2,424,910) | \$ - |
| (22,148,363) | - | (22,148,363) | - |
| (16,954,773) | - | (16,954,773) | - |
| (673,904) | - | (673,904) | - |
| (7,030,498) | - | (7,030,498) | - |
| (4,402,538) | - | (4,402,538) | - |
| <u>(53,634,986)</u> | <u>-</u> | <u>(53,634,986)</u> | <u>-</u> |
| - | 7,003,556 | 7,003,556 | - |
| - | 1,381,396 | 1,381,396 | - |
| - | (635,625) | (635,625) | - |
| - | <u>7,749,327</u> | <u>7,749,327</u> | - |
| <u>(53,634,986)</u> | <u>7,749,327</u> | <u>(45,885,659)</u> | - |
| - | - | - | <u>(4,497,704)</u> |
| 14,358,826 | - | 14,358,826 | - |
| 8,981,039 | - | 8,981,039 | - |
| 17,937,136 | - | 17,937,136 | 8,994,048 |
| 5,410,432 | - | 5,410,432 | - |
| 1,933,140 | - | 1,933,140 | - |
| 115,633 | 78,774 | 194,407 | 43,338 |
| 972,716 | - | 972,716 | 1,031,174 |
| <u>2,694,491</u> | <u>(2,694,491)</u> | <u>-</u> | <u>-</u> |
| <u>52,403,413</u> | <u>(2,615,717)</u> | <u>49,787,696</u> | <u>10,068,560</u> |
| (1,231,573) | 5,133,610 | 3,902,037 | 5,570,856 |
| <u>87,593,392</u> | <u>69,193,328</u> | <u>156,786,720</u> | <u>24,667,314</u> |
| <u>\$ 86,361,819</u> | <u>\$ 74,326,938</u> | <u>\$ 160,688,757</u> | <u>\$ 30,238,170</u> |

CITY OF VICTORIA, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2015

| | <u>General</u> | <u>Debt Service</u> | <u>Capital Construction Fund (3037)</u> |
|--|----------------------|-------------------------|---|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | \$ 7,790,089 | \$ 1,102,779 | \$ 6,150,516 |
| Investments | 13,512,777 | - | 1,998,659 |
| Receivables (net) | 6,324,739 | 789,576 | - |
| Due from other funds | 540,733 | - | 3,235,283 |
| Inventory | 271,491 | - | - |
| Returned checks | 18,204 | - | - |
| Total assets | <u>\$ 28,458,033</u> | <u>\$ 1,892,355</u> | <u>\$ 11,384,458</u> |
| LIABILITIES | | | |
| Accounts payable | \$ 828,335 | \$ - | \$ 1,055,445 |
| Accrued expenditures | 1,924,488 | - | - |
| Accrued compensated absences | 6,534 | - | - |
| Due to other governments | 134,220 | - | - |
| Due to other funds | 3,716,815 | - | - |
| Unearned revenue | - | - | - |
| Total liabilities | <u>6,610,392</u> | <u>-</u> | <u>1,055,445</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable revenue | <u>3,975,826</u> | <u>789,576</u> | <u>-</u> |
| Total deferred inflows of resources | <u>3,975,826</u> | <u>789,576</u> | <u>-</u> |
| FUND BALANCES | | | |
| Nonspendable | | | |
| Inventory | 271,491 | - | - |
| Restricted | - | 1,102,779 | 10,329,013 |
| Committed | 950,019 | - | - |
| Unassigned | <u>16,650,305</u> | <u>-</u> | <u>-</u> |
| Total fund balances | <u>17,871,815</u> | <u>1,102,779</u> | <u>10,329,013</u> |
| Total liabilities, deferred inflows and fund balances | <u>\$ 28,458,033</u> | <u>\$ 1,892,355</u> | <u>\$ 11,384,458</u> |

The accompanying notes are an integral part of this statement.

| Other Governmental Funds | Total Governmental Funds |
|--------------------------------|--------------------------------|
| \$ 3,882,892 | \$ 18,926,276 |
| 1,200,731 | 16,712,167 |
| 494,794 | 7,609,109 |
| 124,064 | 3,900,080 |
| - | 271,491 |
| - | 18,204 |
| <u>\$ 5,702,481</u> | <u>\$ 47,437,327</u> |
| | |
| \$ 597,637 | \$ 2,481,417 |
| 11,469 | 1,935,957 |
| - | 6,534 |
| - | 134,220 |
| 740,902 | 4,457,717 |
| 91,826 | 91,826 |
| <u>1,441,834</u> | <u>9,107,671</u> |
| | |
| - | 4,765,402 |
| - | 4,765,402 |
| | |
| - | 271,491 |
| 4,260,647 | 15,692,439 |
| - | 950,019 |
| - | 16,650,305 |
| <u>4,260,647</u> | <u>33,564,254</u> |
| | |
| <u>\$ 5,702,481</u> | <u>\$ 47,437,327</u> |

CITY OF VICTORIA, TEXAS**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION****OF GOVERNMENTAL ACTIVITIES**

September 30, 2015

Total governmental fund balances \$ 33,564,254

Amounts reported for governmental activities in the statement of net position 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 assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. 17,159,481

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 "unavailable" in the funds. 2,452,696

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 unavailable revenues in the governmental funds and thus are not included in fund balance. 2,312,706

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The governmental capital assets at year-end consist of:

| | | |
|---|----------------------|-------------|
| Governmental capital assets costs | \$ 323,784,545 | |
| Accumulated depreciation of governmental capital assets | <u>(169,965,615)</u> | 153,818,930 |

Deferred outflows of resources are not reported in the governmental funds:

| | | |
|---|------------------|-----------|
| Deferred amount on refunding | 3,459,395 | |
| Pension contributions after measurement date | 3,028,638 | |
| Difference in projected and actual earnings on pension assets | <u>1,116,561</u> | 7,604,594 |

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 | (95,760,000) | |
| Premiums on bonds payable | (3,401,983) | |
| Accrued interest on the bonds | (478,582) | |
| Compensated absences | (1,198,619) | |
| Other post employment benefits payable | (166,712) | |
| Net pension liability | <u>(28,639,257)</u> | (129,645,153) |

Deferred inflows of resources are not reported in the governmental funds:

| | | |
|--|------------------|--|
| Difference in expected and actual pension experience | <u>(905,689)</u> | |
|--|------------------|--|

Net position of governmental activities **\$ 86,361,819**

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, 2015

| | General | Debt Service | Capital Construction Fund (3037) |
|--|----------------------|---------------------|--|
| REVENUES | | | |
| Taxes | \$ 37,834,182 | \$ 8,898,873 | \$ - |
| Licenses and permits | 959,596 | - | - |
| Intergovernmental | 2,008,251 | 420,766 | - |
| Charges for services | 2,259,027 | - | - |
| Fines and forfeitures | 1,350,085 | - | - |
| Investment income | 51,275 | 12,793 | 21,416 |
| Miscellaneous | 394,643 | - | - |
| Total revenues | <u>44,857,059</u> | <u>9,332,432</u> | <u>21,416</u> |
| EXPENDITURES | | | |
| Current | | | |
| General government | 3,435,940 | - | - |
| Public safety | 26,363,053 | - | - |
| Development | 8,020,353 | - | - |
| Building services | 621,326 | - | - |
| Recreation | 5,384,400 | - | - |
| Capital outlay | - | - | 5,958,649 |
| Debt service | | | |
| Principal retirement | - | 7,505,000 | - |
| Interest and fiscal charges | - | 3,993,868 | - |
| Paying agents' fees, issue costs, and arbitrage rebate premiums | - | 204,963 | 112,036 |
| Total expenditures | <u>43,825,072</u> | <u>11,703,831</u> | <u>6,070,685</u> |
| Excess (deficiency) of revenues over expenditures | 1,031,987 | (2,371,399) | (6,049,269) |
| OTHER FINANCING SOURCES (USES) | | | |
| Bonds issued | - | 11,770,000 | 5,945,000 |
| Premium on issuance of bonds | - | 1,233,214 | 167,036 |
| Payment to escrow | - | (12,812,888) | - |
| Transfers in | 3,184,056 | 2,192,775 | 3,940,574 |
| Transfers out | (4,632,480) | - | (252,925) |
| Total other financing sources (uses) | <u>(1,448,424)</u> | <u>2,383,101</u> | <u>9,799,685</u> |
| Change in fund balances | (416,437) | 11,702 | 3,750,416 |
| Fund balances at beginning of year | <u>18,288,252</u> | <u>1,091,077</u> | <u>6,578,597</u> |
| Fund balances at end of year | <u>\$ 17,871,815</u> | <u>\$ 1,102,779</u> | <u>\$ 10,329,013</u> |

The accompanying notes are an integral part of this statement.

| Other Governmental Funds | Total Governmental Funds |
|--------------------------------|--------------------------------|
| \$ 1,809,554 | \$ 48,542,609 |
| - | 959,596 |
| 3,178,480 | 5,607,497 |
| - | 2,259,027 |
| 82,140 | 1,432,225 |
| 10,399 | 95,883 |
| 712,690 | 1,107,333 |
| <u>5,793,263</u> | <u>60,004,170</u> |
| 1,129,587 | 4,565,527 |
| 638,749 | 27,001,802 |
| 38,465 | 8,058,818 |
| - | 621,326 |
| 1,763,374 | 7,147,774 |
| 438,510 | 6,397,159 |
| - | 7,505,000 |
| - | 3,993,868 |
| - | 316,999 |
| <u>4,008,685</u> | <u>65,608,273</u> |
| 1,784,578 | (5,604,103) |
| - | 17,715,000 |
| - | 1,400,250 |
| - | (12,812,888) |
| 1,694,831 | 11,012,236 |
| (3,432,340) | (8,317,745) |
| <u>(1,737,509)</u> | <u>8,996,853</u> |
| 47,069 | 3,392,750 |
| <u>4,213,578</u> | <u>30,171,504</u> |
| <u>\$ 4,260,647</u> | <u>\$ 33,564,254</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, 2015

| | | |
|---|---------------------|------------------------------|
| Total net change in fund balances - governmental funds | | \$ 3,392,750 |
| <i>Amounts reported for governmental activities in the statement of activities are different because:</i> | | |
| Internal service funds are used by the City to charge the costs of certain activities, such as insurance and vehicle and equipment services, to individual funds. The net activity of the internal service funds are reported with governmental activities. | | (2,039,419) |
| Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. | | |
| Increase in capital assets | \$ 9,394,069 | |
| Depreciation expense | <u>(14,425,985)</u> | (5,031,916) |
| The net effect of various transactions involving capital assets (i.e., transfers, contributions, adjustments and dispositions) is to increase (decrease) net position. | | 238,854 |
| Issuance of debt provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. | | |
| Bonds at par value | (17,715,000) | |
| (Premium) discount | <u>(1,400,249)</u> | (19,115,249) |
| Payment to the escrow agent to refund bonds from refunding proceeds reduces long-term liabilities. | | 12,812,888 |
| 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 | | 7,505,000 |
| 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 | 300,021 | |
| Other revenues | <u>223,582</u> | 523,603 |
| 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 | (23,979) | |
| Increase in accrued interest | (9,272) | |
| Decrease in loss on bond refunding | (371,892) | |
| Decrease in bond premium | 289,492 | |
| Net pension costs | 657,528 | |
| Increase in other post employment benefits payable | <u>(59,961)</u> | <u>481,916</u> |
| Change in net position of governmental activities | | \$ <u>(1,231,573)</u> |

The accompanying notes are an integral part of this statement.



CITY OF VICTORIA, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2015

| | Business-type Activities | | | Total | Governmental Activities Internal Service Funds |
|---|--------------------------|---------------------------|------------------------------|--------------------|--|
| | Water and Wastewater | Environmental Services | Other Enterprise Funds | | |
| ASSETS | | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | \$ 10,249,832 | \$ 2,443,582 | \$ 695,973 | \$ 13,389,387 | \$ 4,846,127 |
| Investments | 400,000 | 3,100,846 | - | 3,500,846 | 2,608,409 |
| Receivables (net) | 2,552,306 | 322,701 | 2,667 | 2,877,674 | 103,363 |
| Due from other funds | - | - | 149,936 | 149,936 | 472,642 |
| Inventory | 154,280 | - | - | 154,280 | 151,472 |
| Returned checks | - | - | 1,520 | 1,520 | - |
| Prepaid items | - | - | - | - | 69,119 |
| Restricted assets | | | | | |
| Cash and cash equivalents | 6,658,597 | 479,350 | 86,610 | 7,224,557 | 35,000 |
| Investments | 7,999,539 | 1,503,592 | 800,226 | 10,303,357 | - |
| Total current assets | <u>28,014,554</u> | <u>7,850,071</u> | <u>1,736,932</u> | <u>37,601,557</u> | <u>8,286,132</u> |
| Noncurrent assets | | | | | |
| Capital assets | | | | | |
| Land and other assets not being depreciated | 19,370,540 | 834,981 | 399,758 | 20,605,279 | 173,175 |
| Buildings, improvements, and equipment (net) | 106,601,575 | 1,634,271 | 3,848,950 | 112,084,796 | 9,783,720 |
| Total noncurrent assets | <u>125,972,115</u> | <u>2,469,252</u> | <u>4,248,708</u> | <u>132,690,075</u> | <u>9,956,895</u> |
| Total assets | <u>153,986,669</u> | <u>10,319,323</u> | <u>5,985,640</u> | <u>170,291,632</u> | <u>18,243,027</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| Deferred amount on refunding | 188,395 | - | - | 188,395 | - |
| Deferred outflow related to TMRS | 761,229 | 161,672 | - | 922,901 | - |
| Total deferred outflows of resources | <u>949,624</u> | <u>161,672</u> | <u>-</u> | <u>1,111,296</u> | <u>-</u> |

| | Business-type Activities | | | Total | Governmental Activities Internal Service Funds |
|---|--------------------------|---------------------------|------------------------------|----------------------|--|
| | Water and Wastewater | Environmental Services | Other Enterprise Funds | | |
| LIABILITIES | | | | | |
| Current liabilities | | | | | |
| Accounts payable | \$ 574,152 | \$ 144,974 | \$ 94,583 | \$ 813,709 | \$ 254,158 |
| Accounts payable (payable from restricted assets) | 2,347,686 | - | - | 2,347,686 | - |
| Accrued expenses | 272,440 | 59,996 | 12,201 | 344,637 | 57,983 |
| Accrued compensated absences | 7,277 | 1,243 | 124 | 8,644 | 1,688 |
| Due to other governments | - | 42,229 | - | 42,229 | - |
| Due to other funds | 40,418 | 11,259 | 3,685 | 55,362 | 9,579 |
| Due to component unit | 361,948 | 25,480 | - | 387,428 | - |
| Customer deposits | - | - | 44,700 | 44,700 | - |
| Claims payable | - | - | - | - | 709,939 |
| Accrued interest payable | 971,706 | - | - | 971,706 | - |
| Current portion of revenue bonds | 6,430,000 | - | - | 6,430,000 | - |
| Total current liabilities | 11,005,627 | 285,181 | 155,293 | 11,446,101 | 1,033,347 |
| Noncurrent liabilities | | | | | |
| Revenue bonds (net of current portion) | 70,830,000 | - | - | 70,830,000 | - |
| Premiums on long-term debt | 3,937,713 | - | - | 3,937,713 | - |
| Accrued compensated absences | 216,400 | 36,957 | 3,680 | 257,037 | 50,199 |
| Other post employment benefits payable | 29,029 | 6,393 | - | 35,422 | - |
| Net pension liability | 5,259,343 | 1,116,998 | - | 6,376,341 | - |
| Estimated landfill closure and postclosure care cost | - | 3,991,730 | - | 3,991,730 | - |
| Total noncurrent liabilities | 80,272,485 | 5,152,078 | 3,680 | 85,428,243 | 50,199 |
| Total liabilities | 91,278,112 | 5,437,259 | 158,973 | 96,874,344 | 1,083,546 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Deferred inflow related to TMRS | 166,322 | 35,324 | - | 201,646 | - |
| Total deferred inflows of resources | 166,322 | 35,324 | - | 201,646 | - |
| NET POSITION | | | | | |
| Net investment in capital assets | 58,405,920 | 2,469,252 | 4,248,708 | 65,123,880 | 9,956,895 |
| Unrestricted net position | 5,085,939 | 2,539,160 | 1,577,959 | 9,203,058 | 7,202,586 |
| Total net position | \$ 63,491,859 | \$ 5,008,412 | \$ 5,826,667 | \$ 74,326,938 | \$ 17,159,481 |

The accompanying notes are an integral part of this statement.

CITY OF VICTORIA, TEXAS

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

PROPRIETARY FUNDS

For the year ended September 30, 2015

| | Business-type Activities | | |
|---|--------------------------|------------------------|------------------------|
| | Water and Wastewater | Environmental Services | Other Enterprise Funds |
| OPERATING REVENUES | | | |
| Charges for services | \$ 26,125,643 | \$ 4,584,905 | \$ 365,058 |
| Miscellaneous | 207,907 | 539,543 | - |
| Total operating revenues | <u>26,333,550</u> | <u>5,124,448</u> | <u>365,058</u> |
| OPERATING EXPENSES | | | |
| Personnel | 5,714,977 | 1,191,104 | 264,304 |
| Materials and supplies | 1,398,535 | 218,593 | 24,997 |
| Maintenance | 1,046,856 | 18,056 | 53,984 |
| Heat, lights and power | 1,420,678 | 17,383 | 164,767 |
| Reinsurance premiums | - | - | - |
| Miscellaneous services | 1,467,182 | 648,726 | 42,157 |
| Contractual services | 373,775 | 257,955 | 78,725 |
| Computer services | 128,203 | 50,639 | 15,237 |
| Court costs, judgments and damages | - | - | - |
| Claims expense | - | - | - |
| Wellness program | - | - | - |
| Tipping fees | - | 834,117 | - |
| Landfill closure and postclosure care cost | - | 166,021 | - |
| Depreciation | 6,278,766 | 340,458 | 346,747 |
| Total operating expenses | <u>17,828,972</u> | <u>3,743,052</u> | <u>990,918</u> |
| Operating income (loss) before nonoperating revenues (expenses) and contributions and transfers | 8,504,578 | 1,381,396 | (625,860) |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Investment income | 61,325 | 15,171 | 2,278 |
| Interest and fiscal charges | (3,128,146) | - | - |
| Gain (loss) on disposition of capital assets | (3,861) | - | (9,765) |
| Net nonoperating revenues (expenses) | <u>(3,070,682)</u> | <u>15,171</u> | <u>(7,487)</u> |
| Income before contributions and transfers | 5,433,896 | 1,396,567 | (633,347) |
| Contributions and transfers | | | |
| Capital contributions | 1,630,985 | - | - |
| Transfers in | - | - | 480,000 |
| Transfers out | (2,579,500) | (575,191) | (19,800) |
| Total contributions and transfers | <u>(948,515)</u> | <u>(575,191)</u> | <u>460,200</u> |
| Change in net position | 4,485,381 | 821,376 | (173,147) |
| Total net position at beginning of year, as previously reported | 63,791,663 | 5,203,330 | 5,999,814 |
| Impact of change in accounting principle | (4,785,185) | (1,016,294) | - |
| Total net position at beginning of year, as restated | <u>59,006,478</u> | <u>4,187,036</u> | <u>5,999,814</u> |
| Total net position at end of year | <u>\$ 63,491,859</u> | <u>\$ 5,008,412</u> | <u>\$ 5,826,667</u> |

The accompanying notes are an integral part of this statement.

| <u>Total</u> | <u>Governmental Activities Internal Service Funds</u> |
|----------------------|---|
| \$ 31,075,606 | \$ 13,512,935 |
| 747,450 | 117,113 |
| <u>31,823,056</u> | <u>13,630,048</u> |
| 7,170,385 | 1,221,102 |
| 1,642,125 | 1,321,577 |
| 1,118,896 | 618,980 |
| 1,602,828 | 31,906 |
| - | 1,019,058 |
| 2,158,065 | 850,302 |
| 710,455 | 1,620,927 |
| 194,079 | 35,986 |
| - | 14,400 |
| - | 6,277,018 |
| - | 18,343 |
| 834,117 | - |
| 166,021 | - |
| 6,965,971 | 2,693,278 |
| <u>22,562,942</u> | <u>15,722,877</u> |
| 9,260,114 | (2,092,829) |
| 78,774 | 19,750 |
| (3,128,146) | - |
| (13,626) | 33,660 |
| <u>(3,062,998)</u> | <u>53,410</u> |
| 6,197,116 | (2,039,419) |
| 1,630,985 | - |
| 480,000 | - |
| <u>(3,174,491)</u> | <u>-</u> |
| (1,063,506) | - |
| 5,133,610 | (2,039,419) |
| 74,994,807 | 19,198,900 |
| (5,801,479) | - |
| <u>69,193,328</u> | <u>19,198,900</u> |
| <u>\$ 74,326,938</u> | <u>\$ 17,159,481</u> |

CITY OF VICTORIA, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended September 30, 2015

| | Business-type Activities | | |
|---|--------------------------|---------------------------|------------------------------|
| | Water and Wastewater | Environmental Services | Other Enterprise Funds |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash received from customers/other funds | \$ 26,066,134 | \$ 5,066,538 | \$ 362,789 |
| Cash paid to suppliers for goods and services | (6,135,201) | (4,830,159) | (425,134) |
| Cash paid to employees for services | (5,766,423) | (1,214,274) | (259,849) |
| Net cash provided (used) by operating activities | <u>14,164,510</u> | <u>(977,895)</u> | <u>(322,194)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | |
| Increase (decrease) in customer deposits | - | - | 2,995 |
| Borrowings from (to) other funds | (48,832) | (9,189) | 8,432 |
| Borrowings from (to) component unit | 361,948 | 418 | - |
| Transfers in from other funds | - | - | 480,000 |
| Transfers out to other funds | (2,579,500) | (575,191) | (19,800) |
| Net cash provided (used) by noncapital financing activities | <u>(2,266,384)</u> | <u>(583,962)</u> | <u>471,627</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Acquisition and construction of capital assets | (12,560,536) | (138,062) | (90,825) |
| Proceeds from capital grants and contributions | 1,630,985 | - | - |
| Proceeds from sale of capital assets | - | - | 20 |
| Principal paid on revenue bonds | (6,090,000) | - | - |
| Interest paid on revenue bonds | (3,371,458) | - | - |
| Net cash provided (used) by capital and related financing activities | <u>(20,391,009)</u> | <u>(138,062)</u> | <u>(90,805)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of investments | (25,694,182) | (14,098,000) | (2,400,000) |
| Proceeds from sales and maturities of investments | 39,990,305 | 14,816,614 | 2,400,014 |
| Investment income | 61,325 | 15,171 | 2,278 |
| Net cash provided (used) by investing activities | <u>14,357,448</u> | <u>733,785</u> | <u>2,292</u> |
| Net increase (decrease) in cash and cash equivalents | 5,864,565 | (966,134) | 60,920 |
| Cash and cash equivalents at beginning of year | <u>11,043,864</u> | <u>3,889,066</u> | <u>721,763</u> |
| Cash and cash equivalents at end of year | <u>\$ 16,908,429</u> | <u>\$ 2,922,932</u> | <u>\$ 782,683</u> |

The accompanying notes are an integral part of this statement.

| <u>Total</u> | <u>Governmental Activities Internal Service Funds</u> |
|----------------------|---|
| \$ 31,495,461 | \$ 13,848,978 |
| (11,390,494) | (11,789,468) |
| <u>(7,240,546)</u> | <u>(1,218,505)</u> |
| 12,864,421 | 841,005 |
| 2,995 | - |
| (49,589) | - |
| 362,366 | - |
| 480,000 | - |
| <u>(3,174,491)</u> | <u>-</u> |
| (2,378,719) | - |
| (12,789,423) | (1,963,975) |
| 1,630,985 | - |
| 20 | 35,566 |
| (6,090,000) | - |
| <u>(3,371,458)</u> | <u>-</u> |
| (20,619,876) | (1,928,409) |
| (42,192,182) | (2,468,696) |
| 57,206,933 | 4,105,672 |
| 78,774 | 19,750 |
| <u>15,093,525</u> | <u>1,656,726</u> |
| 4,959,351 | 569,322 |
| <u>15,654,693</u> | <u>4,311,805</u> |
| <u>\$ 20,614,044</u> | <u>\$ 4,881,127</u> |

(continued)

CITY OF VICTORIA, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended September 30, 2015

| | 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) | \$ 8,504,578 | \$ 1,381,396 | \$ (625,860) |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities | | | |
| Depreciation | 6,278,766 | 340,458 | 346,747 |
| Changes in assets and liabilities | | | |
| (Increase) decrease in accounts receivable | (274,194) | (55,740) | - |
| (Increase) decrease in other receivables | 4,310 | (2,170) | (2,269) |
| (Increase) decrease in inventory | (11,773) | - | - |
| (Increase) decrease in returned checks | 2,468 | - | - |
| (Increase) decrease in due from other funds | - | - | - |
| (Increase) decrease in prepaid items | - | - | - |
| (Increase) decrease in deferred outflows related to TMRS | (220,516) | (46,834) | - |
| Increase (decrease) in accounts payable | (288,199) | 5,030 | (45,267) |
| Increase (decrease) in accrued expenses | 38,745 | 6,705 | 2,098 |
| Increase (decrease) in due to other funds | - | - | - |
| Increase (decrease) in compensated absences | 19,135 | (6,608) | 2,357 |
| Increase (decrease) in due to other governments | - | 3,201 | - |
| Increase (decrease) in claims payable | - | - | - |
| Increase (decrease) in other post employment benefits payable | 11,423 | 2,378 | - |
| Increase (decrease) in net pension liability | (66,555) | (14,135) | - |
| Increase (decrease) in landfill closure and postclosure care cost | - | (2,626,900) | - |
| Increase (decrease) in deferred inflows related to TMRS | <u>166,322</u> | <u>35,324</u> | <u>-</u> |
| Total adjustments | <u>5,659,932</u> | <u>(2,359,291)</u> | <u>303,666</u> |
| Net cash provided (used) by operating activities | <u>\$ 14,164,510</u> | <u>\$ (977,895)</u> | <u>\$ (322,194)</u> |
| Reconciliation of cash and cash equivalents | | | |
| Unrestricted | | | |
| Cash and cash equivalents | \$ 10,249,832 | \$ 2,443,582 | \$ 695,973 |
| Restricted | | | |
| Cash and cash equivalents | <u>6,658,597</u> | <u>479,350</u> | <u>86,610</u> |
| Total | <u>\$ 16,908,429</u> | <u>\$ 2,922,932</u> | <u>\$ 782,583</u> |

The accompanying notes are an integral part of this statement.

| <u>Total</u> | <u>Governmental Activities Internal Service Funds</u> |
|----------------------|---|
| \$ 9,260,114 | \$ (2,092,829) |
| 6,965,971 | 2,693,278 |
| (329,934) | - |
| (129) | 11,750 |
| (11,773) | 33,397 |
| 2,468 | - |
| - | 207,180 |
| - | (69,119) |
| (267,350) | - |
| (328,436) | (52,945) |
| 47,548 | 7,190 |
| - | (2,971) |
| 14,884 | (4,593) |
| 3,201 | - |
| - | 110,667 |
| 13,801 | - |
| (80,690) | - |
| (2,626,900) | - |
| <u>201,646</u> | <u>-</u> |
| <u>3,604,307</u> | <u>2,933,834</u> |
| <u>\$ 12,864,421</u> | <u>\$ 841,005</u> |
| | |
| \$ 13,389,387 | \$ 4,846,127 |
| <u>7,224,557</u> | <u>35,000</u> |
| <u>\$ 20,613,944</u> | <u>\$ 4,881,127</u> |

(concluded)

CITY OF VICTORIA, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
September 30, 2015

| | <u>Agency</u> |
|---------------------------|-------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 129,200 |
| Total assets | <u>\$ 129,200</u> |
| LIABILITIES | |
| Liabilities | |
| Accounts payable | \$ 864 |
| Due to other agencies | <u>128,336</u> |
| Total liabilities | <u>\$ 129,200</u> |

The accompanying notes are an integral part of this statement.

CITY OF VICTORIA, TEXAS
STATEMENT OF NET POSITION
COMPONENT UNITS
September 30, 2015

| | Sales Tax Development Corporation | Victoria Recreation | Total |
|---|---|------------------------|----------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | \$ 7,046,879 | \$ 12,424 | \$ 7,059,303 |
| Investments | 12,555,067 | - | 12,555,067 |
| Receivables (net) | | | |
| Sales taxes | 643,641 | - | 643,641 |
| Other | - | 2,722 | 2,722 |
| Due from primary government | 387,428 | - | 387,428 |
| Total current assets | <u>20,633,015</u> | <u>15,146</u> | <u>20,648,161</u> |
| Noncurrent assets | | | |
| Capital assets | | | |
| Land and other assets not being depreciated | 6,576,517 | - | 6,576,517 |
| Buildings, improvements, and equipment (net) | 5,685,033 | 129,675 | 5,814,708 |
| Total noncurrent assets | <u>12,261,550</u> | <u>129,675</u> | <u>12,391,225</u> |
| Total assets | <u>32,894,565</u> | <u>144,821</u> | <u>33,039,386</u> |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable | 739,529 | - | 739,529 |
| Accrued interest payable | 24,916 | - | 24,916 |
| Current portion of long-term obligations | 985,000 | - | 985,000 |
| Noncurrent liabilities | | | |
| Noncurrent portion of long-term obligations | 1,051,771 | - | 1,051,771 |
| Total liabilities | <u>2,801,216</u> | <u>-</u> | <u>2,801,216</u> |
| NET POSITION | | | |
| Net investment in capital assets | 10,224,779 | 129,675 | 10,354,454 |
| Unrestricted | 19,868,570 | 15,146 | 19,883,716 |
| Total net position | <u>\$ 30,093,349</u> | <u>\$ 144,821</u> | <u>\$ 30,238,170</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, 2015

| Function/Programs | Expenses | Program Revenues | | |
|-----------------------------------|---------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Component Units | | | | |
| Sales Tax Development Corporation | \$ 4,480,046 | \$ - | \$ - | \$ - |
| Victoria Recreation | 48,151 | 30,493 | - | - |
| Total component units | \$ 4,528,197 | \$ 30,493 | \$ - | \$ - |

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

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue
and Changes
in Net Position

| Component Units | | |
|---|------------------------|----------------|
| Sales Tax Development Corporation | Victoria Recreation | Total |
| \$ (4,480,046) | \$ - | \$ (4,480,046) |
| - | (17,658) | (17,658) |
| (4,480,046) | (17,658) | (4,497,704) |
| 8,994,048 | - | 8,994,048 |
| 43,338 | - | 43,338 |
| 1,031,174 | - | 1,031,174 |
| 10,068,560 | - | 10,068,560 |
| 5,588,514 | (17,658) | 5,570,856 |
| 24,504,835 | 162,479 | 24,667,314 |
| \$ 30,093,349 | \$ 144,821 | \$ 30,238,170 |

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

Excluded from the reporting entity:

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

Advisory Boards and Commissions - The City Council uses an extensive network of advisory boards and commissions in order to ensure public input to the City's decision-making process. These boards and commissions are: Board of Adjustments and Appeals, Electrical, Health, Library, Food Establishment Appeals Board, 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.

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

A. Reporting Entity - (Continued)

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.
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 position and the statement of changes in net position) 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.

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

B. Government-wide and Fund Financial Statements - (Continued)

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.

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

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

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

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.

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.

The proprietary 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. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Statement of Net Position. The fund equity is segregated into net investment in capital assets, restricted net position, and unrestricted net position.

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.

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

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

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 supplemental appropriations made during the year. The effect of budget supplements was to increase appropriations for the General Fund in the amount of \$420,000.
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.

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

D. Budgets and Budgetary Accounting - (Continued)

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 in the General Fund are reported as commitments 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, 2015, 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 3 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 prepaid items in the fund financial statements and 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 position. 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 position. Bond premiums and discounts 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 on the statement of net position.

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. Deferred Outflows/Inflows of Resources

The statement of net position reports a separate section for deferred outflows of resources which follows the asset section. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category. One is the deferred amount on refunding reported in the government-wide statement of net position. A deferred amount on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The other item is the deferred amount calculated in the actuarial pension study required by GASB Statement No. 68 "Accounting and Financial Reporting for Pensions" (GASB No. 68) and the current year pension payments reported in the government-wide statement of net position.

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

M. Deferred Outflows/Inflows of Resources - (Continued)

In addition to liabilities, the statement of net position also reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has two items that are considered deferred inflows of resources. One of the items arises only under a modified accrual basis of accounting and this item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from a variety of sources and are further defined in Note 4. The other item that qualifies for reporting as a deferred inflow of resources is calculated in the actuarial pension study required by GASB No. 68. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

N. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's fiduciary net position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the City's pension liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with GASB No. 68.

O. Fund Balance Policies

The following fund balance classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in spendable form (such as inventory or prepaid items) because they are either not in spendable form, or legally or contractually required to be maintained in-tact;
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government) through constitutional provisions or by enabling legislation;
- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority, to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level of action to remove or change the constraint;
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the General Fund.

Fund balance classifications depict the nature of the net resources that are reported in a governmental fund. An individual governmental fund may include non-spendable resources and amounts that are restricted, committed, assigned, or any combination of those classifications. In addition, the General Fund may also include an unassigned amount.

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

O. Fund Balance Policies - (Continued)

Commitments will only be used for specific purposes pursuant to a formal action (ordinance) of the City Council. The action to commit funds must occur prior to fiscal year-end, to report such commitments in the balance sheet of the respective period, even though the amount may be determined subsequent to fiscal year-end. A two-thirds majority vote is required to approve a commitment and a two-thirds majority vote is required to remove a commitment.

The City Council delegates the responsibility to assign funds not to exceed \$25,000 to the City Manager or their designee to be used for specific purposes. City Council shall have the authority to assign any amount of funds to be used for specific purposes pursuant to the City's fund balance policy. Such assignments cannot exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund. The assignments may occur subsequent to fiscal year-end.

Encumbered amounts of otherwise unassigned resources will be classified as committed or assigned, as appropriate, based on the definitions and criteria set forth in GASB Statement No. 54. Encumbrances of already restricted, committed, or assigned resources are not reported in the governmental financial statements.

P. Net Position Flow Assumptions

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it shall be the policy of the City to consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it shall be the policy of the City that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

Q. Minimum Fund Balance Policy

The City will maintain a minimum unassigned fund balance in its General Fund of 25 percent of the subsequent year's budgeted expenditures and outgoing transfers. This minimum fund balance is to protect against cash flow shortfalls related to timing of projected revenue receipts and to maintain a budget stabilization commitment. When fund balance falls below the 25 percent range, the City will replenish shortages/deficiencies. Should unassigned fund balance of the General Fund ever exceed the maximum 25 percent range, the City will consider such fund balance surpluses for one-time expenditures that are nonrecurring in nature and which will not require additional future expense outlays for maintenance, additional staffing or other recurring expenditures.

R. 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: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Compliance

Budgetary compliance is monitored at the departmental level in the General Fund and at the fund level in the Debt Service Fund and Capital Project Funds. There were several situations of expenditures exceeding the amount appropriated during the fiscal year 2014-2015.

| <u>Fund/Department</u> | <u>Budget</u> | <u>Actual</u> | <u>Negative Variance</u> |
|----------------------------|---------------|---------------|------------------------------|
| General Fund | | | |
| Transfers out | \$ 2,429,532 | \$ 4,632,480 | \$ 2,202,948 |
| Debt Service Fund | 10,130,929 | 11,703,831 | 1,572,902 |
| Capital Const. Fund (3037) | | | |
| Transfers out | 252,926 | 490,720 | 237,794 |
| Nonmajor Funds | | | |
| Capital Const. Fund (3036) | | | |
| Transfers out | - | 2,192,775 | 2,192,775 |

These over expenditures were funded by available fund balances in the respective funds.

Encumbrances

Encumbrances are reported in the financial statements as restricted committed, or assigned for specific purposes in the governmental funds. As of September 30, 2015, encumbrances included in governmental fund balances are as follows:

| <u>Fund</u> | <u>Encumbrances Included in:</u> | |
|---------------------------------|------------------------------------|-----------------------------------|
| | <u>Restricted Fund Balance</u> | <u>Committed Fund Balance</u> |
| General Fund | \$ - | \$ 950,019 |
| Capital Const. Fund (3037) | 8,407,685 | - |
| Nonmajor Funds | | |
| Capital Const. Fund (3035) | 1,784,514 | - |
| Municipal Court Special Revenue | 11,250 | - |
| Convention and Visitors Bureau | 143,247 | - |
| Total Encumbrances | <u>\$ 10,346,696</u> | <u>\$ 950,019</u> |

NOTE 3: DEPOSITS AND INVESTMENTS

As of September 30, 2015, 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 | \$ 6,670,525 | 29 |
| TexPool Prime Pool | 1,562,955 | 29 |
| Money Market Fund | 11,398,321 | 29 |
| Municipal Bonds | 7,611,115 | 292 |
| Commercial Paper | 36,972,661 | 116 |
| Certificates of Deposits | 26,128,604 | 93 |
| Total | <u>\$ 90,344,181</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 position 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.

NOTE 3: DEPOSITS AND INVESTMENTS - (Continued)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 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 and TexPool. The pools operate in full compliance with the Public Funds Investment Act. The investments held by the City at September 30, 2015, are rated AAAM by Standard & Poor's.

Concentration of Credit Risk

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

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, 2015, and for the year then ended, the City was not exposed to any custodial credit risk.

NOTE 4: RECEIVABLES

Receivables at September 30, 2015 consist of the following:

| | General | Debt Service | Water and Wastewater | Environmental Services | Nonmajor and Other Funds | Total |
|-------------------------|--------------|--------------|----------------------|------------------------|--------------------------|---------------|
| Gross receivables: | | | | | | |
| Accounts | \$ - | \$ - | \$ 2,664,292 | \$ 294,246 | \$ - | \$ 2,958,538 |
| Ad valorem taxes | 2,117,312 | 831,133 | - | - | - | 2,948,445 |
| Franchise taxes | 718,609 | - | - | - | - | 718,609 |
| Sales taxes | 1,287,282 | - | - | - | - | 1,287,282 |
| Weedy lots | 2,529,999 | - | - | - | - | 2,529,999 |
| Ambulance | 2,165,235 | - | - | - | - | 2,165,235 |
| Fines | 1,319,798 | - | - | - | - | 1,319,798 |
| Other | 468,626 | - | 16,776 | 54,229 | 600,824 | 1,140,455 |
| Total gross receivables | 10,606,861 | 831,133 | 2,681,068 | 348,475 | 600,824 | 15,068,361 |
| Less: allowances | 4,282,122 | 41,557 | 128,762 | 25,774 | - | 4,478,215 |
| Total net receivables | \$ 6,324,739 | \$ 789,576 | \$ 2,552,306 | \$ 322,701 | \$ 600,824 | \$ 10,590,146 |

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, 2015, was \$0.5840 per \$100, which means that the City has a tax margin of \$1.4160 per \$100 and could raise up to \$56,354,748 on \$3,979,855,103 before the limit is reached.

The City's governmental funds report unavailable 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 unavailable revenue and unearned revenue reported in the governmental funds were as follows:

| | Unavailable | Unearned | Total |
|-----------------------------|--------------|-----------|--------------|
| General Fund | | | |
| Ad valorem taxes receivable | \$ 1,663,120 | \$ - | \$ 1,663,120 |
| Weedy lots | 378,604 | - | 378,604 |
| Ambulance | 1,515,664 | - | 1,515,664 |
| Fines | 418,438 | - | 418,438 |
| Debt Service Fund | | | |
| Ad valorem taxes receivable | 789,576 | - | 789,576 |
| Nonmajor Funds | | | |
| Grants | - | 91,826 | 91,826 |
| | \$ 4,765,402 | \$ 91,826 | \$ 4,857,228 |

NOTE 5: 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, 2015, total assets were \$466,893, total liabilities were \$79,151, total fund net position was \$387,742, total support and revenues were \$709,765 and total expenses were \$727,657. Excess expenses over revenue resulted in a net loss of \$17,892. The amount contributed by the City for years ended September 30, 2015 and 2014, 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 6: CAPITAL ASSETS

The City's capital asset activity for the year ended September 30, 2015, was as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|---|------------------------------|---------------------|---------------------|---------------------------|
| Governmental activities | | | | |
| Capital assets, not being depreciated | | | | |
| Land | \$ 4,361,837 | \$ 28,000 | \$ - | \$ 4,389,837 |
| Construction in progress | 15,104,790 | 7,417,491 | 14,600,882 | 7,921,399 |
| Total capital assets not being depreciated | <u>19,466,627</u> | <u>7,445,491</u> | <u>14,600,882</u> | <u>12,311,236</u> |
| Capital assets, being depreciated | | | | |
| Machinery and equipment | 53,053,477 | 4,261,966 | 1,813,986 | 55,501,457 |
| Buildings | 15,785,933 | 42,824 | 10,989 | 15,817,768 |
| Improvements other than buildings | 6,660,974 | 454,010 | 19,400 | 7,095,584 |
| Infrastructure | 247,068,764 | 14,012,104 | - | 261,080,868 |
| Total capital assets being depreciated | <u>322,569,148</u> | <u>18,770,904</u> | <u>1,844,375</u> | <u>339,495,677</u> |
| Less accumulated depreciation for | | | | |
| Machinery and equipment | 36,345,041 | 5,490,497 | 1,802,466 | 40,033,072 |
| Buildings | 7,009,730 | 945,707 | 4,406 | 7,951,031 |
| Improvements other than buildings | 3,609,034 | 356,041 | 16,983 | 3,948,092 |
| Infrastructure | 125,771,875 | 10,327,018 | - | 136,098,893 |
| Total accumulated depreciation | <u>172,735,680</u> | <u>17,119,263</u> | <u>1,823,855</u> | <u>188,031,088</u> |
| Total capital assets being depreciated, net | <u>149,833,468</u> | <u>1,651,641</u> | <u>20,520</u> | <u>151,464,589</u> |
| Governmental activities capital assets, net | <u>\$169,300,095</u> | <u>\$ 9,097,132</u> | <u>\$14,621,402</u> | <u>\$163,775,825</u> |

NOTE 6: CAPITAL ASSETS - (Continued)

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|----------------------|---------------------|----------------------|
| Business-type activities | | | | |
| Capital assets, not being depreciated | | | | |
| Land | \$ 4,390,635 | \$ 35,050 | \$ - | \$ 4,425,685 |
| Construction in progress | 11,535,707 | 11,281,925 | 6,638,038 | 16,179,594 |
| Total capital assets not being depreciated | <u>15,926,342</u> | <u>11,316,975</u> | <u>6,638,038</u> | <u>20,605,279</u> |
| Capital assets, being depreciated | | | | |
| Machinery and equipment | 5,544,705 | 270,915 | 118,963 | 5,696,657 |
| Buildings | 43,752,228 | 2,252,750 | 16,636 | 45,988,342 |
| Improvements other than buildings | 2,148,007 | 34,622 | - | 2,182,629 |
| Infrastructure | 1,793,382 | - | - | 1,793,382 |
| Water and wastewater distribution system | 151,951,944 | 6,183,408 | - | 158,135,352 |
| Total capital assets being depreciated | <u>205,190,266</u> | <u>8,741,695</u> | <u>135,599</u> | <u>213,796,362</u> |
| Less accumulated depreciation for | | | | |
| Machinery and equipment | 3,464,602 | 527,231 | 116,457 | 3,875,376 |
| Buildings | 17,068,697 | 1,366,383 | 5,496 | 18,429,584 |
| Improvements other than buildings | 1,247,104 | 131,950 | - | 1,379,054 |
| Infrastructure | 704,086 | 132,874 | - | 836,960 |
| Water and wastewater distribution system | 72,383,059 | 4,807,533 | - | 77,190,592 |
| Total accumulated depreciation | <u>94,867,548</u> | <u>6,965,971</u> | <u>121,953</u> | <u>101,711,566</u> |
| Total capital assets being depreciated, net | <u>110,322,718</u> | <u>1,775,724</u> | <u>13,646</u> | <u>112,084,796</u> |
| Business-type activities capital assets, net | <u>\$126,249,060</u> | <u>\$ 13,092,699</u> | <u>\$ 6,651,684</u> | <u>\$132,690,075</u> |

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

Governmental activities

| | |
|--|----------------------|
| General government | \$ 329,329 |
| Public safety | 1,306,100 |
| Development | 11,896,375 |
| Building services | 48,478 |
| Recreation | 845,703 |
| Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets | <u>2,693,278</u> |
| Total depreciation expense - governmental activities | <u>\$ 17,119,263</u> |

Business-type activities

| | |
|---|---------------------|
| Water/wastewater | \$ 6,278,766 |
| Environmental services | 340,458 |
| Other | <u>346,747</u> |
| Total depreciation expense - business-type activities | <u>\$ 6,965,971</u> |

NOTE 6: CAPITAL ASSETS - (Continued)**Discretely Presented Component Units:**

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|--|------------------------------|---------------------|-------------------|---------------------------|
| Sales Tax Development Corporation | | | | |
| Capital assets, not being depreciated | | | | |
| Land | \$ 3,928,244 | \$ - | \$ - | \$ 3,928,244 |
| Construction in progress | <u>207,304</u> | <u>2,698,437</u> | <u>257,468</u> | <u>2,648,273</u> |
| Total capital assets not being depreciated | <u>4,135,548</u> | <u>2,698,437</u> | <u>257,468</u> | <u>6,576,517</u> |
| Capital assets, being depreciated | | | | |
| Improvements other than buildings | 9,913,733 | - | - | 9,913,733 |
| Infrastructure | <u>1,714,085</u> | <u>-</u> | <u>-</u> | <u>1,714,085</u> |
| Total capital assets being depreciated | <u>11,627,818</u> | <u>-</u> | <u>-</u> | <u>11,627,818</u> |
| Less accumulated depreciation for | | | | |
| Improvements other than buildings | <u>4,944,270</u> | <u>998,515</u> | <u>-</u> | <u>5,942,785</u> |
| Total accumulated depreciation | <u>4,944,270</u> | <u>998,515</u> | <u>-</u> | <u>5,942,785</u> |
| Total capital assets being depreciated, net | <u>6,683,548</u> | <u>(998,515)</u> | <u>-</u> | <u>5,685,033</u> |
| Sales Tax Development Corporation capital assets, net | <u>10,819,096</u> | <u>1,699,922</u> | <u>257,468</u> | <u>12,261,550</u> |
| Victoria Recreation | | | | |
| Capital assets, being depreciated | | | | |
| Machinery and equipment | \$ 38,352 | \$ - | \$ - | \$ 38,352 |
| Improvements other than buildings | <u>461,588</u> | <u>-</u> | <u>-</u> | <u>461,588</u> |
| Total capital assets being depreciated | <u>499,940</u> | <u>-</u> | <u>-</u> | <u>499,940</u> |
| Less accumulated depreciation for | | | | |
| Machinery and equipment | 38,352 | - | - | 38,352 |
| Improvements other than buildings | <u>308,761</u> | <u>23,152</u> | <u>-</u> | <u>331,913</u> |
| Total accumulated depreciation | <u>347,113</u> | <u>23,152</u> | <u>-</u> | <u>370,265</u> |
| Total capital assets being depreciated, net | <u>152,827</u> | <u>(23,152)</u> | <u>-</u> | <u>129,675</u> |
| Victoria Recreation capital assets, net | <u>152,827</u> | <u>(23,152)</u> | <u>-</u> | <u>129,675</u> |
| Discretely presented component units capital assets, net | <u>\$ 10,971,923</u> | <u>\$ 1,676,770</u> | <u>\$ 257,468</u> | <u>\$ 12,391,225</u> |

NOTE 7: DEFINED BENEFIT PENSION PLANPlan Description

The City participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the TMRS. TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the TMRS with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com. All eligible employees of the City are required to participate in TMRS.

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a partial lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions of the City for plan year 2015 were as follows:

| | |
|---|-----------------|
| Employee deposit rate | 6.0% |
| Matching ratio (City to employee) | 2 to 1 |
| Years required for vesting | 5 |
| Service retirement eligibility (expressed as age/years of service) | 60/5, 0/20 |
| Updated service credit | 100.0 repeating |
| Annuity increase (to retirees) | 70.0% of CPI |

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

| | |
|--|--------------|
| Inactive employees or beneficiaries currently receiving benefits | 415 |
| Inactive employees entitled to but not yet receiving benefits | 305 |
| Active employees | <u>569</u> |
| | <u>1,289</u> |

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees for the City were required to contribute 6.00% of their annual gross earnings during the fiscal year. The contribution rates for the City were 17.65% and 17.36% in calendar years 2014 and 2015, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2015 were \$4,874,372, and were equal to the required contributions.

NOTE 7: DEFINED BENEFIT PENSION PLAN - (Continued)

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

| | |
|-------------------------------|---|
| Valuation Date | December 31 st |
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level Percentage of Payroll, Closed |
| Remaining Amortization Period | 24 years |
| Asset Valuation Method | 10 year Smoothed Market; 15% Soft Corridor |
| Inflation | 3.00% |
| Overall Payroll Growth | 3.00% |
| Salary Increases | 3.50% to 12.00% including inflation |
| Investment Rate of Return* | 7.00%, net of pension plan investment expense, including inflation |
| Retirement Age | Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005-2009 |
| Mortality | RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB. |

Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 7.00%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

NOTE 7: DEFINED BENEFIT PENSION PLAN - (Continued)

Net Pension Liability - (Continued)

Actuarial Assumptions - (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return (Arithmetic) |
|-----------------------|-----------------------|---|
| Domestic Equity | 17.50% | 4.80% |
| International Equity | 17.50% | 6.05% |
| Core Fixed Income | 30.00% | 1.50% |
| Non-Core Fixed Income | 10.00% | 3.50% |
| Real Return | 5.00% | 1.75% |
| Real Estate | 10.00% | 5.25% |
| Absolute Return | 5.00% | 4.25% |
| Private Equity | <u>5.00%</u> | 8.50% |
| Total | <u>100.00%</u> | |

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

| | Increase (Decrease) | | |
|---|------------------------------|------------------------------|-----------------------------|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
| | (a) | (b) | (a) - (b) |
| Balance at 12/31/2013 | \$ 168,792,867 | \$ 133,334,163 | \$ 35,458,704 |
| Changes for the year: | | | |
| Service cost | 3,340,351 | - | 3,340,351 |
| Interest | 11,630,300 | - | 11,630,300 |
| Changes of benefit terms | - | - | - |
| Difference between expected and actual experience | (1,479,799) | - | (1,479,799) |
| Change of assumptions | - | - | - |
| Contributions - Employer | - | 4,771,378 | (4,771,378) |
| Contributions - Employee | - | 1,621,816 | (1,621,816) |
| Net investment income | - | 7,626,946 | (7,626,946) |
| Benefit payments, including refunds of employee contributions | (8,631,810) | (8,631,810) | - |
| Administrative expense | - | (79,635) | 79,635 |
| Other changes | - | (6,547) | 6,547 |
| Net changes | <u>4,859,042</u> | <u>5,302,148</u> | <u>(443,106)</u> |
| Balance at 12/31/2014 | <u>\$ 173,651,909</u> | <u>\$ 138,636,311</u> | <u>\$ 35,015,598</u> |

NOTE 7: DEFINED BENEFIT PENSION PLAN - (Continued)

Net Pension Liability - (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the Net Pension Liability of the City, calculated using the discount rate of 7.0%, as well as what the City's Net Pension Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

| | 1.0% Decrease in Discount Rate (6.0%) | Discount Rate (7.0%) | 1.0% Increase in Discount Rate (8.0%) |
|-------------------------------|---------------------------------------|----------------------|---------------------------------------|
| City's Net Pension Liability: | \$60,230,617 | \$35,015,598 | \$14,508,296 |

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately-issued TMRS financial report. That report may be obtained on the internet at www.tmrs.com.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2015 the City recognized pension expense of \$4,070,451.

At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------|-------------------------------|
| Differences between expected and actual economic experience | \$ - | \$ 1,107,335 |
| Changes in actuarial assumptions | - | - |
| Difference between projected and actual investment earnings | 1,365,155 | - |
| Contributions subsequent to the measurement date | 3,702,945 | - |
| Total | \$ 5,068,100 | \$ 1,107,335 |

\$3,702,945 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2015. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended December 31: | Pension Expense Amount |
|-------------------------|------------------------|
| 2015 | \$ (31,175) |
| 2016 | (31,175) |
| 2017 | (21,118) |
| 2018 | 341,589 |
| 2019 | - |
| Thereafter | - |

NOTE 8: 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 2015, 2014, and 2013 were \$22,374, \$18,679, and \$18,412, respectively, which equaled the required contributions each year.

NOTE 9: OTHER POSTEMPLOYMENT BENEFITS (OPEB)**Plan Description**

In addition to providing pension benefits, the City provides its retirees with postemployment health care benefits through a single-employer postemployment healthcare plan (the "plan") administered by Boon Chapman. A separate audited financial report is not issued on the plan. In order for a City employee to be eligible for this benefit, he or she needs 20 years of service, attained the age of 60 with five years of service, or otherwise be eligible to retire under TMRS and receive a monthly TMRS annuity. The City elected to cap their contribution to the plan for existing retirees and long service employees and will no longer contribute to the cost for lesser service employees. Thus, the grandfathered group who will receive a City contribution is closed and, consequently, the liability will dwindle to zero.

Funding Policy

Monthly premiums paid by retirees vary depending on date of retirement, longevity, age, whether a health risk assessment was completed, type of plan chosen and Medicare coverage. 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 PPO-\$72/\$74 or HDHP-\$65/\$67, without Medicare, PPO-\$144/\$148 or HDHP-\$130/\$134; with 20 to 29 years of service and with Medicare coverage pay a monthly health premium of PPO-\$144/\$148 or HDHP-\$130/\$134, without Medicare, PPO-\$288/\$296 or HDHP-\$260/\$268; with less than 20 years of service and with Medicare coverage pay a monthly health premium of PPO-\$360/\$370 or HDHP-\$325/\$335, without Medicare PPO-\$720/\$740 or HDHP-\$650/\$670.

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 PPO-\$88/\$98 or HDHP-\$53/\$63, without Medicare, PPO-\$176/\$196 or HDHP-\$106/\$126; with 10 to 19 years of service and with Medicare coverage pay a monthly health premium of PPO-\$156/\$166 or HDHP-\$121/\$131, without Medicare, PPO-\$312/\$332 or HDHP-\$242/\$262; with less than 10 years of service and with Medicare coverage pay a monthly health premium of PPO-\$360/\$370 or HDHP-\$325/\$335, without Medicare PPO-\$380/\$400 or HDHP-\$310/\$330.

NOTE 9: OTHER POSTEMPLOYMENT BENEFITS (OPEB) - (Continued)

Funding Policy - (Continued)

Retirees, over age 65, were placed in a Retiree Exchange System and a Health Reimbursement Account for eligible retirees was established in fiscal year 2014. The premiums for each person are dependent on age, gender, and type of plan elected.

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 2015 and 2014 is as follows:

| | <u>2015</u> | <u>2014</u> |
|---------------------------------------|--------------|--------------|
| Retirees | 148 | 153 |
| Active employees | 618 | 613 |
| Payments to Employee Health Plan Fund | \$ 6,175,449 | \$ 5,808,575 |

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 2015 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> |
|----------------------------------|-----------------------------|---|--------------------------------|
| 2015 | \$ 591,106 | 87.5% | \$ 202,134 |
| 2014 | 581,558 | 109.79% | 128,372 |
| 2013 | 558,603 | 91.7% | 185,324 |

NOTE 9: 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) |
| 9/30/2015 | \$ - | \$ 10,153,464 | \$ 10,153,464 | 0.00% | \$ 28,415,107 | 35.73% |

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.

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.

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 | |
|------------------------------|---------------------------------|--------------------------|
| | 9/30/15 | 9/30/13 |
| Actuarial cost method | projected unit credit | projected unit credit |
| Amortization method | level percent of payroll | level percent of payroll |
| Amortization period in years | 30 - open | 30 - open |
| Asset valuation method | fair value | fair value |
| Healthcare trend rate | | |
| Current retirees | | |
| Pre-65 and post-65 | 10.00%; 0.00% | 10.00%; 0.00% |
| Future retirees | | |
| Pre-65 | 0.00% | 0.00% |
| Post-65 | 0.00% | 0.00% |
| Salary scale | 3.00% | 3.00% |
| Discount rate | 4.50% | 4.50% |
| Return on assets | 4.50% | 4.50% |
| Mortality table | 2015 IRS Static | 2013 IRS Static |

NOTE 10: 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 \$175,000 of claims per participant annually; after this a reinsurance policy pays any remaining claims for the remainder of the year. The reinsurance premiums were \$555,138 and \$532,574 for the fiscal years ended September 30, 2015 and 2014, 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, 2015 and 2014, the City paid health claims of \$6,013,558 and \$4,962,746. The fund incurred a net loss for the year of \$800,897 compared to a net loss of \$24,613 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 2011 | \$ 213,687 | \$ 4,031,231 | \$ 4,020,984 | \$ 223,934 |
| Fiscal Year 2012 | 223,934 | 5,564,615 | 5,512,595 | 275,954 |
| Fiscal Year 2013 | 275,954 | 5,380,302 | 5,291,967 | 364,289 |
| Fiscal Year 2014 | 364,289 | 4,962,746 | 4,946,400 | 380,635 |
| Fiscal Year 2015 | 380,635 | 6,013,558 | 5,947,863 | 446,330 |

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 \$263,609 and \$218,637, for the fiscal years 2014-2015 and 2013-2014, 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 (\$67,841) and \$59,875 in the fiscal years 2015 and 2014, 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 2011 | \$ 168,629 | \$ 257,498 | \$ 209,271 | \$ 216,856 |
| Fiscal Year 2012 | 216,856 | 385,036 | 263,502 | 338,390 |
| Fiscal Year 2013 | 338,390 | 150,572 | 242,341 | 246,621 |
| Fiscal Year 2014 | 246,621 | 163,675 | 191,659 | 218,637 |
| Fiscal Year 2015 | 218,637 | 263,460 | 218,488 | 263,609 |

NOTE 10: 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 2015 and 2014, total contributions from the various City funds totaled \$613,901 and \$468,030, respectively. During the fiscal years 2015 and 2014, the City paid \$463,920 and \$452,407 in reinsurance premiums and \$14,400 and \$10,836 in legal fees and claims. In addition to this, the fund incurred a net income of \$5,787, compared to a net loss of \$142,270 for the prior year. Full insurance coverage was in effect for the year ended September 30, 2015. 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 2015. Settlements of claims did not exceed insurance coverage for any of the past three fiscal years.

NOTE 11: 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 12: LONG-TERM DEBT**A. Changes In Long-term Liabilities**

Long-term liability activity for the year ended September 30, 2015, 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 | \$ 54,080,000 | \$ 5,945,000 | \$ 14,745,000 | \$ 45,280,000 | \$ 3,030,000 |
| General obligation bonds | 43,360,000 | 11,770,000 | 4,650,000 | 50,480,000 | 3,225,000 |
| Less deferred amounts: | | | | | |
| Issuance premiums | <u>2,492,041</u> | <u>1,400,249</u> | <u>490,307</u> | <u>3,401,983</u> | <u>-</u> |
| Net bonds and certificates payable | 99,932,041 | 19,115,249 | 19,885,307 | 99,161,983 | 6,255,000 |
| Other post employment benefits payable | 106,751 | 59,961 | - | 166,712 | - |
| Net pension liability | 29,001,674 | - | 362,417 | 28,639,257 | - |
| Compensated absences | <u>1,230,473</u> | <u>1,815,401</u> | <u>1,788,834</u> | <u>1,257,040</u> | <u>40,895</u> |
| Total governmental activity long-term liabilities | <u>\$ 130,270,939</u> | <u>\$ 20,990,611</u> | <u>\$ 22,036,558</u> | <u>\$ 129,224,992</u> | <u>\$ 6,295,895</u> |
| Business-type activities | | | | | |
| Bonds payable | | | | | |
| Revenue bonds | \$ 83,290,000 | \$ 12,500,000 | \$ 18,530,000 | \$ 77,260,000 | \$ 6,430,000 |
| Less deferred amounts: | | | | | |
| Issuance premiums | <u>4,272,165</u> | <u>873,384</u> | <u>1,207,836</u> | <u>3,937,713</u> | <u>-</u> |
| Net bonds payable | 87,562,165 | 13,373,384 | 19,737,836 | 81,197,713 | 6,430,000 |
| Estimated landfill closure and postclosure care cost | 6,618,630 | 86,517 | 2,713,417 | 3,991,730 | - |
| Other post employment benefits payable | 21,621 | 13,801 | - | 35,422 | - |
| Net pension liability | - | 6,457,031 | 80,690 | 6,376,341 | - |
| Compensated absences | <u>250,797</u> | <u>394,091</u> | <u>379,207</u> | <u>265,681</u> | <u>8,643</u> |
| Total business-type activity long-term liabilities | <u>\$ 94,453,213</u> | <u>\$ 20,324,824</u> | <u>\$ 22,911,150</u> | <u>\$ 91,866,887</u> | <u>\$ 6,438,643</u> |
| Discretely presented component units | | | | | |
| Sales Tax Development Corporation | | | | | |
| Bonds payable | | | | | |
| Revenue bonds | \$ 2,955,000 | \$ - | \$ 945,000 | \$ 2,010,000 | \$ 985,000 |
| Less deferred amounts: | | | | | |
| Issuance premiums | <u>48,188</u> | <u>-</u> | <u>21,417</u> | <u>26,771</u> | <u>-</u> |
| Net bonds payable | <u>3,003,188</u> | <u>-</u> | <u>966,417</u> | <u>2,036,771</u> | <u>985,000</u> |
| Total discretely presented component units | <u>\$ 3,003,188</u> | <u>\$ -</u> | <u>\$ 966,417</u> | <u>\$ 2,036,771</u> | <u>\$ 985,000</u> |

NOTE 12: LONG-TERM DEBT - (Continued)**B. General Obligation Certificates and Bonds - Primary Government**

Bonds and certificates payable at September 30, 2015, are comprised of the following individual issues:

| | |
|---|----------------------|
| \$14,120,000 2005 Certificates of Obligation due in annual installments ranging from \$200,000 to \$1,070,000 through August 15, 2026, interest varying between 3.00% and 5.00%. | \$ 840,000 |
| \$9,880,000 2006 Certificates of Obligation due in annual installments ranging from \$45,000 to \$730,000 through August 15, 2026; interest varying between 3.875% and 4.50%. | 1,000,000 |
| \$9,995,000 2007 Certificates of Obligation due in annual installments ranging from \$40,000 to \$835,000 through August 15, 2027; interest varying between 4.00% and 4.50%. | 1,595,000 |
| \$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%. | 1,370,000 |
| \$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%. | 5,470,000 |
| \$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%. | 7,510,000 |
| \$3,910,000 2012 General Obligation Refunding Bonds due in annual installments ranging from \$320,000 to \$385,000 through August 15, 2023; interest varying between 2.00% and 2.25%. | 2,900,000 |
| \$3,810,000 2012 Certificates of Obligation due in annual installments ranging from \$145,000 to \$250,000 through August 15, 2032; interest varying between 2.00% and 3.75%. | 3,360,000 |
| \$9,075,000 2013A General Obligation Refunding Bonds due in annual installments ranging from \$170,000 to \$1,000,000 through August 15, 2026; interest varying between 2.00% and 3.00%. | 8,775,000 |
| \$15,940,000 2013B General Obligation Refunding Bonds due in annual installments ranging from \$260,000 to \$1,250,000 through August 15, 2023; interest varying between 3.00% and 4.49%. | 14,145,000 |
| \$9,095,000 2013 Certificates of Obligation due in annual installments ranging from \$325,000 to \$455,000 through August 15, 2025; interest varying between 3.00% and 4.49%. | 8,425,000 |
| \$5,945,000 2014 Certificates of Obligation due in annual installments ranging from \$235,000 to \$400,000 through August 15, 2034; interest varying between 2.00% and 4.00%. | 5,685,000 |
| \$11,770,000 2015 General Obligation Refunding Bonds due in annual installments ranging from \$90,000 to \$1,480,000 through August 15, 2027; interest varying between 2.00% and 4.00%. | <u>11,680,000</u> |
| Total General Obligation Certificates and Bonds | <u>\$ 95,760,000</u> |

NOTE 12: LONG-TERM DEBT - (Continued)**B. General Obligation Certificates and Bonds - Primary Government - (Continued)**

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 an eleven year period beginning with 2014. 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.

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 |
| 2016 | \$ 6,345,000 | \$ 3,910,541 | \$ 10,255,541 |
| 2017 | 6,635,000 | 3,744,978 | 10,379,978 |
| 2018 | 7,225,000 | 3,565,004 | 10,790,004 |
| 2019 | 7,435,000 | 3,308,232 | 10,743,232 |
| 2020 | 7,560,000 | 3,033,010 | 10,593,010 |
| 2021-2025 | 35,925,000 | 10,739,634 | 46,664,634 |
| 2026-2030 | 22,370,000 | 4,192,316 | 26,562,316 |
| 2031-2035 | 4,710,000 | 478,972 | 5,188,972 |
| Total | <u>\$ 98,205,000</u> | <u>\$ 32,972,687</u> | <u>\$ 131,177,687</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, \$51,887 of internal service funds' compensated absences are included in the above amounts. Also, for the governmental activities, compensated absences and other post employment benefits are generally liquidated by the General Fund.

NOTE 12: LONG-TERM DEBT - (Continued)

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 \$25,000 to \$2,205,000 through December 1, 2021; interest varying between 3.00% and 5.00%. | \$ 1,885,000 |
| \$18,360,000 2007 Utility System Revenue Refunding Bonds, Series 2007 due in annual installments ranging from \$425,000 to \$1,325,000 through December 1, 2027; interest varying between 4.00% and 5.00%. | 7,775,000 |
| \$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%. | 5,020,000 |
| \$24,590,000 2009 Utility System Revenue Refunding Bonds, Series 2009 due in annual installments ranging from \$1,390,000 to \$3,695,000 through December 1, 2023; interest varying between 3.00% and 5.00%. | 17,105,000 |
| \$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%. | 6,435,000 |
| \$9,155,000 2012 Utility System Revenue Bonds, Series 2012 due in annual installments ranging from \$245,000 to \$410,000 through December 1, 2032; interest varying between 2.00% and 3.75%. | 7,815,000 |
| \$19,425,000 2014 Utility System Revenue Bonds, Series 2014 due in annual installments ranging from \$625,000 to \$1,430,000 through December 1, 2034; interest varying between 2.00% and 5.00%. | 18,800,000 |
| \$4,620,000 2015 Utility System Revenue Refunding Bonds, Series 2015 due in annual installments ranging from \$50,000 to \$750,000 through December 1, 2027; interest varying between 3.00% and 4.00%. | 4,545,000 |
| \$7,880,000 2015 Utility System Revenue Refunding Bonds, Series B 2015 due in annual installments ranging from \$115,000 to \$2,135,000 through December 1, 2021; interest at 4.00%. | <u>7,880,000</u> |
| Total Revenue Bonds | <u>\$ 77,260,000</u> |

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

| Year Ending September 30 | Business-type Activities | | |
|-----------------------------|--------------------------|----------------------|-----------------------|
| | Principal | Interest | Total |
| 2016 | \$ 6,430,000 | \$ 2,975,801 | \$ 9,405,801 |
| 2017 | 6,540,000 | 2,804,655 | 9,344,655 |
| 2018 | 6,805,000 | 2,547,705 | 9,352,705 |
| 2019 | 7,075,000 | 2,266,365 | 9,341,365 |
| 2020 | 7,385,000 | 1,979,104 | 9,364,104 |
| 2021-2025 | 22,670,000 | 6,571,389 | 29,241,389 |
| 2026-2030 | 12,865,000 | 3,080,858 | 15,945,858 |
| 2031-2035 | <u>7,490,000</u> | <u>871,472</u> | <u>8,361,472</u> |
| Total | <u>\$ 77,260,000</u> | <u>\$ 23,097,349</u> | <u>\$ 100,357,349</u> |

NOTE 12: LONG-TERM DEBT - (Continued)

C. Revenue Bonds - Primary Government - (Continued)

The revenue bond debt agreements contain certain requirements regarding the establishment and funding of an interest and sinking fund which is required to be funded only after net revenues for any fiscal year are less than 1.35 times the average annual debt service requirements of all outstanding parity obligations. In addition, the agreements provide that the City maintain a coverage ratio of at least 1.25 times the average annual debt service or 1.10 times the maximum annual debt service.

The City has pledged future water customer revenues, net of specified operating expenses to repay \$77.5 million in utility system revenue bonds issued. Proceeds from the bonds provided financing for improvements to the City’s utility system. The bonds are payable from Water and Wastewater Fund net revenues and are payable through 2035. Average annual principal and interest payments on the bonds (\$5,259,343) are expected to require approximately 35 percent of net revenues. Principal and interest paid for the current year and total net revenues were \$9,451,715 and \$14,844,669, respectively. The total principal and interest remaining to be paid on the bonds is \$100,982,791.

The City complied in all aspects of the above requirements as of September 30, 2015.

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 \$985,000 to \$1,025,000 through 2017; interest at 4.25%.

\$ 2,010,000

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

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

| Year Ending September 30 | Sales Tax Development Corporation | | |
|-----------------------------|-----------------------------------|-------------------|---------------------|
| | Principal | Interest | Total |
| 2016 | \$ 985,000 | \$ 85,425 | \$ 1,070,425 |
| 2017 | 1,025,000 | 43,563 | 1,068,563 |
| Total | <u>\$ 2,010,000</u> | <u>\$ 128,988</u> | <u>\$ 2,138,988</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, 2015.

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, 2015.

NOTE 12: LONG-TERM DEBT - (Continued)**F. Refunding Bonds**

In April 2015, the City issued \$11,770,000 General Obligation Refunding Bonds with interest varying between 3.00% and of 4.00% to advance refund \$5,620,000 of the City's Certificates of Obligation, Series 2006, which were still outstanding in the amount of \$7,090,000 with interest rates ranging from 4.00% to 4.125% and \$6,270,000 of the City's Certificates of Obligation, Series 2007, which were still outstanding in the amount of \$8,355,000 with interest rates ranging from 4.00% to 5.25%. The refunding proceeds also provided funding for costs of issuance. As a result, the Series 2006 and 2007 bonds are considered defeased and the refunded portions of the liabilities have been removed from the governmental activities column of the statement of net position. The net proceeds available for refunding bonds in the amount of \$12,812,888 was deposited in an irrevocable trust with an escrow agent to provide for all future debt service on the refunded issues. The refunding of the Series 2006 and 2007 certificates resulted in an economic gain of \$763,312 and an increase in cash flow of \$883,473.

Also in April 2015, the City issued \$4,620,000 Utility System Refunding Bonds with interest varying between 2.00% and of 4.00% to advance refund \$4,265,000 of the City's Utility System Revenue and Refunding Bonds, Series 2007, which were still outstanding in the amount of \$12,040,000 with interest rates ranging from 4.40% to 5.00% and to provide funding for costs of issuance. As a result, the Series 2007 bonds are considered defeased and the refunded portion of the liability has been removed from the business-type activities column of the statement of net position and also the Water and Wastewater statement of net position in the fund financial statements. The net proceeds available for refunding bonds in the amount of \$4,772,120 was deposited in an irrevocable trust with an escrow agent to provide for all future debt service on the refunded issue. The refunding of the Series 2007 bonds resulted in an economic gain of \$249,816 and an increase in cash flow of \$291,392.

In September 2015, the City issued \$7,880,000 Utility System Refunding Bonds with interest of 4.00% to advance refund \$8,175,000 of the City's Utility System Revenue and Refunding Bonds, Series 2005, which were still outstanding in the amount of \$10,060,000 with interest rates ranging from 4.125% to 5.00% and to provide funding for costs of issuance. As a result, the Series 2005 bonds are considered defeased and the refunded portion of the liability has been removed from the business-type activities column of the statement of net position and also the Water and Wastewater statement of net position in the fund financial statements. The net proceeds available for refunding bonds in the amount of \$8,370,996 was deposited in an irrevocable trust with an escrow agent to provide for all future debt service on the refunded issue. The refunding of the Series 2005 bonds resulted in an economic gain of \$599,114 and an increase in cash flow of \$625,441.

NOTE 13: 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, 2015, were as follows:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|------------------------|---------------------|
| General | Nonmajor Governmental | \$ 540,733 |
| Capital Const. (3037) | General | 3,235,283 |
| Nonmajor Governmental | General | 75,499 |
| | Nonmajor Governmental | 48,565 |
| Nonmajor Business-type | Nonmajor Governmental | 149,936 |
| Internal Service | General | 406,033 |
| | Water and Wastewater | 40,418 |
| | Environmental Services | 11,259 |
| | Nonmajor Governmental | 1,668 |
| | Nonmajor Business-type | 3,685 |
| | Other | <u>9,579</u> |
| | | <u>\$ 4,522,658</u> |

NOTE 13: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS - (Continued)

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:

| Transfers Out | Transfers In | | | | | Total |
|-----------------------|---------------------|---------------------|-----------------------|---------------------|--------------------|----------------------|
| | General | Debt Service | Capital Const. (3037) | Nonmajor Govt. | Nonmajor Bus.-type | |
| General | \$ - | \$ - | \$ 3,940,574 | \$ 691,906 | \$ - | \$ 4,632,480 |
| Capital Const. (3037) | - | - | - | 252,925 | - | 252,925 |
| Nonmajor Govt. | 9,565 | 2,192,775 | - | 750,000 | 480,000 | 3,432,340 |
| Water and Wwater. | 2,579,500 | - | - | - | - | 2,579,500 |
| Environmental Svcs. | 575,191 | - | - | - | - | 575,191 |
| Nonmajor Bus.-type | 19,800 | - | - | - | - | 19,800 |
| | <u>\$ 3,184,056</u> | <u>\$ 2,192,775</u> | <u>\$ 3,940,574</u> | <u>\$ 1,694,831</u> | <u>\$ 480,000</u> | <u>\$ 11,492,236</u> |

NOTE 14: RELATED PARTY TRANSACTIONS

During fiscal year 2015, the Sales Tax Development Corporation, a discretely presented component unit of the City, contributed \$2,443,596 to the City. The contributions consisted of \$2,424,364 to the Water and Wastewater Capital Construction Fund and \$19,232 to the Texas Water Development Board (TWDB) Study Fund (a nonmajor special revenue fund) during fiscal year 2015. In addition to cash transfers, the Sales Tax Development Corporation transferred the purchase of traffic signals in the amount of \$257,468 during fiscal year 2015.

The City's Capital Construction Fund (3037) and the Water and Wastewater Capital Construction Fund contributed \$237,795 and \$793,379, respectively, to the Sales Tax Development Corporation during fiscal year 2015.

NOTE 15: 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, 2015, \$103,145,000 of bonds outstanding is considered defeased.

NOTE 16: COMMITMENTS AND CONTINGENCIESGrant 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, 2015, 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 17: 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 post-closure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and post-closure care costs is based on the useful life of the landfill. The estimated remaining useful life of the entire landfill at September 30, 2015, is 20 – 23 years.

As of September 30, 2015, 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 and post closure of any area of the landfill in which new waste disposal cells are constructed by operator and which is filled to the final grades authorized in the permit by operator during the operating term." The City will be responsible for prior existing cells, and has established a closure/post-closure fund to accommodate those future liabilities. The total permitted landfill acres is 135.6. The landfill acres allocation for closure and post-closure liability responsibility is as follows:

- City of Victoria – 72.7 acres:
 - 46.6 acres (100%) was "capped" (final cover) in fiscal year 2015:
 - Closure cost liability, as of September 30, 2015: \$0
 - Post-closure liability, as of September 30, 2015: \$1,869,781
 - 26.1 acres (50%) has approximately 9 years useful life left.
 - Closure cost liability, as of September 30, 2015: \$1,357,711
 - Post-closure liability, as of September 30, 2015: \$764,238
- Republic Waste Services of Texas, Ltd. - 62.9 acres, responsible for closure and post-closure cost.

The City's estimated liability for landfill closure and post-closure care costs has a balance of \$3,991,730, \$6,618,630, and \$6,923,136 as of September 30, 2015, 2014, and 2013 respectively, determined by calculating the lapsed portion of the landfill's life. In fiscal year 2015, the City capped 46.6 acres at a cost of \$3.2 million. It is estimated that an additional \$900k will be recognized as closure and post-closure care expense between the date of the balance sheet and the date the City's landfill acres is expected to be filled to capacity. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

NOTE 18: 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 19: CONDUIT DEBT OBLIGATIONS

In August 2004, the Housing Finance Development Corporation of Central Texas (HFDCCT) financed approximately \$5,100,000 of improvements and extensions to the Copperfield Village facilities located on East Larkspur Street in Victoria, Texas, which is owned by the Lutheran Social Services of the South, Inc. In August of 2012, the HFDCCT obtained consent of the Victoria City Council and issued \$13.16 million of Revenue Bonds, Series 2012, to finance facility improvements and additions and refinance existing debt of the Lutheran Social Services. 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.

NOTE 20: FUND BALANCES

The following is a detail of the governmental fund balances as of September 30, 2015:

| | Governmental Fund Balances | | | | Total |
|--------------------------------------|----------------------------|----------------------|-------------------|----------------------|----------------------|
| | <u>Nonspendable</u> | <u>Restricted</u> | <u>Committed</u> | <u>Unassigned</u> | |
| General | | | | | |
| Inventory | \$ 271,491 | \$ - | \$ - | \$ - | \$ 271,491 |
| Outstanding encumbrances | | | | | |
| General government | - | - | 22,254 | - | 22,254 |
| (Finance; HR; City Secretary) | | | | | |
| Public safety | - | - | 233,595 | - | 233,595 |
| (Police; Fire; Mun. Crt.) | | | | | |
| Development | - | - | 619,034 | - | 619,034 |
| (Streets; Traffic Control; Planning; | | | | | |
| GIS; Inspections) | | | | | |
| Parks and recreation | - | - | 75,136 | - | 75,136 |
| (Library; Parks) | | | | | |
| Unassigned | - | - | - | 16,650,305 | 16,650,305 |
| Debt Service Fund | | | | | |
| Retirement of long-term debt | - | 1,102,779 | - | - | 1,102,779 |
| Capital Construction Fund (3037) | | | | | |
| Various capital projects | - | 10,329,013 | - | - | 10,329,013 |
| Nonmajor Governmental | | | | | |
| City parks | - | 25,614 | - | - | 25,614 |
| Arts, tourism and conventions | - | 1,804,432 | - | - | 1,804,432 |
| Police department | - | 146,821 | - | - | 146,821 |
| Emergency management | - | 60,242 | - | - | 60,242 |
| Municipal court security and | | | | | |
| technology | - | 96,496 | - | - | 96,496 |
| Various capital projects | - | 2,127,042 | - | - | 2,127,042 |
| | <u>\$ 271,491</u> | <u>\$ 15,692,439</u> | <u>\$ 950,019</u> | <u>\$ 16,650,305</u> | <u>\$ 33,564,254</u> |

NOTE 21: NEW AND FUTURE FINANCIAL REPORTING REQUIREMENTS

The GASB has issued the following statement which became effective for fiscal year 2015:

Statement No. 68, “Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27.” – This statement changes the focus of pension accounting for employers from whether they are responsibly funding their plan over time to a point-in-time liability that is reflected in the employer’s financial statements for any actuarially unfunded portion of pension benefits earned to date.

The implementation of GASB No. 68 resulted restatement of beginning net position for the recording of the beginning net pension liability and the beginning deferred outflow for contributions made after the measurement date. Prospectively applying this change results in the adjustment below:

| | Fund Level | | | |
|---|--|-----------------------------|--|---------------------------|
| | Government-wide Statement of Activities | | Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund | |
| | Governmental Activities | Business-type Activities | Water and Wastewater | Environmental Services |
| Net position at September 30, 2014, as previously reported | \$ 113,650,667 | \$ 74,994,807 | \$ 63,791,663 | \$ 5,203,330 |
| Recording of net pension liability as of September 30, 2014 | (29,001,674) | (6,457,030) | (5,325,897) | (1,131,133) |
| Deferral for pension contributions made after the measurement date | <u>2,944,399</u> | <u>655,551</u> | <u>540,712</u> | <u>114,839</u> |
| Net position at September 30, 2014, as restated | <u>\$ 87,593,392</u> | <u>\$ 69,193,328</u> | <u>\$ 59,006,478</u> | <u>\$ 4,187,036</u> |

Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.” – This statement changes the focus of accounting of postemployment benefits other than pensions from whether they are funding the benefits over time to a point-in-time liability that is reflected on the employer’s financial statements for any actuarially unfunded portion of benefits earned to date. This statement will become effective for the City in fiscal year 2018.

NOTE 22: SUBSEQUENT EVENTS

In October 2015, the City issued Certificates of Obligation, Series 2015 of \$2,445,000. The certificates are due in annual installments ranging from \$85,000 to \$155,000 through 2033 with interest varying from 3.00% to 5.00%. The proceeds from the sale of the bonds 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 costs of 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, 2015
With comparative totals for the year ended September 30, 2014

| | 2015 | | | Variance Positive (Negative) | 2014 Actual |
|--|----------------------|----------------------|----------------------|------------------------------------|----------------------|
| | Original Budget | Final Budget | Actual | | |
| REVENUES | | | | | |
| Taxes | \$ 37,381,522 | \$ 37,381,522 | \$ 37,834,182 | \$ 452,660 | \$ 37,169,746 |
| Licenses and permits | 923,885 | 923,885 | 959,596 | 35,711 | 1,134,453 |
| Intergovernmental | 1,996,500 | 1,996,500 | 2,008,251 | 11,751 | 1,742,790 |
| Charges for services | 2,126,100 | 2,126,100 | 2,259,027 | 132,927 | 2,162,871 |
| Fines and forfeitures | 1,175,000 | 1,175,000 | 1,350,085 | 175,085 | 1,487,404 |
| Investment income | 60,000 | 60,000 | 51,275 | (8,725) | 85,986 |
| Miscellaneous | 187,916 | 187,916 | 394,643 | 206,727 | 464,884 |
| Total revenues | <u>43,850,923</u> | <u>43,850,923</u> | <u>44,857,059</u> | <u>1,006,136</u> | <u>44,248,134</u> |
| EXPENDITURES | | | | | |
| General government | 3,630,483 | 3,655,117 | 3,435,940 | 219,177 | 4,024,111 |
| Public safety | 26,189,466 | 27,611,602 | 26,363,053 | 1,248,549 | 24,623,723 |
| Development | 12,389,239 | 12,253,213 | 8,020,353 | 4,232,860 | 10,275,761 |
| Building services | 676,800 | 681,945 | 621,326 | 60,619 | 606,761 |
| Recreation | 6,130,219 | 5,777,039 | 5,384,400 | 392,639 | 5,912,157 |
| Total expenditures | <u>49,016,207</u> | <u>49,978,916</u> | <u>43,825,072</u> | <u>6,153,844</u> | <u>45,442,513</u> |
| Excess (deficiency) of revenues over expenditures | (5,165,284) | (6,127,993) | 1,031,987 | 7,159,980 | (1,194,379) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | 3,174,331 | 3,174,331 | 3,184,056 | 9,725 | 3,068,860 |
| Transfers out | (133,397) | (2,429,532) | (4,632,480) | (2,202,948) | (1,447,732) |
| Total other financing sources (uses) | <u>3,040,934</u> | <u>744,799</u> | <u>(1,448,424)</u> | <u>(2,193,223)</u> | <u>1,621,128</u> |
| Change in fund balance | (2,124,350) | (5,383,194) | (416,437) | 4,966,757 | 426,749 |
| Fund balance at beginning of year | <u>18,288,252</u> | <u>18,288,252</u> | <u>18,288,252</u> | <u>-</u> | <u>17,861,503</u> |
| Fund balance at end of year | <u>\$ 16,163,902</u> | <u>\$ 12,905,058</u> | <u>\$ 17,871,815</u> | <u>\$ 4,966,757</u> | <u>\$ 18,288,252</u> |

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

CITY OF VICTORIA, TEXAS**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**

Last ten years

| | <u>2014</u> |
|---|-----------------------|
| Total Pension Liability | |
| Service cost | \$ 3,340,351 |
| Interest (on the total pension liability) | 11,630,300 |
| Changes of benefit terms | - |
| Difference between expected and actual experience | (1,479,799) |
| Change of assumptions | - |
| Benefit payments, including refunds of employee contributions | <u>(8,631,810)</u> |
| Net Change in Total Pension Liability | 4,859,042 |
| Total Pension Liability - Beginning | <u>168,792,867</u> |
| Total Pension Liability - Ending (a) | <u>\$ 173,651,909</u> |
| Plan Fiduciary Net Position | |
| Contributions - Employer | \$ 4,771,378 |
| Contributions - Employee | 1,621,816 |
| Net investment income | 7,626,946 |
| Benefit payments, including refunds of employee contributions | (8,631,810) |
| Administrative expense | (79,635) |
| Other | <u>(6,547)</u> |
| Net Change in Plan Fiduciary Net Position | 5,302,148 |
| Plan Fiduciary Net Position - Beginning | <u>133,334,163</u> |
| Plan Fiduciary Net Position - Ending (b) | <u>\$ 138,636,311</u> |
| Net Pension Liability - Ending (a) - (b) | <u>\$ 35,015,598</u> |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 79.84% |
| Covered Employee Payroll | \$ 27,030,262 |
| Net Pension Liability as a Percentage of Covered Employee Payroll | 129.54% |

NOTE: Information for the prior nine years was not readily available. The City will compile the respective information over the next nine years as provided by TMRS on a "measurement date" basis.

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

CITY OF VICTORIA, TEXAS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
Last ten fiscal years

| | <u>2015</u> |
|---|--------------------|
| Actuarially Determined Contribution | \$ 4,874,372 |
| Contribution in relation to the actuarially determined contribution | <u>(4,926,182)</u> |
| Contribution deficiency (excess) | <u>\$ (51,810)</u> |
| Covered employee payroll | \$ 27,967,308 |
| Contributions as a percentage of covered employee payroll | 17.61% |

NOTE: Information for the prior nine fiscal years was not readily available. The City will compile the respective information over the next nine fiscal years.

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

CITY OF VICTORIA, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION

HISTORICAL OTHER POSTEMPLOYMENT

BENEFITS INFORMATION

September 30, 2015

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Schedule of Funding Progress

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial 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) |
|--------------------------|----------------------------------|----------------------------------|--------------------------------|-----------------------|-------------------------------|--|
| 9/30/2015 | \$ - | \$ 10,153,464 | \$ 10,153,464 | 0.00% | \$ 28,415,107 | 35.73% |
| 9/30/2014 | - | 9,849,616 | 9,849,616 | 0.00% | 27,092,011 | 36.36% |
| 9/30/2013 | - | 9,948,933 | 9,948,933 | 0.00% | 26,302,923 | 37.82% |
| 9/30/2012 | - | 9,497,294 | 9,497,294 | 0.00% | 25,213,612 | 37.67% |
| 9/30/2011 | - | 9,417,793 | 9,417,793 | 0.00% | 26,031,106 | 36.18% |

Actuarial Valuation Information

| | 9/30/15 | 9/30/13 |
|------------------------------|--------------------------|--------------------------|
| Actuarial cost method | projected unit credit | projected unit credit |
| Amortization method | level percent of payroll | level percent of payroll |
| Amortization period in years | 30 - open | 30 - open |
| Asset valuation method | fair value | fair value |
| Healthcare trend rate | | |
| Current retirees | | |
| Pre-65 and post-65 | 10.00%; 0.00% | 10.00%; 0.00%% |
| Future retirees | | |
| Pre-65 | 0.00% | 0.00% |
| Post-65 | 0.00% | 0.00% |
| Salary scale | 3.00% | 3.00% |
| Discount rate | 4.50% | 4.50% |
| Return on assets | 4.50% | 4.50% |
| Mortality table | 2015 IRS Static | 2013 IRS Static |

CITY OF VICTORIA, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
September 30, 2015

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.

NOTE 2: BUDGETARY LEGAL COMPLIANCE

Budgetary compliance is monitored at the departmental level in the General Fund. There was one situation of expenditures exceeding the amount appropriated during the fiscal year 2014-2015.

| <u>Fund/Department</u> | <u>Budget</u> | <u>Actual</u> | <u>Negative Variance</u> |
|------------------------|---------------|---------------|------------------------------|
| General Fund | | | |
| Transfers out | \$ 2,429,532 | \$ 4,632,480 | \$ 2,202,948 |

These over expenditures were funded by available fund balance in the General Fund.

NOTE 3: TEXAS MUNICIPAL RETIREMENT SYSTEM

Valuation Date

Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates

| | |
|-------------------------------|---|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level Percentage of Payroll, Closed |
| Remaining Amortization Period | 24 years |
| Asset Valuation Method | 10 year Smoothed Market; 15% Soft Corridor |
| Inflation | 3.00% |
| Overall Payroll Growth | 3.00% |
| Salary Increases | 3.50% to 12.00% including inflation |
| Investment Rate of Return | 7.00%, net of pension plan investment expense, including inflation |
| Retirement Age | Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005-2009 |
| Mortality | RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB. |



CITY OF VICTORIA, TEXAS
ALL NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
September 30, 2015

| | Total Nonmajor Special Revenue Funds | Total Nonmajor Capital Project Funds | Total Nonmajor Governmental Funds |
|--|---|---|--|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | \$ 1,930,069 | \$ 1,952,823 | \$ 3,882,892 |
| Investments | 700,197 | 500,534 | 1,200,731 |
| Receivables (net) | 425,622 | 69,172 | 494,794 |
| Due from other funds | 124,064 | - | 124,064 |
| Total assets | <u>\$ 3,179,952</u> | <u>\$ 2,522,529</u> | <u>\$ 5,702,481</u> |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities | | | |
| Accounts payable | \$ 513,911 | \$ 83,726 | \$ 597,637 |
| Accrued expenditures | 11,469 | - | 11,469 |
| Due to other funds | 429,141 | 311,761 | 740,902 |
| Unearned revenue | 91,826 | - | 91,826 |
| Total liabilities | <u>1,046,347</u> | <u>395,487</u> | <u>1,441,834</u> |
| Fund balances | | | |
| Restricted | | | |
| City parks | 25,614 | - | 25,614 |
| Arts, tourism and conventions | 1,804,432 | - | 1,804,432 |
| Public safety | 207,063 | - | 207,063 |
| Municipal court | 96,496 | - | 96,496 |
| Various capital projects | - | 2,127,042 | 2,127,042 |
| Total fund balances | <u>2,133,605</u> | <u>2,127,042</u> | <u>4,260,647</u> |
| Total liabilities and fund balances | <u>\$ 3,179,952</u> | <u>\$ 2,522,529</u> | <u>\$ 5,702,481</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, 2015

| | Total Nonmajor Special Revenue Funds | Total Nonmajor Capital Project Funds | Total Nonmajor Governmental Funds |
|--|---|---|--|
| REVENUES | | | |
| Taxes | \$ 1,809,554 | \$ - | \$ 1,809,554 |
| Intergovernmental | 1,213,319 | 1,965,161 | 3,178,480 |
| Fines and forfeitures | 82,140 | - | 82,140 |
| Investment income | 3,188 | 7,211 | 10,399 |
| Miscellaneous | 712,690 | - | 712,690 |
| Total revenues | <u>3,820,891</u> | <u>1,972,372</u> | <u>5,793,263</u> |
| EXPENDITURES | | | |
| Current | | | |
| General government | 1,129,587 | - | 1,129,587 |
| Public safety | 638,749 | - | 638,749 |
| Development | 38,465 | - | 38,465 |
| Recreation | 1,763,374 | - | 1,763,374 |
| Capital outlay | - | 438,510 | 438,510 |
| Total expenditures | <u>3,570,175</u> | <u>438,510</u> | <u>4,008,685</u> |
| Excess (deficiency) of revenues over expenditures | 250,716 | 1,533,862 | 1,784,578 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | 896,648 | 798,183 | 1,694,831 |
| Transfers out | (1,239,565) | (2,192,775) | (3,432,340) |
| Total other financing sources (uses) | <u>(342,917)</u> | <u>(1,394,592)</u> | <u>(1,737,509)</u> |
| Change in fund balances | (92,201) | 139,270 | 47,069 |
| Fund balances at beginning of year | <u>2,225,806</u> | <u>1,987,772</u> | <u>4,213,578</u> |
| Fund balances at end of year | <u>\$ 2,133,605</u> | <u>\$ 2,127,042</u> | <u>\$ 4,260,647</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.

Police Grants - Used to account for funds received from the Office of the Attorney General of Texas for the "Internet Crimes Against Children Task Force Program" and funds received from the Victoria 100 Club and the disbursement of such on public safety equipment, etc.

Texas Water Development Board (TWBD) Aquifer Storage and Recovery Grant - Used to account for funds received from the TWDB, the Lavaca-Navidad River Authority, the Port of Victoria, the Victoria County Groundwater District and the Guadalupe River Authority in order to conduct a study to examine the potential of using Aquifer Storage and Recovery in conjunction with and independent of off channel storage facilities and existing water infrastructure.

Parks Improvement - Used to account for funds donated to the City for our parks. Currently holds funds from the Ethel Lee Tracy Foundation, and sponsorship fees. 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.

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. In fiscal year 2015, \$1,987,403 was allocated as follows: for payroll and professional services \$51,248; for operations of the Community Center not to exceed \$330,000; for Community Center building improvements not to exceed \$150,000; to the Convention and Visitors Bureau, funding not to exceed \$870,000; and for other programs and various outside agencies, not to exceed \$586,155.

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.

NONMAJOR SPECIAL REVENUE FUNDS - (Continued)

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.

Fire Department Grant - This fund is used to account for funds received from Invista for the purpose of renovating a fire safety trailer.

Emergency Protective Measures Grant - This fund is used to account for funds received from the Federal Emergency Management Agency and passed through the Texas Department of Public Safety Division of Emergency Management to allow cities to respond to disasters and to recover from their impact. The current funds received were for the May 2015 flood.

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.

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

Public, Educational, and Governmental (PEG) Fund - Used to account for one percent cable franchise fee, which is dedicated to capital assets associated to the operation of a public, educational and government television channel.

Community Development Block Grant - Used to account for the proceeds of federal block grants and the disbursements of such on community development and housing needs. 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, 2015

| | GCRAC EMS/Trauma System Grant | GCRPC Grant | Police Grants | Parks Improvement | LEOSE Training Grant |
|--|-------------------------------------|------------------|------------------|----------------------|----------------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 10,581 | \$ 46,867 | \$ 997 | \$ 25,614 | \$ 20,870 |
| Investments | - | - | - | - | - |
| Receivables (net) | | | | | |
| Other | - | - | - | - | - |
| Due from other funds | - | - | - | - | - |
| Total assets | <u>\$ 10,581</u> | <u>\$ 46,867</u> | <u>\$ 997</u> | <u>\$ 25,614</u> | <u>\$ 20,870</u> |
| LIABILITIES | | | | | |
| Accounts payable | \$ 8,103 | \$ - | \$ - | \$ - | \$ - |
| Accrued expenditures | - | - | - | - | - |
| Due to other funds | - | - | - | - | - |
| Unearned revenue | 2,478 | 46,867 | 997 | - | 20,870 |
| Total liabilities | <u>10,581</u> | <u>46,867</u> | <u>997</u> | <u>-</u> | <u>20,870</u> |
| FUND BALANCES | | | | | |
| Restricted | | | | | |
| City parks | - | - | - | 25,614 | - |
| Arts, tourism and conventions | - | - | - | - | - |
| Public safety | - | - | - | - | - |
| Municipal court | - | - | - | - | - |
| Total fund balances | <u>-</u> | <u>-</u> | <u>-</u> | <u>25,614</u> | <u>-</u> |
| Total liabilities and fund balances | <u>\$ 10,581</u> | <u>\$ 46,867</u> | <u>\$ 997</u> | <u>\$ 25,614</u> | <u>\$ 20,870</u> |

| Auto Theft Grant | TCEQ Grant | MPO Grant | Motel Tax | Forfeiture Fund | Office of Justice Grants | K-9 Unit Program | Fire Department Grant |
|------------------|------------------|------------------|---------------------|-------------------|--------------------------|------------------|-----------------------|
| \$ - | \$ 42,485 | \$ - | \$ 865,098 | \$ 146,821 | \$ - | \$ 811 | \$ 5,000 |
| - | - | - | 700,197 | - | - | - | - |
| 36,795 | 5,979 | 46,220 | 160,309 | - | 152 | - | - |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>\$ 36,795</u> | <u>\$ 48,464</u> | <u>\$ 46,220</u> | <u>\$ 1,725,604</u> | <u>\$ 146,821</u> | <u>\$ 152</u> | <u>\$ 811</u> | <u>\$ 5,000</u> |
| \$ 16,275 | \$ 48,464 | \$ 19,633 | \$ 307,538 | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - | - | - |
| 20,520 | - | 26,587 | 274,001 | - | 152 | - | - |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>811</u> | <u>5,000</u> |
| <u>36,795</u> | <u>48,464</u> | <u>46,220</u> | <u>581,539</u> | <u>-</u> | <u>152</u> | <u>811</u> | <u>5,000</u> |
| - | - | - | - | - | - | - | - |
| - | - | - | 1,144,065 | - | - | - | - |
| - | - | - | - | 146,821 | - | - | - |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| - | - | - | 1,144,065 | 146,821 | - | - | - |
| <u>\$ 36,795</u> | <u>\$ 48,464</u> | <u>\$ 46,220</u> | <u>\$ 1,725,604</u> | <u>\$ 146,821</u> | <u>\$ 152</u> | <u>\$ 811</u> | <u>\$ 5,000</u> |

(continued)

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

September 30, 2015

| | Emergency Protective Measures Grant | Victoria Kids Recycle | Municipal Court Special Revenue | Public, Educational, and Governmental (PEG) Fund | Community Development Block Grant |
|--|--|-----------------------------|--|---|---|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ - | \$ 3,553 | \$ 106,629 | \$ 154,938 | \$ - |
| Investments | - | - | - | - | - |
| Receivables | | | | | |
| Other | 7,899 | - | - | 43,355 | 90,553 |
| Due from other funds | - | - | - | - | - |
| Total assets | <u>\$ 7,899</u> | <u>\$ 3,553</u> | <u>\$ 106,629</u> | <u>\$ 198,293</u> | <u>\$ 90,553</u> |
| LIABILITIES | | | | | |
| Accounts payable | \$ - | \$ - | \$ 568 | \$ - | \$ 14,613 |
| Accrued expenditures | - | - | - | - | - |
| Due to other funds | 7,899 | - | 9,565 | - | 64,690 |
| Unearned revenue | - | 3,553 | - | - | 11,250 |
| Total liabilities | <u>7,899</u> | <u>3,553</u> | <u>10,133</u> | <u>-</u> | <u>90,553</u> |
| FUND BALANCES | | | | | |
| Restricted | | | | | |
| City parks | - | - | - | - | - |
| Arts, tourism and conventions | - | - | - | 198,293 | - |
| Public safety | - | - | - | - | - |
| Municipal court | - | - | 96,496 | - | - |
| Total fund balances | <u>-</u> | <u>-</u> | <u>96,496</u> | <u>198,293</u> | <u>-</u> |
| Total liabilities and fund balances | <u>\$ 7,899</u> | <u>\$ 3,553</u> | <u>\$ 106,629</u> | <u>\$ 198,293</u> | <u>\$ 90,553</u> |

| Homeland Security Grant | Emergency Management | Convention and Visitors Bureau | Total |
|-------------------------------|-------------------------|---|---------------------|
| \$ - | \$ 136,549 | \$ 363,256 | \$ 1,930,069 |
| - | - | - | 700,197 |
| 24,080 | 127 | 10,153 | 425,622 |
| - | - | 124,064 | 124,064 |
| <u>\$ 24,080</u> | <u>\$ 136,676</u> | <u>\$ 497,473</u> | <u>\$ 3,179,952</u> |
| \$ 20 | \$ 76,434 | \$ 22,263 | \$ 513,911 |
| - | - | 11,469 | 11,469 |
| 24,060 | - | 1,667 | 429,141 |
| - | - | - | 91,826 |
| <u>24,080</u> | <u>76,434</u> | <u>35,399</u> | <u>1,046,347</u> |
| - | - | - | 25,614 |
| - | - | 462,074 | 1,804,432 |
| - | 60,242 | - | 207,063 |
| - | - | - | 96,496 |
| <u>-</u> | <u>60,242</u> | <u>462,074</u> | <u>2,133,605</u> |
| <u>\$ 24,080</u> | <u>\$ 136,676</u> | <u>\$ 497,473</u> | <u>\$ 3,179,952</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, 2015

| | GCRAC EMS/Trauma System Grant | GCRPC Grant | Police Grants | TWDB Study | Parks Improvement |
|--|-------------------------------------|----------------|------------------|---------------|----------------------|
| REVENUES | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental | - | - | 23,527 | - | - |
| Fines and forfeitures | - | - | - | - | - |
| Investment income | - | 31 | - | - | - |
| Miscellaneous | 47,298 | 99,649 | 30,000 | 38,465 | - |
| Total revenues | <u>47,298</u> | <u>99,680</u> | <u>53,527</u> | <u>38,465</u> | <u>-</u> |
| EXPENDITURES | | | | | |
| General government | - | - | - | - | - |
| Public safety | 47,560 | 99,680 | 53,527 | - | - |
| Development | - | - | - | 38,465 | - |
| Recreation | - | - | - | - | - |
| Total expenditures | <u>47,560</u> | <u>99,680</u> | <u>53,527</u> | <u>38,465</u> | <u>-</u> |
| Excess (deficiency) of revenues over expenditures | (262) | - | - | - | - |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | 262 | - | - | - | - |
| Transfers out | - | - | - | - | - |
| Total other financing sources (uses) | <u>262</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Change in fund balances | - | - | - | - | - |
| Fund balance at beginning of year | - | - | - | - | 25,614 |
| Fund balance at end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 25,614</u> |

| LEOSE Training Grant | Auto Theft Grant | TCEQ Grant | MPO Grant | Motel Tax | Forfeiture Fund | Office of Justice Grants | Emergency Protective Measures Grant |
|----------------------------|------------------------|----------------|----------------|---------------------|--------------------|--------------------------------|--|
| \$ - | \$ - | \$ - | \$ - | \$ 1,809,554 | \$ - | \$ - | \$ - |
| 3,834 | 110,441 | 385,025 | 262,251 | - | - | - | 7,899 |
| - | - | - | - | - | 16,360 | - | - |
| - | - | - | - | 2,998 | 144 | - | - |
| - | - | - | - | 10,591 | 2,565 | 16,207 | 2,633 |
| <u>3,834</u> | <u>110,441</u> | <u>385,025</u> | <u>262,251</u> | <u>1,823,143</u> | <u>19,069</u> | <u>16,207</u> | <u>10,532</u> |
| - | - | 385,025 | 262,251 | - | - | - | - |
| 3,834 | 179,242 | - | - | - | 35,526 | 16,500 | 10,532 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | 801,725 | - | - | - |
| <u>3,834</u> | <u>179,242</u> | <u>385,025</u> | <u>262,251</u> | <u>801,725</u> | <u>35,526</u> | <u>16,500</u> | <u>10,532</u> |
| - | (68,801) | - | - | 1,021,418 | (16,457) | (293) | - |
| - | 68,801 | - | - | - | - | 293 | - |
| - | - | - | - | (1,230,000) | - | - | - |
| - | 68,801 | - | - | (1,230,000) | - | 293 | - |
| - | - | - | - | (208,582) | (16,457) | - | - |
| - | - | - | - | 1,352,647 | 163,278 | - | - |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,144,065</u> | <u>\$ 146,821</u> | <u>\$ -</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, 2015*

| | COPS Hiring Program | Municipal Court Special Revenue | Lone Star Libraries Grant | Public, Educational, and Governmental (PEG) Fund |
|--|---------------------------|--|---------------------------------|---|
| REVENUES | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental | 14,987 | - | - | - |
| Fines and forfeitures | - | 65,780 | - | - |
| Investment income | - | - | - | - |
| Miscellaneous | - | 6,921 | 144 | 180,111 |
| Total revenues | <u>14,987</u> | <u>72,701</u> | <u>144</u> | <u>180,111</u> |
| EXPENDITURES | | | | |
| General government | - | - | - | 61,293 |
| Public safety | 15,552 | 60,904 | - | - |
| Development | - | - | - | - |
| Recreation | - | - | 144 | - |
| Total expenditures | <u>15,552</u> | <u>60,904</u> | <u>144</u> | <u>61,293</u> |
| Excess (deficiency) of revenues over expenditures | (565) | 11,797 | - | 118,818 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 565 | - | - | - |
| Transfers out | - | (9,565) | - | - |
| Total other financing sources (uses) | <u>565</u> | <u>(9,565)</u> | <u>-</u> | <u>-</u> |
| Change in fund balances | - | 2,232 | - | 118,818 |
| Fund balance at beginning of year | - | 94,264 | - | 79,475 |
| Fund balance at end of year | <u>\$ -</u> | <u>\$ 96,496</u> | <u>\$ -</u> | <u>\$ 198,293</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> |
|--|--|---------------------------------|---|---------------------|
| \$ - | \$ - | \$ - | \$ - | \$ 1,809,554 |
| 368,158 | 36,530 | 667 | - | 1,213,319 |
| - | - | - | - | 82,140 |
| - | - | - | 15 | 3,188 |
| <u>52,860</u> | <u>-</u> | <u>-</u> | <u>225,246</u> | <u>712,690</u> |
| <u>421,018</u> | <u>36,530</u> | <u>667</u> | <u>225,261</u> | <u>3,820,891</u> |
| 421,018 | - | - | - | 1,129,587 |
| - | 36,911 | 78,981 | - | 638,749 |
| - | - | - | - | 38,465 |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>961,505</u> | <u>1,763,374</u> |
| <u>421,018</u> | <u>36,911</u> | <u>78,981</u> | <u>961,505</u> | <u>3,570,175</u> |
| - | (381) | (78,314) | (736,244) | 250,716 |
| - | 381 | 76,346 | 750,000 | 896,648 |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(1,239,565)</u> |
| <u>-</u> | <u>381</u> | <u>76,346</u> | <u>750,000</u> | <u>(342,917)</u> |
| - | - | (1,968) | 13,756 | (92,201) |
| <u>-</u> | <u>-</u> | <u>62,210</u> | <u>448,318</u> | <u>2,225,806</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ 60,242</u> | <u>\$ 462,074</u> | <u>\$ 2,133,605</u> |

(concluded)

NONMAJOR 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 (3037) is reported as a major fund.

CITY OF VICTORIA, TEXAS
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECT FUNDS
COMBINING BALANCE SHEET
 September 30, 2015

| | Capital Construction Fund (3035) | Capital Construction Fund (3036) | Total |
|--|--|--|----------------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | \$ 1,610,295 | \$ 342,528 | \$ 1,952,823 |
| Investments | 500,534 | - | 500,534 |
| Receivables (net) | | | |
| Other | 69,172 | - | 69,172 |
| Total assets | <u>\$ 2,180,001</u> | <u>\$ 342,528</u> | <u>\$ 2,522,529</u> |
| LIABILITIES | | | |
| Accounts payable | \$ 83,726 | \$ - | \$ 83,726 |
| Due to other funds | 311,761 | - | 311,761 |
| Total liabilities | <u>395,487</u> | <u>-</u> | <u>395,487</u> |
| FUND BALANCES | | | |
| Restricted | | | |
| Various capital projects | 1,784,514 | 342,528 | 2,127,042 |
| Total fund balances | <u>1,784,514</u> | <u>342,528</u> | <u>2,127,042</u> |
| Total liabilities and fund balances | <u>\$ 2,180,001</u> | <u>\$ 342,528</u> | <u>\$ 2,522,529</u> |

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

For the year ended September 30, 2015

| | Capital Construction Fund (3035) | Capital Construction Fund (3036) | Total |
|--|--|--|---------------------|
| REVENUES | | | |
| Intergovernmental | \$ 149,867 | \$ 1,815,294 | \$ 1,965,161 |
| Investment income | | | |
| Interest | 2,941 | 4,270 | 7,211 |
| Total revenues | <u>152,808</u> | <u>1,819,564</u> | <u>1,972,372</u> |
| EXPENDITURES | | | |
| Capital outlay | <u>438,510</u> | <u>-</u> | <u>438,510</u> |
| Excess (deficiency) of revenues over expenditures | (285,702) | 1,819,564 | 1,533,862 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | 798,183 | - | 798,183 |
| Transfers out | <u>-</u> | <u>(2,192,775)</u> | <u>(2,192,775)</u> |
| Total other financing sources (uses) | <u>798,183</u> | <u>(2,192,775)</u> | <u>(1,394,592)</u> |
| Change in fund balances | 512,481 | (373,211) | 139,270 |
| Fund balances at beginning of year | <u>1,272,033</u> | <u>715,739</u> | <u>1,987,772</u> |
| Fund balances at end of year | <u>\$ 1,784,514</u> | <u>\$ 342,528</u> | <u>\$ 2,127,042</u> |

GENERAL FUND

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

CITY OF VICTORIA, TEXAS
MAJOR GOVERNMENTAL FUNDS - GENERAL FUND
BALANCE SHEET
 September 30, 2015
 With comparative totals for September 30, 2014

| | <u>2015</u> | <u>2014</u> |
|--|-----------------------------|-----------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 7,790,089 | \$ 2,240,022 |
| Investments | 13,512,777 | 17,479,917 |
| Receivables (net) | | |
| Ad valorem taxes (prior years) | 1,663,120 | 1,475,695 |
| Franchise taxes | 718,609 | 698,874 |
| Sales taxes | 1,287,282 | 1,498,326 |
| Ambulance | 1,515,664 | 1,352,936 |
| Fines | 418,438 | 365,778 |
| Other | 721,626 | 543,087 |
| Due from other funds | 540,733 | 531,755 |
| Inventory | 271,491 | 268,964 |
| Returned checks | 18,204 | 18,130 |
| Total assets | <u>\$ 28,458,033</u> | <u>\$ 26,473,484</u> |
| LIABILITIES | | |
| Accounts payable | \$ 828,335 | \$ 1,352,087 |
| Accrued expenditures | 1,924,488 | 1,754,247 |
| Accrued compensated absences | 6,534 | 2,296 |
| Due to other governments | 134,220 | 145,914 |
| Due to other funds | 3,716,815 | 598,419 |
| Unearned revenue | - | 767,450 |
| Total liabilities | <u>6,610,392</u> | <u>4,620,413</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Unavailable revenue | 3,975,826 | 3,564,819 |
| Total deferred inflows of resources | <u>3,975,826</u> | <u>3,564,819</u> |
| FUND BALANCES | | |
| Nonspendable | | |
| Inventory | 271,491 | 268,964 |
| Committed | 950,019 | 2,689,089 |
| Unassigned | 16,650,305 | 15,330,199 |
| Total fund balances | <u>17,871,815</u> | <u>18,288,252</u> |
| Total liabilities, deferred inflows and fund balances | <u>\$ 28,458,033</u> | <u>\$ 26,473,484</u> |

CITY OF VICTORIA, TEXAS
MAJOR GOVERNMENTAL FUNDS - GENERAL FUND
SCHEDULE OF REVENUES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended September 30, 2015
With comparative totals for the year ended September 30, 2014

| | 2015 | | | 2014 Actual |
|------------------------------------|----------------------|----------------------|------------------------------------|----------------------|
| | Final Budget | Actual | Variance Positive (Negative) | |
| Taxes | | | | |
| Ad valorem taxes | \$ 14,317,102 | \$ 14,193,626 | \$ (123,476) | \$ 13,872,998 |
| Penalty and interest | 210,000 | 217,368 | 7,368 | 220,286 |
| Franchise tax | 5,165,000 | 5,410,432 | 245,432 | 5,308,414 |
| Sales tax | 17,616,420 | 17,937,136 | 320,716 | 17,692,397 |
| Other | 73,000 | 75,620 | 2,620 | 75,651 |
| Total taxes | 37,381,522 | 37,834,182 | 452,660 | 37,169,746 |
| Licenses and permits | | | | |
| Building | 321,000 | 321,408 | 408 | 472,007 |
| Electrical | 70,000 | 57,834 | (12,166) | 83,897 |
| Mechanical | 60,000 | 56,125 | (3,875) | 57,845 |
| Liquor | 210,000 | 273,989 | 63,989 | 244,444 |
| Plumbing | 60,000 | 44,935 | (15,065) | 66,253 |
| Vital statistics | 124,000 | 126,827 | 2,827 | 126,332 |
| Miscellaneous | 78,885 | 78,478 | (407) | 83,675 |
| Total licenses and permits | 923,885 | 959,596 | 35,711 | 1,134,453 |
| Intergovernmental | 1,996,500 | 2,008,251 | 11,751 | 1,742,790 |
| Charges for services | | | | |
| Ambulance | 1,780,000 | 1,871,311 | 91,311 | 1,830,158 |
| Victoria Public Library | 69,000 | 83,266 | 14,266 | 79,928 |
| Parks and recreation | 115,000 | 90,120 | (24,880) | 76,836 |
| Miscellaneous | 162,100 | 214,330 | 52,230 | 175,949 |
| Total charges for services | 2,126,100 | 2,259,027 | 132,927 | 2,162,871 |
| Fines and forfeitures | | | | |
| Court costs | 160,000 | 118,043 | (41,957) | 161,958 |
| Criminal and traffic court | 1,000,000 | 1,229,420 | 229,420 | 1,315,498 |
| Parking violations | 15,000 | 2,622 | (12,378) | 9,948 |
| Total fines and forfeitures | 1,175,000 | 1,350,085 | 175,085 | 1,487,404 |
| Investment income | | | | |
| Interest | 60,000 | 51,275 | (8,725) | 85,986 |
| Miscellaneous | | | | |
| Rents | 2,200 | 4,515 | 2,315 | 2,343 |
| Salvage and asset sales | 10,000 | 4,631 | (5,369) | 6,363 |
| Contributions and miscellaneous | 175,716 | 385,497 | 209,781 | 456,178 |
| Total miscellaneous | 187,916 | 394,643 | 206,727 | 464,884 |
| Total revenues | \$ 43,850,923 | \$ 44,857,059 | \$ 1,006,136 | \$ 44,248,134 |

CITY OF VICTORIA, TEXAS
MAJOR GOVERNMENTAL FUNDS - GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended September 30, 2015
With comparative totals for the year ended September 30, 2014

| | 2015 | | | 2014 Actual |
|---------------------------------|-----------------|----------------|------------------------------------|----------------|
| | Final Budget | Actual | Variance Positive (Negative) | |
| General government | | | | |
| City manager and council | | | | |
| Personnel | \$ 575,070 | \$ 561,030 | \$ 14,040 | \$ 551,347 |
| Maintenance and operations | 57,773 | 43,192 | 14,581 | 58,294 |
| Capital outlay | - | - | - | 1,099 |
| Total city manager and council | <u>632,843</u> | <u>604,222</u> | <u>28,621</u> | <u>610,740</u> |
| Finance | | | | |
| Personnel | 453,476 | 453,901 | (425) | 446,276 |
| Maintenance and operations | 139,139 | 131,190 | 7,949 | 159,121 |
| Capital outlay | - | - | - | 1,082 |
| Total finance | <u>592,615</u> | <u>585,091</u> | <u>7,524</u> | <u>606,479</u> |
| Legal | | | | |
| Personnel | 406,203 | 366,121 | 40,082 | 363,037 |
| Maintenance and operations | 112,500 | 89,240 | 23,260 | 106,094 |
| Capital outlay | <u>5,000</u> | <u>5,293</u> | <u>(293)</u> | <u>2,602</u> |
| Total legal | <u>523,703</u> | <u>460,654</u> | <u>63,049</u> | <u>471,733</u> |
| Human resources | | | | |
| Personnel | 299,348 | 298,992 | 356 | 289,247 |
| Maintenance and operations | 139,798 | 116,423 | 23,375 | 154,803 |
| Capital outlay | <u>4,749</u> | <u>2,636</u> | <u>2,113</u> | <u>8,989</u> |
| Total human resources | <u>443,895</u> | <u>418,051</u> | <u>25,844</u> | <u>453,039</u> |
| City secretary | | | | |
| Personnel | 149,583 | 148,400 | 1,183 | 143,052 |
| Maintenance and operations | 95,505 | 69,716 | 25,789 | 56,986 |
| Capital outlay | <u>1,100</u> | <u>1,082</u> | <u>18</u> | <u>2,926</u> |
| Total city secretary | <u>246,188</u> | <u>219,198</u> | <u>26,990</u> | <u>202,964</u> |
| Public information office | | | | |
| Personnel | 188,280 | 187,601 | 679 | 181,638 |
| Maintenance and operations | <u>72,437</u> | <u>50,595</u> | <u>21,842</u> | <u>40,265</u> |
| Total public information office | <u>260,717</u> | <u>238,196</u> | <u>22,521</u> | <u>221,903</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, 2015
With comparative totals for the year ended September 30, 2014

| | 2015 | | | 2014 Actual |
|---|-------------------|-------------------|------------------------------------|-------------------|
| | Final Budget | Actual | Variance Positive (Negative) | |
| General government - (continued) | | | | |
| Non-departmental | | | | |
| Personnel | \$ 15,500 | \$ 840 | \$ 14,660 | \$ 174,934 |
| Maintenance and operations | 939,656 | 909,688 | 29,968 | 1,282,319 |
| Total non-departmental | 955,156 | 910,528 | 44,628 | 1,457,253 |
| Total general government | 3,655,117 | 3,435,940 | 219,177 | 4,024,111 |
| Public safety | | | | |
| Police | | | | |
| Personnel | 11,099,858 | 10,866,809 | 233,049 | 10,532,366 |
| Maintenance and operations | 2,218,926 | 2,073,702 | 145,224 | 2,122,861 |
| Capital outlay | 617,706 | 451,883 | 165,823 | 224,063 |
| Total police | 13,936,490 | 13,392,394 | 544,096 | 12,879,290 |
| Fire | | | | |
| Personnel | 10,047,160 | 9,427,537 | 619,623 | 8,919,091 |
| Maintenance and operations | 2,119,272 | 2,108,025 | 11,247 | 2,032,209 |
| Capital outlay | 1,147,739 | 1,098,337 | 49,402 | 438,522 |
| Total fire | 13,314,171 | 12,633,899 | 680,272 | 11,389,822 |
| Municipal court | | | | |
| Personnel | 252,584 | 250,327 | 2,257 | 246,506 |
| Maintenance and operations | 106,857 | 86,433 | 20,424 | 91,800 |
| Capital outlay | 1,500 | - | 1,500 | 16,305 |
| Total municipal court | 360,941 | 336,760 | 24,181 | 354,611 |
| Total public safety | 27,611,602 | 26,363,053 | 1,248,549 | 24,623,723 |

(continued)

CITY OF VICTORIA, TEXAS
MAJOR GOVERNMENTAL FUNDS - GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended September 30, 2015
With comparative totals for the year ended September 30, 2014

| | 2015 | | Variance Positive (Negative) | 2014 Actual |
|--|-----------------|------------|------------------------------------|----------------|
| | Final Budget | Actual | | |
| Development | | | | |
| Development svcs. administration | | | | |
| Personnel | \$ 170,111 | \$ 170,695 | \$ (584) | \$ 164,484 |
| Maintenance and operations | 18,693 | 14,044 | 4,649 | 13,386 |
| Capital outlay | 1,100 | - | 1,100 | 1,091 |
| Total development svcs. administration | 189,904 | 184,739 | 5,165 | 178,961 |
| Planning services | | | | |
| Personnel | 210,643 | 212,172 | (1,529) | 177,880 |
| Maintenance and operations | 464,414 | 403,283 | 61,131 | 318,478 |
| Capital outlay | 2,109 | 2,109 | - | 3,940 |
| Total planning services | 677,166 | 617,564 | 59,602 | 500,298 |
| Development center/inspections | | | | |
| Personnel | 643,558 | 583,861 | 59,697 | 598,475 |
| Maintenance and operations | 125,722 | 106,950 | 18,772 | 149,317 |
| Capital outlay | 10,205 | 10,164 | 41 | 14,959 |
| Total development center/inspections | 779,485 | 700,975 | 78,510 | 762,751 |
| Code enforcement | | | | |
| Personnel | 205,493 | 195,968 | 9,525 | 197,343 |
| Maintenance and operations | 249,208 | 208,143 | 41,065 | 147,601 |
| Capital outlay | 2,500 | 2,386 | 114 | 11,680 |
| Total code enforcement | 457,201 | 406,497 | 50,704 | 356,624 |
| Geographic information system (GIS) | | | | |
| Personnel | 251,690 | 249,499 | 2,191 | 243,074 |
| Maintenance and operations | 42,570 | 31,738 | 10,832 | 35,323 |
| Capital outlay | 3,090 | 1,499 | 1,591 | 1,527 |
| Total geographic information system | 297,350 | 282,736 | 14,614 | 279,924 |
| Engineering | | | | |
| Personnel | 664,703 | 625,224 | 39,479 | 624,665 |
| Maintenance and operations | 129,215 | 91,508 | 37,707 | 161,720 |
| Capital outlay | 11,900 | 5,154 | 6,746 | 29,351 |
| Total engineering | 805,818 | 721,886 | 83,932 | 815,736 |

(continued)

CITY OF VICTORIA, TEXAS
MAJOR GOVERNMENTAL FUNDS - GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended September 30, 2015
With comparative totals for the year ended September 30, 2014

| | 2015 | | Variance Positive (Negative) | 2014 Actual |
|----------------------------------|-------------------|------------------|------------------------------------|-------------------|
| | Final Budget | Actual | | |
| Development - (continued) | | | | |
| Streets and drainage | | | | |
| Personnel | \$ 1,365,347 | \$ 1,316,452 | \$ 48,895 | \$ 1,327,276 |
| Maintenance and operations | 1,733,960 | 1,154,588 | 579,372 | 1,159,196 |
| Capital outlay | <u>3,321,408</u> | <u>381,382</u> | <u>2,940,026</u> | <u>2,846,238</u> |
| Total streets and drainage | <u>6,420,715</u> | <u>2,852,422</u> | <u>3,568,293</u> | <u>5,332,710</u> |
| Traffic control | | | | |
| Personnel | 458,237 | 461,601 | (3,364) | 439,474 |
| Maintenance and operations | 2,022,897 | 1,658,510 | 364,387 | 1,525,242 |
| Capital outlay | <u>144,440</u> | <u>133,423</u> | <u>11,017</u> | <u>84,041</u> |
| Total traffic control | <u>2,625,574</u> | <u>2,253,534</u> | <u>372,040</u> | <u>2,048,757</u> |
| Total development | <u>12,253,213</u> | <u>8,020,353</u> | <u>4,232,860</u> | <u>10,275,761</u> |
| Building services | | | | |
| Building services | | | | |
| Personnel | 280,609 | 246,343 | 34,266 | 234,191 |
| Maintenance and operations | 176,881 | 171,489 | 5,392 | 151,384 |
| Capital outlay | <u>17,200</u> | <u>2,163</u> | <u>15,037</u> | <u>34,395</u> |
| Total building services | <u>474,690</u> | <u>419,995</u> | <u>54,695</u> | <u>419,970</u> |
| Custodial | | | | |
| Personnel | 164,589 | 165,096 | (507) | 156,954 |
| Maintenance and operations | 38,666 | 32,294 | 6,372 | 29,837 |
| Capital outlay | <u>4,000</u> | <u>3,941</u> | <u>59</u> | <u>-</u> |
| Total custodial | <u>207,255</u> | <u>201,331</u> | <u>5,924</u> | <u>186,791</u> |
| Total building services | <u>681,945</u> | <u>621,326</u> | <u>60,619</u> | <u>606,761</u> |
| Recreation | | | | |
| Parks and recreation | | | | |
| Personnel | 1,760,881 | 1,694,967 | 65,914 | 1,659,298 |
| Maintenance and operations | 1,482,896 | 1,337,812 | 145,084 | 1,884,562 |
| Capital outlay | <u>243,726</u> | <u>232,378</u> | <u>11,348</u> | <u>337,379</u> |
| Total parks and recreation | <u>3,487,503</u> | <u>3,265,157</u> | <u>222,346</u> | <u>3,881,239</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, 2015
With comparative totals for the year ended September 30, 2014

| | 2015 | | | 2014 Actual |
|---------------------------------|----------------------|----------------------|------------------------------------|----------------------|
| | Final Budget | Actual | Variance Positive (Negative) | |
| Recreation - (continued) | | | | |
| Library | | | | |
| Personnel | \$ 1,338,134 | \$ 1,264,053 | \$ 74,081 | \$ 1,255,896 |
| Maintenance and operations | 625,238 | 543,820 | 81,418 | 407,846 |
| Capital outlay | 326,164 | 311,370 | 14,794 | 367,176 |
| Total library | <u>2,289,536</u> | <u>2,119,243</u> | <u>170,293</u> | <u>2,030,918</u> |
| Total recreation | <u>5,777,039</u> | <u>5,384,400</u> | <u>392,639</u> | <u>5,912,157</u> |
| Total expenditures | <u>\$ 49,978,916</u> | <u>\$ 43,825,072</u> | <u>\$ 6,153,844</u> | <u>\$ 45,442,513</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:

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.

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.

DEBT SERVICE FUND - (Continued)

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.

2012 General Obligation Refunding Issue - To accumulate monies for payment of the 2012 advance refunding issue of \$3,910,000 2.00% - 2.25% 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 \$3,910,000 from the proceeds was deposited into an escrow account to pay off the maturities of the 2003 Certificates of Obligations as they become due. Property taxes levied in excess of actual requirements are legally restricted to servicing this debt.

DEBT SERVICE FUND - (Continued)

2012 Certificates of Obligation Issue - To accumulate monies for payment of the 2012 \$3,810,000 2.00% - 3.75% Certificates of Obligation Bonds which are serial bonds due in annual installments of various amounts plus interest until maturity in 2032. Property tax is levied to finance debt service. Proceeds will be used (1) to construct, improve and repair City streets and sidewalks, together with landscape, drainage, utility line replacement, traffic and street signalization and lighting improvements, and (2) to pay costs of issuance of the Certificates.

2013A General Obligation Refunding Issue - To accumulate monies for payment of the 2013A advance refunding issue of \$9,075,000 2.00% - 3.00% Refunding General Obligation Bonds 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. The \$9,075,000 from the proceeds was deposited into an escrow account to pay off \$8,635,000 of the maturities of the 2005 Certificates of Obligations as they become due. Property taxes levied in excess of actual requirements are legally restricted to servicing this debt.

2013B General Obligation Refunding Issue - To accumulate monies for payment of the 2013B advance refunding issue of \$15,940,000 0.40% - 3.00% 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 \$15,940,000 from the proceeds was deposited into an escrow account to pay off \$6,300,000 of the maturities of the 2004 General Obligation Refunding Bonds and \$9,470,000 of the maturities of the 2005 General Obligation Refunding Bonds as they become due. Property taxes levied in excess of actual requirements are legally restricted to servicing this debt.

2013 Certificates of Obligation Issue - To accumulate monies for payment of the 2013 \$9,095,000 3.00% - 4.49% Certificates of Obligation Bonds which are serial bonds due in annual installments of various amounts plus interest until maturity in 2033. Property tax is levied to finance debt service. Proceeds will be used (1) to construct, improve and repair City streets and sidewalks, together with landscape, drainage, utility line replacement, traffic and street signalization and lighting improvements, and (2) to pay costs of issuance of the Certificates.

2014 Certificates of Obligation Issue - To accumulate monies for payment of the 2014 \$5,945,000 2.00% - 4.00% Certificates of Obligation Bonds which are serial bonds due in annual installments of various amounts plus interest until maturity in 2034. Property tax is levied to finance debt service. Proceeds will be used (1) to construct, improve and repair City streets and sidewalks, together with landscape, drainage, utility line replacement, traffic and street signalization and lighting improvements, and (2) to pay costs of issuance of the Certificates.

2015 General Obligation Refunding Issue - To accumulate monies for payment of the 2015 advance refunding issue of \$11,770,000 2.00% - 4.00% Refunding General Obligation Bonds which are serial bonds due in annual installments of various amounts plus interest until maturity in 2027. Property tax is levied to finance debt service. The \$11,770,000 from the proceeds was deposited into an escrow account to pay off \$5,620,000 of the maturities of the 2006 Certificates of Obligations as they become due and \$6,270,000 of the maturities of the 2007 Certificates of Obligations as they become due. Property taxes levied in excess of actual requirements are legally restricted to servicing this debt.

CITY OF VICTORIA, TEXAS
MAJOR GOVERNMENTAL FUNDS - DEBT SERVICE FUND
BALANCE SHEET
September 30, 2015
With comparative totals for September 30, 2014

| | <u>2015</u> | <u>2014</u> |
|---|---------------------|---------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 1,102,779 | \$ 116,120 |
| Investments | - | 1,000,301 |
| Receivables (net) | | |
| Ad valorem taxes (prior years) | <u>789,576</u> | <u>676,981</u> |
| Total assets | <u>\$ 1,892,355</u> | <u>\$ 1,793,402</u> |
| LIABILITIES | | |
| Accrued interest payable | <u>\$ -</u> | <u>\$ 25,344</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Unavailable revenue | <u>789,576</u> | <u>676,981</u> |
| Total deferred inflows of resources | <u>789,576</u> | <u>676,981</u> |
| FUND BALANCE | | |
| Restricted | <u>1,102,779</u> | <u>1,091,077</u> |
| Total liabilities, deferred inflows and fund balance | <u>\$ 1,892,355</u> | <u>\$ 1,793,402</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, 2015

With comparative totals for the year ended September 30, 2014

| | 2015 | | Variance Positive (Negative) | 2014 Actual |
|-------------------------------------|-------------------|-------------------|------------------------------------|------------------|
| | Final Budget | Actual | | |
| REVENUES | | | | |
| Taxes | | | | |
| Ad valorem - current | | | | |
| 2004 Issue | \$ - | \$ - | \$ - | \$ 1,307,972 |
| 2005 Issues | 727,686 | 720,186 | (7,500) | 800,310 |
| 2006 Issue | 751,014 | 743,276 | (7,738) | 743,462 |
| 2007 Issue | 858,375 | 849,531 | (8,844) | 853,384 |
| 2009 Issues | 1,406,518 | 1,392,030 | (14,488) | 1,274,971 |
| 2010 Issue | 1,038,167 | 1,027,470 | (10,697) | 1,033,563 |
| 2012 Issues | 654,774 | 648,037 | (6,737) | 647,489 |
| 2013 Issues | 2,975,317 | 2,944,672 | (30,645) | 1,525,490 |
| 2014 Issue | 422,236 | 417,885 | (4,351) | - |
| Ad valorem - delinquent | 110,000 | 155,786 | 45,786 | 63,732 |
| Intergovernmental | 413,958 | 420,766 | 6,808 | 421,220 |
| Investment income - interest | 12,000 | 12,793 | 793 | 6,606 |
| Total revenues | <u>9,370,045</u> | <u>9,332,432</u> | <u>(37,613)</u> | <u>8,678,199</u> |
| EXPENDITURES | | | | |
| Debt service | | | | |
| Principal retirement | | | | |
| 2004 Issue | - | - | - | 1,285,000 |
| 2005 Issues | 675,000 | 675,000 | - | 725,000 |
| 2006 Issue | 470,000 | 470,000 | - | 450,000 |
| 2007 Issue | 490,000 | 490,000 | - | 475,000 |
| 2009 Issues | 480,000 | 480,000 | - | 350,000 |
| 2010 Issue | 825,000 | 825,000 | - | 815,000 |
| 2011 Issue | 425,000 | 1,855,000 | (1,430,000) | 375,000 |
| 2012 Issues | 485,000 | 485,000 | - | 475,000 |
| 2013 Issues | 1,875,000 | 1,875,000 | - | 460,000 |
| 2014 Issue | 205,000 | 260,000 | (55,000) | - |
| 2015 Issue | - | 90,000 | (90,000) | - |
| Interest | | | | |
| 2004 Issue | - | - | - | 51,400 |
| 2005 Issues | 60,788 | 60,788 | - | 92,700 |
| 2006 Issue | 289,376 | 176,169 | 113,207 | 309,625 |
| 2007 Issue | 377,932 | 230,666 | 147,266 | 396,931 |
| 2009 Issues | 1,356,136 | 1,356,135 | 1 | 1,366,635 |
| 2010 Issue | 224,726 | 224,725 | 1 | 241,025 |
| 2011 Issue | 337,776 | 337,775 | 1 | 345,275 |
| 2012 Issues | 177,064 | 177,063 | 1 | 186,563 |
| 2013 Issues | 1,133,444 | 1,108,100 | 25,344 | 1,113,036 |
| 2014 Issue | 221,937 | 155,673 | 66,264 | - |
| 2015 Issue | - | 166,774 | (166,774) | - |
| Paying agents' fees and issue costs | 9,750 | 197,163 | (187,413) | 8,215 |
| Arbitrage rebate premiums | 12,000 | 7,800 | 4,200 | 8,770 |
| Total expenditures | <u>10,130,929</u> | <u>11,703,831</u> | <u>(1,572,902)</u> | <u>9,530,175</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, 2015

With comparative totals for the year ended September 30, 2014

| | 2015 | | | 2014 |
|--|---------------------|---------------------|------------------------------------|---------------------|
| | Final Budget | Actual | Variance Positive (Negative) | Actual |
| Excess (deficiency) of revenues over expenditures | \$ (760,884) | \$ (2,371,399) | \$ (1,610,515) | \$ (851,976) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Bonds issued | - | 11,770,000 | 11,770,000 | - |
| Premium on issuance of bonds | - | 1,233,214 | 1,233,214 | - |
| Payment to escrow | - | (12,812,888) | (12,812,888) | - |
| Transfer in | <u>762,776</u> | <u>2,192,775</u> | <u>1,429,999</u> | <u>720,275</u> |
| Total other financing sources (uses) | <u>762,776</u> | <u>2,383,101</u> | <u>1,620,325</u> | <u>720,275</u> |
| Changes in fund balance | 1,892 | 11,702 | 9,810 | (131,701) |
| Fund balance at beginning of year | <u>1,091,077</u> | <u>1,091,077</u> | - | <u>1,222,778</u> |
| Fund balance at end of year | <u>\$ 1,092,969</u> | <u>\$ 1,102,779</u> | <u>\$ 9,810</u> | <u>\$ 1,091,077</u> |

CAPITAL PROJECT 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, 2015

With comparative totals for the year ended September 30, 2014

| | 2015 | | | 2014 Actual |
|--|------------------|---------------------|------------------------------------|---------------------|
| | Final Budget | Actual | Variance Positive (Negative) | |
| REVENUES | | | | |
| Intergovernmental | \$ 250,000 | \$ 149,867 | \$ (100,133) | \$ - |
| Investment income | | | | |
| Interest | 1,250 | 2,941 | 1,691 | 96 |
| Miscellaneous | 135,000 | - | (135,000) | - |
| Total revenues | <u>386,250</u> | <u>152,808</u> | <u>(98,442)</u> | <u>96</u> |
| EXPENDITURES | | | | |
| Capital outlay | <u>2,615,120</u> | <u>438,510</u> | <u>2,176,610</u> | <u>-</u> |
| Excess (deficiency) of revenues over expenditures | (2,228,870) | (285,702) | 2,078,168 | 96 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 958,183 | 798,183 | (160,000) | 1,271,937 |
| Transfers out | - | - | - | (7,692) |
| Total other financing sources (uses) | <u>958,183</u> | <u>798,183</u> | <u>(160,000)</u> | <u>1,264,245</u> |
| Change in fund balance | (1,270,687) | 512,481 | 1,918,168 | 1,264,341 |
| Fund balance at beginning of year | <u>1,272,033</u> | <u>1,272,033</u> | <u>-</u> | <u>7,692</u> |
| Fund balance at end of year | <u>\$ 1,346</u> | <u>\$ 1,784,514</u> | <u>\$ 1,918,168</u> | <u>\$ 1,272,033</u> |

CITY OF VICTORIA, TEXAS

NONMAJOR 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, 2015

With comparative totals for the year ended September 30, 2014

| | 2015 | | | 2014 Actual |
|--|-------------------|-------------------|------------------------------------|-------------------|
| | Final Budget | Actual | Variance Positive (Negative) | |
| REVENUES | | | | |
| Intergovernmental | \$ - | \$ 1,815,294 | \$ 1,815,294 | \$ 982,764 |
| Investment income | | | | |
| Interest | - | 4,270 | 4,270 | 301 |
| Total revenues | - | 1,819,564 | 1,819,564 | 983,065 |
| EXPENDITURES | - | - | - | - |
| Excess (deficiency) of revenues over expenditures | - | 1,819,564 | 1,819,564 | 983,065 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | - | (2,192,775) | (2,192,775) | (720,275) |
| Total other financing sources (uses) | - | (2,192,775) | (2,192,775) | (720,275) |
| Change in fund balance | - | (373,211) | (373,211) | 262,790 |
| Fund balance at beginning of year | 715,739 | 715,739 | - | 452,949 |
| Fund balance at end of year | <u>\$ 715,739</u> | <u>\$ 342,528</u> | <u>\$ (373,211)</u> | <u>\$ 715,739</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, 2015

With comparative totals for the year ended September 30, 2014

| | 2015 | | Variance Positive (Negative) | 2014 Actual |
|--|---------------------|----------------------|------------------------------------|---------------------|
| | Final Budget | Actual | | |
| REVENUES | | | | |
| Investment income | | | | |
| Interest | \$ 11,923 | \$ 21,416 | \$ 9,493 | \$ 16,124 |
| Total revenues | <u>11,923</u> | <u>21,416</u> | <u>9,493</u> | <u>16,124</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Development | 237,942 | - | 237,942 | 197,498 |
| Capital outlay | 12,510,195 | 5,720,854 | 6,789,341 | 4,516,213 |
| Debt service | | | | |
| Bond issue costs | <u>112,036</u> | <u>112,036</u> | <u>-</u> | <u>145,222</u> |
| Total expenditures | <u>12,860,173</u> | <u>5,832,890</u> | <u>7,027,283</u> | <u>4,858,933</u> |
| Excess (deficiency) of revenues over expenditures | (12,848,250) | (5,811,474) | 7,036,776 | (4,842,809) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Bonds issued | 5,945,000 | 5,945,000 | - | 9,095,000 |
| Premium on issuance of bonds | 167,036 | 167,036 | - | 50,222 |
| Transfers in | 1,763,539 | 3,940,574 | 2,177,035 | 7,692 |
| Transfers out | <u>(252,926)</u> | <u>(490,720)</u> | <u>(237,794)</u> | <u>-</u> |
| Total other financing sources (uses) | <u>7,622,649</u> | <u>9,561,890</u> | <u>1,939,241</u> | <u>9,152,914</u> |
| Change in fund balance | (5,225,601) | 3,750,416 | 8,976,017 | 4,310,105 |
| Fund balance at beginning of year | <u>6,578,597</u> | <u>6,578,597</u> | <u>-</u> | <u>2,268,492</u> |
| Fund balance at end of year | <u>\$ 1,352,996</u> | <u>\$ 10,329,013</u> | <u>\$ 8,976,017</u> | <u>\$ 6,578,597</u> |

NONMAJOR ENTERPRISE FUNDS

The City maintains four Enterprise Funds: Water and Wastewater, Community Center, 700 Main Center, and Environmental Services. 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.

CITY OF VICTORIA, TEXAS
ALL NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
September 30, 2015

| | Community Center | 700 Main Center | Total Nonmajor Enterprise Funds |
|--|---------------------|---------------------|--|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | \$ 604,875 | \$ 91,098 | \$ 695,973 |
| Receivables (net) | 375 | 2,292 | 2,667 |
| Due from other funds | 149,936 | - | 149,936 |
| Returned checks | 1,520 | - | 1,520 |
| Restricted assets | | | |
| Cash and cash equivalents | 86,610 | - | 86,610 |
| Investments | 800,226 | - | 800,226 |
| Total current assets | <u>1,643,542</u> | <u>93,390</u> | <u>1,736,932</u> |
| Noncurrent assets | | | |
| Capital assets | | | |
| Land and other assets not being depreciated | 175,160 | 224,598 | 399,758 |
| Buildings, improvements, and equipment (net) | <u>2,587,552</u> | <u>1,261,398</u> | <u>3,848,950</u> |
| Total noncurrent assets | <u>2,762,712</u> | <u>1,485,996</u> | <u>4,248,708</u> |
| Total assets | <u>4,406,254</u> | <u>1,579,386</u> | <u>5,985,640</u> |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable | 40,235 | 54,348 | 94,583 |
| Accrued expenses | 12,201 | - | 12,201 |
| Due to other funds | 3,685 | - | 3,685 |
| Accrued compensated absences | 124 | - | 124 |
| Customer deposits | 44,700 | - | 44,700 |
| Total current liabilities | <u>100,945</u> | <u>54,348</u> | <u>155,293</u> |
| Noncurrent liabilities | | | |
| Accrued compensated absences | <u>3,680</u> | - | <u>3,680</u> |
| Total liabilities | <u>104,625</u> | <u>54,348</u> | <u>158,973</u> |
| NET POSITION | | | |
| Net investment in capital assets | 2,762,712 | 1,485,996 | 4,248,708 |
| Unrestricted net position | <u>1,538,917</u> | <u>39,042</u> | <u>1,577,959</u> |
| Total net position | <u>\$ 4,301,629</u> | <u>\$ 1,525,038</u> | <u>\$ 5,826,667</u> |

CITY OF VICTORIA, TEXAS*ALL NONMAJOR ENTERPRISE FUNDS**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**For the year ended September 30, 2015*

| | Community Center | 700 Main Center | Total Nonmajor Enterprise Funds |
|---|---------------------|---------------------|--|
| OPERATING REVENUES | | | |
| Charges for services | \$ 211,541 | \$ 153,517 | \$ 365,058 |
| OPERATING EXPENSES | | | |
| Personnel | 264,304 | - | 264,304 |
| Materials and supplies | 24,063 | 934 | 24,997 |
| Maintenance | 41,437 | 12,547 | 53,984 |
| Heat, lights and power | 99,668 | 65,099 | 164,767 |
| Miscellaneous services | 29,050 | 13,107 | 42,157 |
| Contractual services | 55,507 | 23,218 | 78,725 |
| Computer services | 15,237 | - | 15,237 |
| Depreciation | 241,888 | 104,859 | 346,747 |
| Total operating expenses | <u>771,154</u> | <u>219,764</u> | <u>990,918</u> |
| Operating income (loss) before nonoperating revenues (expenses) and transfers | (559,613) | (66,247) | (625,860) |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Investment income | 2,278 | - | 2,278 |
| Gain (loss) on disposition of capital assets | <u>(9,657)</u> | <u>(108)</u> | <u>(9,765)</u> |
| Net nonoperating revenues (expenses) | <u>(7,379)</u> | <u>(108)</u> | <u>(7,487)</u> |
| Income before transfers | (566,992) | (66,355) | (633,347) |
| Transfers | | | |
| Transfers in | 480,000 | - | 480,000 |
| Transfers out | <u>(19,800)</u> | <u>-</u> | <u>(19,800)</u> |
| Total transfers | <u>460,200</u> | <u>-</u> | <u>460,200</u> |
| Change in net position | (106,792) | (66,355) | (173,147) |
| Total net position at beginning of year | <u>4,408,421</u> | <u>1,591,393</u> | <u>5,999,814</u> |
| Total net position at end of year | <u>\$ 4,301,629</u> | <u>\$ 1,525,038</u> | <u>\$ 5,826,667</u> |

CITY OF VICTORIA, TEXAS
ALL NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the year ended September 30, 2015

| | Community Center | 700 Main Center | Total Nonmajor Enterprise Funds |
|---|---------------------|--------------------|--|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash received from customers | \$ 211,541 | \$ 151,248 | \$ 362,789 |
| Cash paid to suppliers for goods and services | (336,936) | (88,198) | (425,134) |
| Cash paid to employees for services | (259,849) | - | (259,849) |
| Net cash provided (used) by operating activities | <u>(385,244)</u> | <u>63,050</u> | <u>(322,194)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | |
| Increase (decrease) in customer deposits | 2,995 | - | 2,995 |
| Borrowings from (to) other funds | 8,432 | - | 8,432 |
| Transfers in from other funds | 480,000 | - | 480,000 |
| Transfers out to other funds | (19,800) | - | (19,800) |
| Net cash provided (used) by noncapital financing activities | <u>471,627</u> | <u>-</u> | <u>471,627</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Acquisition and construction of capital assets | (42,810) | (48,115) | (90,925) |
| Proceeds from sale of capital assets | 20 | - | 20 |
| Net cash provided (used) by capital and related financing activities | <u>(42,790)</u> | <u>(48,115)</u> | <u>(90,905)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of investments | (2,400,000) | - | (2,400,000) |
| Proceeds from sales and maturities of investments | 2,400,014 | - | 2,400,014 |
| Investment income | 2,278 | - | 2,278 |
| Net cash provided (used) by investing activities | <u>2,292</u> | <u>-</u> | <u>2,292</u> |
| Net increase (decrease) in cash and cash equivalents | 45,885 | 14,935 | 60,820 |
| Cash and cash equivalents at beginning of year | <u>645,600</u> | <u>76,163</u> | <u>721,763</u> |
| Cash and cash equivalents at end of year | <u>\$ 691,485</u> | <u>\$ 91,098</u> | <u>\$ 782,583</u> |

CITY OF VICTORIA, TEXAS
 ALL NONMAJOR ENTERPRISE FUNDS
 COMBINING STATEMENT OF CASH FLOWS
 For the year ended September 30, 2015

| | <u>Community Center</u> | <u>700 Main Center</u> | <u>Total Nonmajor Enterprise Funds</u> |
|---|-----------------------------|----------------------------|--|
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | | | |
| Operating income (loss) | \$ (559,613) | \$ (66,247) | \$ (625,860) |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities | | | |
| Depreciation | 241,888 | 104,859 | 346,747 |
| Changes in assets and liabilities | | | |
| (Increase) decrease in other receivables | - | (2,269) | (2,269) |
| Increase (decrease) in accounts payable | (71,974) | 26,707 | (45,267) |
| Increase (decrease) in accrued expenses | 2,098 | - | 2,098 |
| Increase (decrease) in compensated absences | <u>2,357</u> | <u>-</u> | <u>2,357</u> |
| Total adjustments | <u>174,369</u> | <u>129,297</u> | <u>303,666</u> |
| Net cash provided (used) by operating activities | <u>\$ (385,244)</u> | <u>\$ 63,050</u> | <u>\$ (322,194)</u> |

WATER AND WASTEWATER FUND

CITY OF VICTORIA, TEXAS
MAJOR ENTERPRISE FUND
WATER AND WASTEWATER FUND
BALANCE SHEET
September 30, 2015
With comparative totals for September 30, 2014

| | <u>2015</u> | <u>2014</u> |
|---|------------------------|------------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 10,249,832 | \$ 4,256,032 |
| Investments | 400,000 | 6,202,611 |
| Receivables (net) | | |
| Accounts | 2,535,530 | 2,261,336 |
| Other | 16,776 | 21,086 |
| Inventory | 154,280 | 142,507 |
| Returned checks | - | 2,468 |
| Restricted assets | | |
| Cash and cash equivalents | 6,658,597 | 6,787,832 |
| Investments | <u>7,999,539</u> | <u>16,493,051</u> |
| Total current assets | <u>28,014,554</u> | <u>36,166,923</u> |
| Noncurrent assets | | |
| Capital assets | | |
| Buildings | 38,056,900 | 35,920,949 |
| Water and wastewater distribution system | 158,135,352 | 151,951,944 |
| Improvements other than buildings | 1,562,302 | 1,527,680 |
| Machinery and equipment | <u>3,639,185</u> | <u>3,557,150</u> |
| Total capital assets | 201,393,739 | 192,957,723 |
| Less accumulated depreciation | <u>94,792,164</u> | <u>88,621,279</u> |
| Subtotal | 106,601,575 | 104,336,444 |
| Land and water rights | 3,190,946 | 3,190,946 |
| Construction in progress | <u>16,179,594</u> | <u>11,535,707</u> |
| Net capital assets | <u>125,972,115</u> | <u>119,063,097</u> |
| Total noncurrent assets | <u>125,972,115</u> | <u>119,063,097</u> |
| Total assets | <u>153,986,669</u> | <u>155,230,020</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred amount on refunding | 188,395 | 436,654 |
| Deferred outflow related to TMRS | <u>761,229</u> | <u>-</u> |
| Total deferred outflows of resources | <u>949,624</u> | <u>436,654</u> |

CITY OF VICTORIA, TEXAS
MAJOR ENTERPRISE FUND
WATER AND WASTEWATER FUND
BALANCE SHEET
September 30, 2015
With comparative totals for September 30, 2014

| | <u>2015</u> | <u>2014</u> |
|--|----------------------|----------------------|
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable | \$ 574,152 | \$ 862,351 |
| Accounts payable (payable from restricted assets) | 2,347,686 | 1,716,580 |
| Accrued expenses | 272,440 | 233,695 |
| Accrued compensated absences | 7,277 | 2,394 |
| Due to other funds | 40,418 | 89,250 |
| Due to component unit | 361,948 | - |
| Accrued interest payable | 971,706 | 1,188,822 |
| Current portion of waterworks and sewer system revenue bonds | <u>6,430,000</u> | <u>6,015,000</u> |
| Total current liabilities | <u>11,005,627</u> | <u>10,108,092</u> |
| Noncurrent liabilities | | |
| Waterworks and sewer system revenue bonds (net of current portion) | 70,830,000 | 77,275,000 |
| Premiums on long-term debt | 3,937,713 | 4,272,165 |
| Other post employment benefits payable | 29,029 | 17,606 |
| Net pension liability | 5,259,343 | - |
| Accrued compensated absences | <u>216,400</u> | <u>202,148</u> |
| Total noncurrent liabilities | <u>80,272,485</u> | <u>81,766,919</u> |
| Total liabilities | <u>91,278,112</u> | <u>91,875,011</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred inflow related to TMRS | <u>166,322</u> | <u>-</u> |
| Total deferred inflows of resources | <u>166,322</u> | <u>-</u> |
| NET POSITION | | |
| Net investment in capital assets | 58,405,920 | 53,667,971 |
| Unrestricted | <u>5,085,939</u> | <u>10,123,692</u> |
| Total net position | <u>\$ 63,491,859</u> | <u>\$ 63,791,663</u> |

CITY OF VICTORIA, TEXAS**MAJOR ENTERPRISE FUND****WATER AND WASTEWATER FUND****STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**

For the year ended September 30, 2015

With comparative totals for the year ended September 30, 2014

| | <u>2015</u> | <u>2014</u> |
|---|----------------------|----------------------|
| OPERATING REVENUES | | |
| Water sales | \$ 13,663,215 | \$ 13,038,377 |
| Sewer service | 12,075,891 | 11,489,959 |
| Tap and connection fees | 386,537 | 444,453 |
| Miscellaneous | <u>207,907</u> | <u>178,475</u> |
| Total operating revenues | <u>26,333,550</u> | <u>25,151,264</u> |
| OPERATING EXPENSES | | |
| Personnel | 5,714,977 | 5,273,007 |
| Materials and supplies | 1,398,535 | 1,289,927 |
| Maintenance | 1,046,856 | 876,234 |
| Heat, lights, and power | 1,420,678 | 1,495,788 |
| Miscellaneous services | 1,467,182 | 1,175,635 |
| Contractual services | 373,775 | 549,033 |
| Computer services | 128,203 | 581,973 |
| Depreciation | <u>6,278,766</u> | <u>6,180,101</u> |
| Total operating expenses | <u>17,828,972</u> | <u>17,421,698</u> |
| Operating income (loss) before nonoperating revenues (expenses) and contributions and transfers | 8,504,578 | 7,729,566 |
| NONOPERATING REVENUES (EXPENSES) | | |
| Investment income | 61,325 | 28,953 |
| Interest and fiscal charges | (3,128,146) | (3,124,039) |
| Gain (loss) on disposition of capital assets | <u>(3,861)</u> | <u>(7,625)</u> |
| Net nonoperating revenues (expenses) | <u>(3,070,682)</u> | <u>(3,102,711)</u> |
| Income before contributions and transfers | 5,433,896 | 4,626,855 |
| Contributions and transfers | | |
| Capital contributions | 1,630,985 | 1,374,311 |
| Transfers out | <u>(2,579,500)</u> | <u>(2,477,200)</u> |
| Total contributions and transfers | <u>(948,515)</u> | <u>(1,102,889)</u> |
| Change in net position | 4,485,381 | 3,523,966 |
| Net position at beginning of year, as previously reported | 63,791,663 | 60,267,697 |
| Impact of change in accounting principle | <u>(4,785,185)</u> | <u>-</u> |
| Net position at beginning of year, as restated | <u>59,006,478</u> | <u>60,267,697</u> |
| Total net position at end of year | <u>\$ 63,491,859</u> | <u>\$ 63,791,663</u> |

CITY OF VICTORIA, TEXAS

MAJOR ENTERPRISE FUND

WATER AND WASTEWATER FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2015

With comparative totals for the year ended September 30, 2014

| | <u>2015</u> | <u>2014</u> |
|---|----------------------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from customers | \$ 26,066,134 | \$ 24,990,041 |
| Cash paid to suppliers for goods and services | (6,135,201) | (6,157,105) |
| Cash paid to employees for services | <u>(5,766,423)</u> | <u>(5,235,741)</u> |
| Net cash provided (used) by operating activities | <u>14,164,510</u> | <u>13,597,195</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Borrowings from (to) other funds | (48,832) | 44,325 |
| Borrowings from (to) component unit | 361,948 | - |
| Transfers out to other funds | <u>(2,579,500)</u> | <u>(2,477,200)</u> |
| Total operating expenses | <u>(2,266,384)</u> | <u>(2,432,875)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Acquisition and construction of capital assets | (12,560,536) | (9,891,495) |
| Proceeds from capital grants and contributions | 1,630,985 | 1,374,311 |
| Proceeds from issuance of revenue bonds | - | 21,776,968 |
| Principal paid on revenue bonds | (6,090,000) | (5,170,000) |
| Interest paid on revenue bonds | <u>(3,371,458)</u> | <u>(3,091,775)</u> |
| Net cash provided (used) by capital and related financing activities | <u>(20,391,009)</u> | <u>4,998,009</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of investments | (25,694,182) | (28,947,656) |
| Proceeds from sales and maturities of investments | 39,990,305 | 12,999,708 |
| Investment income | <u>61,325</u> | <u>28,953</u> |
| Net cash provided (used) by investing activities | <u>14,357,448</u> | <u>(15,918,995)</u> |
| Net increase (decrease) in cash and cash equivalents | 5,864,565 | 243,334 |
| Cash and cash equivalents at beginning of year | <u>11,043,864</u> | <u>10,800,530</u> |
| Cash and cash equivalents at end of year | <u>\$ 16,908,429</u> | <u>\$ 11,043,864</u> |

CITY OF VICTORIA, TEXAS
MAJOR ENTERPRISE FUND
WATER AND WASTEWATER FUND
STATEMENT OF CASH FLOWS
For the year ended September 30, 2015
With comparative totals for the year ended September 30, 2014

| | <u>2015</u> | <u>2014</u> |
|---|-----------------------------|-----------------------------|
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | | |
| Operating income (loss) | \$ 8,504,578 | \$ 7,729,566 |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities | | |
| Depreciation | 6,278,766 | 6,180,101 |
| Changes in assets and liabilities | | |
| (Increase) decrease in accounts receivable | (274,194) | (162,300) |
| (Increase) decrease in other receivables | 4,310 | (197) |
| (Increase) decrease in inventory | (11,773) | 15,084 |
| (Increase) decrease in returned checks | 2,468 | 1,274 |
| (Increase) decrease in deferred outflows related to TMRS | (220,516) | - |
| Increase (decrease) in accounts payable | (288,199) | (203,599) |
| Increase (decrease) in accrued expenses | 38,745 | 45,460 |
| Increase (decrease) in compensated absences | 19,135 | 3,852 |
| Increase (decrease) in other post employment benefits payable | 11,423 | (12,046) |
| Increase (decrease) in net pension liability | (66,555) | - |
| Increase (decrease) in deferred inflows related to TMRS | <u>166,322</u> | <u>-</u> |
| Total adjustments | <u>5,659,932</u> | <u>5,867,629</u> |
| Net cash provided (used) by operating activities | <u>\$ 14,164,510</u> | <u>\$ 13,597,195</u> |

COMMUNITY CENTER FUND

CITY OF VICTORIA, TEXAS
NONMAJOR ENTERPRISE FUND
COMMUNITY CENTER FUND
BALANCE SHEET
 September 30, 2015
 With comparative totals for September 30, 2014

| | <u>2015</u> | <u>2014</u> |
|----------------------------------|---------------------|---------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 604,875 | \$ 434,181 |
| Receivables (net) | | |
| Other | 375 | 375 |
| Due from other funds | 149,936 | 168,261 |
| Returned checks | 1,520 | 1,520 |
| Restricted assets | | |
| Cash and cash equivalents | 86,610 | 211,419 |
| Investments | 800,226 | 800,240 |
| Total current assets | <u>1,643,542</u> | <u>1,615,996</u> |
| Noncurrent assets | | |
| Capital assets | | |
| Buildings | 4,488,688 | 4,459,198 |
| Infrastructure | 288,581 | 288,581 |
| Machinery and equipment | 362,358 | 366,539 |
| Total capital assets | <u>5,139,627</u> | <u>5,114,318</u> |
| Less accumulated depreciation | <u>2,552,075</u> | <u>2,318,001</u> |
| Subtotal | 2,587,552 | 2,796,317 |
| Land | 175,160 | 175,160 |
| Net capital assets | <u>2,762,712</u> | <u>2,971,477</u> |
| Total noncurrent assets | <u>2,762,712</u> | <u>2,971,477</u> |
| Total assets | <u>4,406,254</u> | <u>4,587,473</u> |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable | 40,235 | 112,209 |
| Accrued expenses | 12,201 | 10,103 |
| Due to other funds | 3,685 | 13,578 |
| Accrued compensated absences | 124 | 17 |
| Customer deposits | 44,700 | 41,705 |
| Total current liabilities | <u>100,945</u> | <u>177,612</u> |
| Noncurrent liabilities | | |
| Accrued compensated absences | <u>3,680</u> | <u>1,430</u> |
| Total liabilities | <u>104,625</u> | <u>179,042</u> |
| NET POSITION | | |
| Net investment in capital assets | 2,762,712 | 2,971,477 |
| Unrestricted | <u>1,538,917</u> | <u>1,436,954</u> |
| Total net position | <u>\$ 4,301,629</u> | <u>\$ 4,408,431</u> |

CITY OF VICTORIA, TEXAS
NONMAJOR ENTERPRISE FUND
COMMUNITY CENTER FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
For the year ended September 30, 2015
With comparative totals for the year ended September 30, 2014

| | <u>2015</u> | <u>2014</u> |
|---|---------------------|---------------------|
| OPERATING REVENUES | | |
| Rental fees | \$ 209,811 | \$ 242,410 |
| Miscellaneous | <u>1,730</u> | <u>1,138</u> |
| Total operating revenues | <u>211,541</u> | <u>243,548</u> |
| OPERATING EXPENSES | | |
| Personnel | 264,304 | 264,572 |
| Materials and supplies | 24,063 | 24,900 |
| Maintenance | 41,437 | 35,881 |
| Heat, lights, and power | 99,668 | 97,576 |
| Miscellaneous services | 29,050 | 44,721 |
| Contractual services | 55,507 | 8,638 |
| Computer services | 15,237 | 10,969 |
| Depreciation | <u>241,888</u> | <u>199,798</u> |
| Total operating expenses | <u>771,154</u> | <u>687,055</u> |
| Operating income (loss) before nonoperating revenues (expenses) and transfers | (559,613) | (443,507) |
| NONOPERATING REVENUES (EXPENSES) | | |
| Investment income | 2,278 | 2,648 |
| Gain (loss) on disposition of capital assets | <u>(9,657)</u> | <u>(8,885)</u> |
| Net nonoperating revenues (expenses) | <u>(7,379)</u> | <u>(6,237)</u> |
| Income (loss) before transfers | (566,992) | (449,744) |
| Transfers | | |
| Transfers in | 480,000 | 480,000 |
| Transfers out | <u>(19,800)</u> | <u>(19,800)</u> |
| Total transfers | <u>460,200</u> | <u>460,200</u> |
| Change in net position | (106,792) | 10,456 |
| Total net position at beginning of year | <u>4,408,421</u> | <u>4,397,965</u> |
| Total net position at end of year | <u>\$ 4,301,629</u> | <u>\$ 4,408,421</u> |

CITY OF VICTORIA, TEXAS
NONMAJOR ENTERPRISE FUND
COMMUNITY CENTER FUND
STATEMENT OF CASH FLOWS
For the year ended September 30, 2015
With comparative totals for the year ended September 30, 2014

| | 2015 | 2014 |
|---|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from customers | \$ 211,541 | \$ 243,702 |
| Cash paid to suppliers for goods and services | (336,936) | (162,561) |
| Cash paid to employees for services | (259,849) | (266,026) |
| Net cash provided (used) by operating activities | <u>(385,244)</u> | <u>(184,885)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Increase (decrease) in customer deposits | 2,995 | 9,154 |
| Borrowings from (to) other funds | 8,432 | (37,256) |
| Transfers in from other funds | 480,000 | 480,000 |
| Transfers out to other funds | (19,800) | (19,800) |
| Net cash provided (used) by noncapital financing activities | <u>471,627</u> | <u>432,098</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Acquisition and construction of capital assets | (42,810) | (733,522) |
| Proceeds from sale of capital assets | 20 | 658 |
| Net cash provided (used) by capital and related financing activities | <u>(42,790)</u> | <u>(732,864)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of investments | (2,400,000) | (2,900,000) |
| Proceeds from sales and maturities of investments | 2,400,014 | 2,099,760 |
| Investment income | 2,278 | 2,648 |
| Net cash provided (used) by investing activities | <u>2,292</u> | <u>(797,592)</u> |
| Net increase (decrease) in cash and cash equivalents | 45,885 | (1,283,243) |
| Cash and cash equivalents at beginning of year | 645,600 | 1,928,843 |
| Cash and cash equivalents at end of year | <u>\$ 691,485</u> | <u>\$ 645,600</u> |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | | |
| Operating income (loss) | \$ (559,613) | \$ (443,507) |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities | | |
| Depreciation | 241,888 | 199,798 |
| Changes in assets and liabilities | | |
| (Increase) decrease in returned checks | - | 154 |
| Increase (decrease) in accounts payable | (71,974) | 60,124 |
| Increase (decrease) in accrued expenses | 2,098 | 1,806 |
| Increase (decrease) in compensated absences | 2,357 | (3,260) |
| Total adjustments | <u>174,369</u> | <u>258,622</u> |
| Net cash provided (used) by operating activities | <u>\$ (385,244)</u> | <u>\$ (184,885)</u> |

700 MAIN CENTER FUND

CITY OF VICTORIA, TEXAS
NONMAJOR ENTERPRISE FUND
700 MAIN CENTER FUND
BALANCE SHEET
September 30, 2015
With comparative totals for September 30, 2014

| | <u>2015</u> | <u>2014</u> |
|-----------------------------------|---------------------|---------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 91,098 | \$ 76,163 |
| Receivables (net) | | |
| Other | <u>2,292</u> | <u>23</u> |
| Total current assets | <u>93,390</u> | <u>76,186</u> |
| Noncurrent assets | | |
| Capital assets | | |
| Buildings | 2,751,538 | 2,703,688 |
| Improvements other than buildings | 78,216 | 78,216 |
| Machinery and equipment | <u>113,698</u> | <u>113,698</u> |
| Total capital assets | 2,943,452 | 2,895,602 |
| Less accumulated depreciation | <u>1,682,054</u> | <u>1,577,352</u> |
| Subtotal | 1,261,398 | 1,318,250 |
| Land | <u>224,598</u> | <u>224,598</u> |
| Net capital assets | <u>1,485,996</u> | <u>1,542,848</u> |
| Total assets | <u>1,579,386</u> | <u>1,619,034</u> |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable | <u>54,348</u> | <u>27,641</u> |
| NET POSITION | | |
| Net investment in capital assets | 1,485,996 | 1,542,848 |
| Unrestricted | <u>39,042</u> | <u>48,545</u> |
| Total net position | <u>\$ 1,525,038</u> | <u>\$ 1,591,393</u> |

CITY OF VICTORIA, TEXAS

NONMAJOR ENTERPRISE FUND

700 MAIN CENTER FUND

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

For the year ended September 30, 2015

With comparative totals for the year ended September 30, 2014

| | <u>2015</u> | <u>2014</u> |
|--|---------------------|---------------------|
| OPERATING REVENUES | | |
| Rental fees | \$ 153,517 | \$ 151,540 |
| OPERATING EXPENSES | | |
| Materials and supplies | 934 | 1,000 |
| Maintenance | 12,547 | 25,508 |
| Heat, lights, and power | 65,099 | 64,102 |
| Miscellaneous services | 13,107 | 10,559 |
| Contractual services | 23,218 | 24,230 |
| Depreciation | <u>104,859</u> | <u>102,447</u> |
| Total operating expenses | 219,764 | 227,846 |
| Operating income (loss) before nonoperating revenues (expenses) | (66,247) | (76,306) |
| NONOPERATING REVENUES | | |
| Loss on disposition of capital assets | <u>(108)</u> | <u>-</u> |
| Net nonoperating revenues (expenses) | <u>(108)</u> | <u>-</u> |
| Change in net position | (66,355) | (76,306) |
| Total net position at beginning of year | <u>1,591,393</u> | <u>1,667,699</u> |
| Total net position at end of year | <u>\$ 1,525,038</u> | <u>\$ 1,591,393</u> |

CITY OF VICTORIA, TEXAS
NONMAJOR ENTERPRISE FUND
700 MAIN CENTER FUND
STATEMENT OF CASH FLOWS
For the year ended September 30, 2015
With comparative totals for the year ended September 30, 2014

| | <u>2015</u> | <u>2014</u> |
|---|------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from customers | \$ 151,248 | \$ 152,523 |
| Cash paid to suppliers for goods and services | <u>(88,198)</u> | <u>(116,892)</u> |
| Net cash provided (used) by operating activities | <u>63,050</u> | <u>35,631</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Acquisition and construction of capital assets | <u>(48,115)</u> | <u>(83,264)</u> |
| Net cash provided (used) by capital and related financing activities | <u>(48,115)</u> | <u>(83,264)</u> |
| Net increase (decrease) in cash and cash equivalents | 14,935 | (47,633) |
| Cash and cash equivalents at beginning of year | <u>76,163</u> | <u>123,796</u> |
| Cash and cash equivalents at end of year | <u>\$ 91,098</u> | <u>\$ 76,163</u> |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | | |
| Operating income (loss) | \$ (66,247) | \$ (76,306) |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities | | |
| Depreciation | 104,859 | 102,447 |
| Changes in assets and liabilities | | |
| (Increase) decrease in other receivables | (2,269) | 983 |
| Increase (decrease) in accounts payable | <u>26,707</u> | <u>8,507</u> |
| Total adjustments | <u>129,297</u> | <u>111,937</u> |
| Net cash provided (used) by operating activities | <u>\$ 63,050</u> | <u>\$ 35,631</u> |

ENVIRONMENTAL SERVICES FUND

CITY OF VICTORIA, TEXAS
MAJOR ENTERPRISE FUND
ENVIRONMENTAL SERVICES FUND
BALANCE SHEET
September 30, 2015
With comparative totals for September 30, 2014

| | 2015 | 2014 |
|---|-------------------|-------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 2,443,582 | \$ 1,422,856 |
| Investments | 3,100,846 | 3,100,932 |
| Receivables (net) | | |
| Accounts | 268,472 | 212,732 |
| Other | 54,229 | 52,059 |
| Restricted assets | | |
| Cash and cash equivalents | 479,350 | 2,466,210 |
| Investments | 1,503,592 | 2,222,120 |
| Total current assets | <u>7,850,071</u> | <u>9,476,909</u> |
| Noncurrent assets | | |
| Capital assets | | |
| Buildings | 691,216 | 668,403 |
| Infrastructure | 1,504,801 | 1,504,801 |
| Improvements other than buildings | 542,111 | 542,111 |
| Machinery and equipment | 1,581,414 | 1,507,316 |
| Total capital assets | 4,319,542 | 4,222,631 |
| Less accumulated depreciation | <u>2,685,271</u> | <u>2,350,914</u> |
| Subtotal | 1,634,271 | 1,871,717 |
| Land | 834,981 | 799,931 |
| Net capital assets | <u>2,469,252</u> | <u>2,671,648</u> |
| Total noncurrent assets | <u>2,469,252</u> | <u>2,671,648</u> |
| Total assets | <u>10,319,323</u> | <u>12,148,557</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred outflow related to TMRS | <u>161,672</u> | - |
| Total deferred outflows of resources | <u>161,672</u> | - |

CITY OF VICTORIA, TEXAS
MAJOR ENTERPRISE FUND
ENVIRONMENTAL SERVICES FUND
BALANCE SHEET
September 30, 2015
With comparative totals for September 30, 2014

| | <u>2015</u> | <u>2014</u> |
|--|---------------------|---------------------|
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable | \$ 144,974 | \$ 139,944 |
| Accrued expenses | 59,996 | 53,291 |
| Accrued compensated absences | 1,243 | 525 |
| Landfill closure cost | - | 2,713,417 |
| Due to other funds | 11,259 | 20,449 |
| Due to other governments | 42,229 | 39,028 |
| Due to component unit | <u>25,480</u> | <u>25,062</u> |
| Total current liabilities | <u>285,181</u> | <u>2,991,716</u> |
| Noncurrent liabilities | | |
| Accrued compensated absences | 36,957 | 44,283 |
| Other post employment benefits payable | 6,393 | 4,015 |
| Net pension liability | 1,116,998 | - |
| Estimated landfill closure and postclosure care cost | <u>3,991,730</u> | <u>3,905,213</u> |
| Total noncurrent liabilities | <u>5,152,078</u> | <u>3,953,511</u> |
| Total liabilities | <u>5,437,259</u> | <u>6,945,227</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred inflow related to TMRS | <u>35,324</u> | - |
| Total deferred outflows of resources | <u>35,324</u> | - |
| NET POSITION | | |
| Net investment in capital assets | 2,469,252 | 2,671,648 |
| Unrestricted | <u>2,539,160</u> | <u>2,531,682</u> |
| Total net position | <u>\$ 5,008,412</u> | <u>\$ 5,203,330</u> |

CITY OF VICTORIA, TEXAS**MAJOR ENTERPRISE FUND****ENVIRONMENTAL SERVICES FUND****STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**

For the year ended September 30, 2015

With comparative totals for the year ended September 30, 2014

| | <u>2015</u> | <u>2014</u> |
|--|---------------------|---------------------|
| OPERATING REVENUES | | |
| Garbage fees | \$ 3,396,357 | \$ 3,342,757 |
| Other garbage fees | 1,188,548 | 1,165,400 |
| Miscellaneous | <u>539,543</u> | <u>535,626</u> |
| Total operating revenues | <u>5,124,448</u> | <u>5,043,783</u> |
| OPERATING EXPENSES | | |
| Personnel | 1,191,104 | 1,175,470 |
| Materials and supplies | 218,593 | 312,460 |
| Maintenance | 18,056 | 24,519 |
| Heat, lights, and power | 17,383 | 16,987 |
| Miscellaneous services | 648,726 | 1,134,950 |
| Contractual services | 257,955 | 250,077 |
| Computer services | 50,639 | 33,011 |
| Tipping fees | 834,117 | 758,182 |
| Landfill closure and postclosure care cost | 166,021 | 166,022 |
| Depreciation | <u>340,458</u> | <u>339,220</u> |
| Total operating expenses | <u>3,743,052</u> | <u>4,210,898</u> |
| Operating income (loss) before nonoperating revenues (expenses) and transfers | 1,381,396 | 832,885 |
| NONOPERATING REVENUES (EXPENSES) | | |
| Loss on disposition of capital assets | - | (1,612) |
| Investment income | <u>15,171</u> | <u>19,333</u> |
| Net nonoperating revenues (expenses) | <u>15,171</u> | <u>17,721</u> |
| Income before transfers | 1,396,567 | 850,606 |
| Transfers | | |
| Transfers out | <u>(575,191)</u> | <u>(571,860)</u> |
| Total transfers | <u>(575,191)</u> | <u>(571,860)</u> |
| Change in net position | 821,376 | 278,746 |
| Net position at beginning of year, as previously reported | 5,203,330 | 4,924,584 |
| Impact of change in accounting principle | <u>(1,016,294)</u> | <u>-</u> |
| Net position at beginning of year, as restated | <u>4,187,036</u> | <u>4,924,584</u> |
| Total net position at end of year | <u>\$ 5,008,412</u> | <u>\$ 5,203,330</u> |

CITY OF VICTORIA, TEXAS

MAJOR ENTERPRISE FUND

ENVIRONMENTAL SERVICES FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2015

With comparative totals for the year ended September 30, 2014

| | <u>2015</u> | <u>2014</u> |
|---|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from customers | \$ 5,066,538 | \$ 5,227,739 |
| Cash paid to suppliers for goods and services | (4,830,159) | (2,992,046) |
| Cash paid to employees for services | <u>(1,214,274)</u> | <u>(1,193,305)</u> |
| Net cash provided (used) by operating activities | <u>(977,895)</u> | <u>1,042,388</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Borrowings from (to) other funds | (9,189) | 18,242 |
| Borrowings from (to) component unit | 418 | 665 |
| Transfers out to other funds | <u>(575,191)</u> | <u>(571,860)</u> |
| Net cash provided (used) by noncapital financing activities | <u>(583,962)</u> | <u>(552,953)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Acquisition and construction of capital assets | <u>(138,062)</u> | <u>(37,346)</u> |
| Net cash provided (used) by capital and related financing activities | <u>(138,062)</u> | <u>(37,346)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of investments | (14,098,000) | (18,492,399) |
| Proceeds from sales and maturities of investments | 14,816,614 | 17,869,795 |
| Investment income | <u>15,171</u> | <u>19,333</u> |
| Net cash provided (used) by investing activities | <u>733,785</u> | <u>(603,271)</u> |
| Net increase (decrease) in cash and cash equivalents | (966,134) | (151,182) |
| Cash and cash equivalents at beginning of year | <u>3,889,066</u> | <u>4,040,248</u> |
| Cash and cash equivalents at end of year | <u>\$ 2,922,932</u> | <u>\$ 3,889,066</u> |

CITY OF VICTORIA, TEXAS

MAJOR ENTERPRISE FUND

ENVIRONMENTAL SERVICES FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2015

With comparative totals for the year ended September 30, 2014

| | <u>2015</u> | <u>2014</u> |
|---|---------------------|---------------------|
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | | |
| Operating income (loss) | \$ 1,381,396 | \$ 832,885 |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities | | |
| Depreciation | 340,458 | 339,220 |
| Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources | | |
| (Increase) decrease in accounts receivable | (55,740) | 17,951 |
| (Increase) decrease in other receivables | (2,170) | 166,005 |
| (Increase) decrease in deferred outflows related to TMRS | (46,834) | - |
| Increase (decrease) in accounts payable | 5,030 | 7,044 |
| Increase (decrease) in due to other governments | 3,201 | 1,624 |
| Increase (decrease) in accrued expenses | 6,705 | 369 |
| Increase (decrease) in compensated absences | (6,608) | (7,393) |
| Increase (decrease) in other post employment benefits payable | 2,378 | (10,811) |
| Increase (decrease) in net pension liability | (14,135) | - |
| Increase (decrease) in landfill closure and postclosure care cost | (2,626,900) | (304,506) |
| Increase (decrease) in deferred inflows related to TMRS | <u>35,324</u> | <u>-</u> |
| Total adjustments | <u>(2,359,291)</u> | <u>209,503</u> |
| Net cash provided (used) by operating activities | <u>\$ (977,895)</u> | <u>\$ 1,042,388</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 POSITION
September 30, 2015

| | <u>V.E.S.</u> | <u>Information Technology</u> | <u>Communications</u> |
|---|---------------------|-----------------------------------|-----------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | \$ 719,236 | \$ 688,472 | \$ 146,080 |
| Investments | - | - | - |
| Receivables (net) | | | |
| Other | 39,665 | - | 4,474 |
| Due from other funds | - | - | - |
| Inventory | 46,557 | - | - |
| Prepaid items | - | - | - |
| Restricted assets | | | |
| Cash and cash equivalents | - | - | - |
| Total current assets | <u>805,458</u> | <u>688,472</u> | <u>150,554</u> |
| Noncurrent assets | | | |
| Capital assets | | | |
| Land and other assets not being depreciated | 134,007 | - | 39,168 |
| Buildings, improvements, and equipment (net) | <u>7,773,083</u> | <u>940,465</u> | <u>993,483</u> |
| Total noncurrent assets | <u>7,907,090</u> | <u>940,465</u> | <u>1,032,651</u> |
| Total assets | <u>8,712,548</u> | <u>1,628,937</u> | <u>1,183,205</u> |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable | 175,302 | 41,670 | 2,104 |
| Accrued expenses | 5,763 | 31,246 | 2,692 |
| Due to other funds | 146 | 9,431 | - |
| Accrued compensated absences | 7,709 | 23,169 | 3,802 |
| Claims payable | - | - | - |
| Total current liabilities | <u>188,920</u> | <u>105,516</u> | <u>8,598</u> |
| Total liabilities | <u>188,920</u> | <u>105,516</u> | <u>8,598</u> |
| NET POSITION | | | |
| Net investment in capital assets | 7,907,090 | 940,465 | 1,032,651 |
| Unrestricted | <u>616,538</u> | <u>582,956</u> | <u>141,956</u> |
| Total net position | <u>\$ 8,523,628</u> | <u>\$ 1,523,421</u> | <u>\$ 1,174,607</u> |

| <u>Purchasing</u> | <u>Safety Management</u> | <u>Workers' Compensation</u> | <u>Print Shop</u> | <u>Employee Health Plan</u> | <u>Total</u> |
|-------------------|--------------------------|------------------------------|-------------------|-----------------------------|----------------------|
| \$ 33,742 | \$ 109,461 | \$ 396,441 | \$ 81,919 | \$ 2,670,776 | \$ 4,846,127 |
| - | - | - | - | 2,608,409 | 2,608,409 |
| 32 | 1,117 | - | 958 | 57,117 | 103,363 |
| - | - | - | - | 472,642 | 472,642 |
| 84,742 | - | - | 20,173 | - | 151,472 |
| - | - | - | - | 69,119 | 69,119 |
| - | - | <u>35,000</u> | - | - | <u>35,000</u> |
| <u>118,516</u> | <u>110,578</u> | <u>431,441</u> | <u>103,050</u> | <u>5,878,063</u> | <u>8,286,132</u> |
| - | - | - | - | - | 173,175 |
| <u>55,020</u> | <u>1,643</u> | <u>-</u> | <u>20,026</u> | <u>-</u> | <u>9,783,720</u> |
| <u>55,020</u> | <u>1,643</u> | <u>-</u> | <u>20,026</u> | <u>-</u> | <u>9,956,895</u> |
| <u>173,536</u> | <u>112,221</u> | <u>431,441</u> | <u>123,076</u> | <u>5,878,063</u> | <u>18,243,027</u> |
| 4,025 | 4,130 | 20,672 | 1,883 | 4,372 | 254,158 |
| 8,539 | 5,224 | - | 4,519 | - | 57,983 |
| 1 | - | - | 1 | - | 9,579 |
| 11,234 | 4,250 | - | 1,723 | - | 51,887 |
| - | - | <u>263,609</u> | - | <u>446,330</u> | <u>709,939</u> |
| <u>23,799</u> | <u>13,604</u> | <u>284,281</u> | <u>8,126</u> | <u>450,702</u> | <u>1,083,546</u> |
| <u>23,799</u> | <u>13,604</u> | <u>284,281</u> | <u>8,126</u> | <u>450,702</u> | <u>1,083,546</u> |
| 55,020 | 1,643 | - | 20,026 | - | 9,956,895 |
| <u>94,717</u> | <u>96,974</u> | <u>147,160</u> | <u>94,924</u> | <u>5,427,361</u> | <u>7,202,586</u> |
| <u>\$ 149,737</u> | <u>\$ 98,617</u> | <u>\$ 147,160</u> | <u>\$ 114,950</u> | <u>\$ 5,427,361</u> | <u>\$ 17,159,481</u> |

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

For the year ended September 30, 2015

| | <u>V.E.S.</u> | <u>Information Technology</u> | <u>Communications</u> |
|--|---------------------|-----------------------------------|-----------------------|
| OPERATING REVENUES | | | |
| Charges for services | \$ 4,406,080 | \$ 1,192,898 | \$ 589,237 |
| Miscellaneous | <u>80,816</u> | <u>-</u> | <u>6</u> |
| Total operating revenues | <u>4,486,896</u> | <u>1,192,898</u> | <u>589,243</u> |
| OPERATING EXPENSES | | | |
| Personnel | 123,776 | 638,172 | 61,202 |
| Materials and supplies | 1,284,111 | 18,543 | 11,775 |
| Maintenance | 18,474 | 190,526 | 398,584 |
| Heat, lights, and power | 27,541 | - | - |
| Reinsurance premiums | - | - | - |
| Miscellaneous services | 645,054 | 135,245 | 19,144 |
| Contractual services | 1,136,230 | 54,606 | 3,311 |
| Computer services | - | - | 6,445 |
| Court costs, judgments, and damages | - | - | - |
| Claims expense | - | - | - |
| Wellness program | - | - | - |
| Depreciation | <u>2,169,635</u> | <u>314,970</u> | <u>194,349</u> |
| Total operating expenses | <u>5,404,821</u> | <u>1,352,062</u> | <u>694,810</u> |
| Operating income (loss) before nonoperating revenues (expenses) | (917,925) | (159,164) | (105,567) |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Investment income | 115 | 923 | - |
| Gain (loss) on disposition of capital assets | <u>33,107</u> | <u>526</u> | <u>-</u> |
| Net nonoperating revenues (expenses) | <u>33,222</u> | <u>1,449</u> | <u>-</u> |
| Change in net position | (884,703) | (157,715) | (105,567) |
| Total net position at beginning of year | <u>9,408,331</u> | <u>1,681,136</u> | <u>1,280,174</u> |
| Total net position at end of year | <u>\$ 8,523,628</u> | <u>\$ 1,523,421</u> | <u>\$ 1,174,607</u> |

| <u>Purchasing</u> | <u>Safety Management</u> | <u>Workers' Compensation</u> | <u>Print Shop</u> | <u>Employee Health Plan</u> | <u>Total</u> |
|-------------------|--------------------------|------------------------------|-------------------|-----------------------------|----------------------|
| \$ 200,009 | \$ 613,901 | \$ 195,301 | \$ 140,060 | \$ 6,175,449 | \$ 13,512,935 |
| 10,620 | 17,344 | - | 1,443 | 6,884 | 117,113 |
| <u>210,629</u> | <u>631,245</u> | <u>195,301</u> | <u>141,503</u> | <u>6,182,333</u> | <u>13,630,048</u> |
| 186,916 | 108,846 | - | 102,190 | - | 1,221,102 |
| 3,190 | 1,037 | - | 2,921 | - | 1,321,577 |
| 959 | - | - | 10,437 | - | 618,980 |
| 4,365 | - | - | - | - | 31,906 |
| - | 463,920 | - | - | 555,138 | 1,019,058 |
| 17,529 | 18,005 | - | 15,325 | - | 850,302 |
| - | 12,195 | - | - | 414,585 | 1,620,927 |
| 16,651 | 6,445 | - | 6,445 | - | 35,986 |
| - | 14,400 | - | - | - | 14,400 |
| - | - | 263,460 | - | 6,013,558 | 6,277,018 |
| - | - | - | - | 18,343 | 18,343 |
| 6,839 | 610 | - | 6,875 | - | 2,693,278 |
| <u>236,449</u> | <u>625,458</u> | <u>263,460</u> | <u>144,193</u> | <u>7,001,624</u> | <u>15,722,877</u> |
| (25,820) | 5,787 | (68,159) | (2,690) | (819,291) | (2,092,829) |
| - | - | 318 | - | 18,394 | 19,750 |
| 11 | - | - | 16 | - | 33,660 |
| <u>11</u> | <u>-</u> | <u>318</u> | <u>16</u> | <u>18,394</u> | <u>53,410</u> |
| (25,809) | 5,787 | (67,841) | (2,674) | (800,897) | (2,039,419) |
| <u>175,546</u> | <u>92,830</u> | <u>215,001</u> | <u>117,624</u> | <u>6,228,258</u> | <u>19,198,900</u> |
| <u>\$ 149,737</u> | <u>\$ 98,617</u> | <u>\$ 147,160</u> | <u>\$ 114,950</u> | <u>\$ 5,427,361</u> | <u>\$ 17,159,481</u> |

CITY OF VICTORIA, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the year ended September 30, 2015

| | <u>V.E.S.</u> | <u>Information Technology</u> | <u>Communications</u> |
|---|--------------------|-----------------------------------|-----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash received from other funds | \$ 4,545,996 | \$ 1,192,898 | \$ 598,554 |
| Cash paid to suppliers for goods and services | (3,124,649) | (385,216) | (464,113) |
| Cash paid to employees for services | <u>(123,067)</u> | <u>(636,144)</u> | <u>(60,924)</u> |
| Net cash provided (used) by operating activities | <u>1,298,280</u> | <u>171,538</u> | <u>73,517</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Acquisition and construction of capital assets | (1,167,249) | (770,301) | - |
| Proceeds from sale of capital assets | <u>35,013</u> | <u>526</u> | <u>-</u> |
| Net cash provided (used) by capital and related financing activities | <u>(1,132,236)</u> | <u>(769,775)</u> | <u>-</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of investments | - | - | - |
| Proceeds from sales and maturities of investments | - | - | - |
| Investment income | <u>115</u> | <u>923</u> | <u>-</u> |
| Net cash provided (used) by investing activities | <u>115</u> | <u>923</u> | <u>-</u> |
| Net increase (decrease) in cash and cash equivalents | 166,159 | (597,314) | 73,517 |
| Cash and cash equivalents at beginning of year | <u>553,077</u> | <u>1,285,786</u> | <u>72,563</u> |
| Cash and cash equivalents at end of year | <u>\$ 719,236</u> | <u>\$ 688,472</u> | <u>\$ 146,080</u> |

| <u>Purchasing</u> | <u>Safety Management</u> | <u>Workers' Compensation</u> | <u>Print Shop</u> | <u>Employee Health Plan</u> | <u>Total</u> |
|-------------------|--------------------------|------------------------------|-------------------|-----------------------------|---------------------|
| \$ 210,742 | \$ 630,154 | \$ 195,301 | \$ 142,781 | \$ 6,332,552 | \$ 13,848,978 |
| (45,830) | (514,164) | (210,168) | (40,342) | (7,004,986) | (11,789,468) |
| <u>(185,921)</u> | <u>(107,917)</u> | <u>-</u> | <u>(104,532)</u> | <u>-</u> | <u>(1,218,505)</u> |
| (21,009) | 8,073 | (14,867) | (2,093) | (672,434) | 841,005 |
| (6,921) | (1,081) | - | (18,423) | - | (1,963,975) |
| <u>11</u> | <u>-</u> | <u>-</u> | <u>16</u> | <u>-</u> | <u>35,566</u> |
| (6,910) | (1,081) | - | (18,407) | - | (1,928,409) |
| - | - | - | - | (2,468,696) | (2,468,696) |
| - | - | 100,030 | - | 4,005,642 | 4,105,672 |
| <u>-</u> | <u>-</u> | <u>318</u> | <u>-</u> | <u>18,394</u> | <u>19,750</u> |
| - | - | 100,348 | - | 1,555,340 | 1,656,726 |
| (27,919) | 6,992 | 85,481 | (20,500) | 882,906 | 569,322 |
| <u>61,661</u> | <u>102,469</u> | <u>345,960</u> | <u>102,419</u> | <u>1,787,870</u> | <u>4,311,805</u> |
| <u>\$ 33,742</u> | <u>\$ 109,461</u> | <u>\$ 431,441</u> | <u>\$ 81,919</u> | <u>\$ 2,670,776</u> | <u>\$ 4,881,127</u> |

(continued)

CITY OF VICTORIA, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the year ended September 30, 2015

| | <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) | \$ (917,925) | \$ (159,164) | \$ (105,567) |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities | | | |
| Depreciation | 2,169,635 | 314,970 | 194,349 |
| Changes in assets and liabilities | | | |
| (Increase) decrease in other receivables | 59,100 | - | 9,311 |
| (Increase) decrease in due from other funds | - | - | - |
| (Increase) decrease in prepaid items | - | - | - |
| (Increase) decrease in inventory | 37,350 | - | - |
| Increase (decrease) in accounts payable | (45,271) | 9,857 | (24,854) |
| Increase (decrease) in accrued expenses | 570 | 4,694 | 164 |
| Increase (decrease) in due to other funds | (5,318) | 3,847 | - |
| Increase (decrease) in compensated absences | 139 | (2,666) | 114 |
| Increase (decrease) in claims payable | - | - | - |
| Total adjustments | <u>2,216,205</u> | <u>330,702</u> | <u>179,084</u> |
| Net cash provided (used) by operating activities | <u>\$ 1,298,280</u> | <u>\$ 171,538</u> | <u>\$ 73,517</u> |

| <u>Purchasing</u> | <u>Safety Management</u> | <u>Workers' Compensation</u> | <u>Print Shop</u> | <u>Employee Health Plan</u> | <u>Total</u> |
|--------------------|--------------------------|------------------------------|-------------------|-----------------------------|-------------------|
| \$ (25,820) | \$ 5,787 | \$ (68,159) | \$ (2,690) | \$ (819,291) | \$ (2,092,829) |
| 6,839 | 610 | - | 6,875 | - | 2,693,278 |
| 113 | (1,091) | - | 1,278 | (56,961) | 11,750 |
| - | - | - | - | 207,180 | 207,180 |
| - | - | - | - | (69,119) | (69,119) |
| (3,755) | - | - | (198) | - | 33,397 |
| 618 | 1,838 | 8,320 | (3,515) | 62 | (52,945) |
| 863 | 519 | - | 380 | - | 7,190 |
| 1 | - | - | (1,501) | - | (2,971) |
| 132 | 410 | - | (2,722) | - | (4,593) |
| - | - | 44,972 | - | 65,695 | 110,667 |
| <u>4,811</u> | <u>2,286</u> | <u>53,292</u> | <u>597</u> | <u>146,857</u> | <u>2,933,834</u> |
| <u>\$ (21,009)</u> | <u>\$ 8,073</u> | <u>\$ (14,867)</u> | <u>\$ (2,093)</u> | <u>\$ (672,434)</u> | <u>\$ 841,005</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, 2015
With comparative totals for September 30, 2014

| | <u>2015</u> | <u>2014</u> |
|-----------------------------------|---------------------|---------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 719,236 | \$ 553,077 |
| Receivables | | |
| Other | 39,665 | 98,765 |
| Inventory | <u>46,557</u> | <u>83,907</u> |
| Total current assets | <u>805,458</u> | <u>735,749</u> |
| Noncurrent assets | | |
| Capital assets | | |
| Buildings | 432,907 | 428,454 |
| Infrastructure | 93,179 | 93,179 |
| Improvements other than buildings | 10,659 | 10,659 |
| Machinery and equipment | <u>20,753,712</u> | <u>20,691,413</u> |
| Total capital assets | 21,290,457 | 21,223,705 |
| Less accumulated depreciation | <u>13,517,374</u> | <u>12,446,330</u> |
| Subtotal | 7,773,083 | 8,777,375 |
| Land | <u>134,007</u> | <u>134,007</u> |
| Net capital assets | <u>7,907,090</u> | <u>8,911,382</u> |
| Total assets | <u>8,712,548</u> | <u>9,647,131</u> |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable | 175,302 | 220,573 |
| Accrued expenses | 5,763 | 5,193 |
| Due to other funds | 146 | 5,464 |
| Accrued compensated absences | <u>7,709</u> | <u>7,570</u> |
| Total liabilities | <u>188,920</u> | <u>238,800</u> |
| NET POSITION | | |
| Net investment in capital assets | 7,907,090 | 8,911,382 |
| Unrestricted | <u>616,538</u> | <u>496,949</u> |
| Total net position | <u>\$ 8,523,628</u> | <u>\$ 9,408,331</u> |

CITY OF VICTORIA, TEXAS**INTERNAL SERVICE FUND****V.E.S. FUND****STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**

For the year ended September 30, 2015

With comparative totals for the year ended September 30, 2014

| | <u>2015</u> | <u>2014</u> |
|--|---------------------|---------------------|
| OPERATING REVENUES | | |
| Charges for services | \$ 4,406,080 | \$ 6,167,440 |
| Miscellaneous | <u>80,816</u> | <u>88,418</u> |
| Total operating revenues | <u>4,486,896</u> | <u>6,255,858</u> |
| OPERATING EXPENSES | | |
| Personnel | 123,776 | 126,194 |
| Materials and supplies | 1,284,111 | 1,832,986 |
| Maintenance | 18,474 | 16,441 |
| Heat, lights, and power | 27,541 | 25,935 |
| Miscellaneous services | 645,054 | 552,060 |
| Contractual services | 1,136,230 | 1,095,493 |
| Depreciation | <u>2,169,635</u> | <u>2,081,958</u> |
| Total operating expenses | <u>5,404,821</u> | <u>5,731,067</u> |
| Operating income (loss) before nonoperating revenues (expenses) | (917,925) | 524,791 |
| NONOPERATING REVENUES (EXPENSES) | | |
| Investment income | 115 | 266 |
| Gain (loss) on disposition of capital assets | <u>33,107</u> | <u>(111,025)</u> |
| Net nonoperating revenues (expenses) | <u>33,222</u> | <u>(110,759)</u> |
| Change in net position | (884,703) | 414,032 |
| Total net position at beginning of year | <u>9,408,331</u> | <u>8,994,299</u> |
| Total net position at end of year | <u>\$ 8,523,628</u> | <u>\$ 9,408,331</u> |

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

V.E.S. FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2015

With comparative totals for the year ended September 30, 2014

| | 2015 | 2014 |
|---|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from other funds | \$ 4,545,996 | \$ 6,232,004 |
| Cash paid to suppliers for goods and services | (3,124,649) | (3,646,588) |
| Cash paid to employees for services | (123,067) | (125,752) |
| Net cash provided (used) by operating activities | <u>1,298,280</u> | <u>2,459,664</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Acquisition and construction of capital assets | (1,167,249) | (2,664,690) |
| Proceeds from sale of capital assets | 35,013 | 110,449 |
| Net cash provided (used) by capital and related financing activities | <u>(1,132,236)</u> | <u>(2,554,241)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Investment income | 115 | 266 |
| Net increase (decrease) in cash and cash equivalents | 166,159 | (94,311) |
| Cash and cash equivalents at beginning of year | 553,077 | 647,388 |
| Cash and cash equivalents at end of year | <u>\$ 719,236</u> | <u>\$ 553,077</u> |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | | |
| Operating income (loss) | \$ (917,925) | \$ 524,791 |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities | | |
| Depreciation | 2,169,635 | 2,081,958 |
| Changes in assets and liabilities | | |
| (Increase) decrease in other receivables | 59,100 | (23,854) |
| (Increase) decrease in inventory | 37,350 | 8,315 |
| Increase (decrease) in accounts payable | (45,271) | (137,214) |
| Increase (decrease) in accrued expenses | 570 | 386 |
| Increase (decrease) in due to other funds | (5,318) | 5,226 |
| Increase (decrease) in compensated absences | 139 | 56 |
| Total adjustments | <u>2,216,205</u> | <u>1,934,873</u> |
| Net cash provided (used) by operating activities | <u>\$ 1,298,280</u> | <u>\$ 2,459,664</u> |

INFORMATION TECHNOLOGY FUND

CITY OF VICTORIA, TEXAS
INTERNAL SERVICE FUND
INFORMATION TECHNOLOGY FUND
BALANCE SHEET
September 30, 2015
With comparative totals for September 30, 2014

| | <u>2015</u> | <u>2014</u> |
|----------------------------------|---------------------|---------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 688,472 | \$ 1,285,786 |
| Total current assets | <u>688,472</u> | <u>1,285,786</u> |
| Noncurrent assets | | |
| Capital assets | | |
| Machinery and equipment | 2,439,246 | 1,793,133 |
| Total capital assets | <u>2,439,246</u> | <u>1,793,133</u> |
| Less accumulated depreciation | <u>1,498,781</u> | <u>1,307,999</u> |
| Net capital assets | <u>940,465</u> | <u>485,134</u> |
| Total assets | <u>1,628,937</u> | <u>1,770,920</u> |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable | 41,670 | 31,813 |
| Accrued expenses | 31,246 | 26,552 |
| Due to other funds | 9,431 | 5,584 |
| Accrued compensated absences | <u>23,169</u> | <u>25,835</u> |
| Total liabilities | <u>105,516</u> | <u>89,784</u> |
| NET POSITION | | |
| Net investment in capital assets | 940,465 | 485,134 |
| Unrestricted | <u>582,956</u> | <u>1,196,002</u> |
| Total net position | <u>\$ 1,523,421</u> | <u>\$ 1,681,136</u> |

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

INFORMATION TECHNOLOGY FUND

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

For the year ended September 30, 2015

With comparative totals for the year ended September 30, 2014

| | <u>2015</u> | <u>2014</u> |
|--|---------------------|---------------------|
| OPERATING REVENUES | | |
| Charges for services | \$ 1,192,898 | \$ 2,009,510 |
| Miscellaneous | <u>-</u> | <u>127</u> |
| Total operating revenues | <u>1,192,898</u> | <u>2,009,637</u> |
| OPERATING EXPENSES | | |
| Personnel | 638,172 | 641,470 |
| Materials and supplies | 18,543 | 14,275 |
| Maintenance | 190,526 | 133,778 |
| Miscellaneous services | 135,245 | 128,521 |
| Contractual services | 54,606 | 39,960 |
| Depreciation | <u>314,970</u> | <u>236,366</u> |
| Total operating expenses | <u>1,352,062</u> | <u>1,194,370</u> |
| Operating income (loss) before nonoperating revenues (expenses) and transfers | (159,164) | 815,267 |
| NONOPERATING REVENUES (EXPENSES) | | |
| Investment income | 923 | 378 |
| Gain on disposition of capital assets | <u>526</u> | <u>-</u> |
| Net nonoperating revenues (expenses) | <u>1,449</u> | <u>378</u> |
| Change in net position | (157,715) | 815,645 |
| Total net position at beginning of year | <u>1,681,136</u> | <u>865,491</u> |
| Total net position at end of year | <u>\$ 1,523,421</u> | <u>\$ 1,681,136</u> |

CITY OF VICTORIA, TEXAS
INTERNAL SERVICE FUND
INFORMATION TECHNOLOGY FUND
STATEMENT OF CASH FLOWS
For the year ended September 30, 2015
With comparative totals for the year ended September 30, 2014

| | 2015 | 2014 |
|---|-------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from other funds | \$ 1,192,898 | \$ 2,009,637 |
| Cash paid to suppliers for goods and services | (385,216) | (285,375) |
| Cash paid to employees for services | (636,144) | (642,377) |
| Net cash provided (used) by operating activities | <u>171,538</u> | <u>1,081,885</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Acquisition and construction of capital assets | (770,301) | (111,908) |
| Proceeds from sale of capital assets | 526 | - |
| Net cash provided (used) by capital and related financing activities | <u>(769,775)</u> | <u>(111,908)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Investment income | 923 | 378 |
| Net cash provided (used) by investing activities | <u>923</u> | <u>378</u> |
| Net increase (decrease) in cash and cash equivalents | (597,314) | 970,355 |
| Cash and cash equivalents at beginning of year | 1,285,786 | 315,431 |
| Cash and cash equivalents at end of year | <u>\$ 688,472</u> | <u>\$ 1,285,786</u> |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | | |
| Operating income (loss) | \$ (159,164) | \$ 815,267 |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities | | |
| Depreciation | 314,970 | 236,366 |
| Changes in assets and liabilities | | |
| Increase (decrease) in accounts payable | 9,857 | 26,282 |
| Increase (decrease) in accrued expenses | 4,694 | (54) |
| Increase (decrease) in due to other funds | 3,847 | 4,877 |
| Increase (decrease) in compensated absences | (2,666) | (853) |
| Total adjustments | <u>330,702</u> | <u>266,618</u> |
| Net cash provided (used) by operating activities | <u>\$ 171,538</u> | <u>\$ 1,081,885</u> |

COMMUNICATIONS FUND

CITY OF VICTORIA, TEXAS
INTERNAL SERVICE FUND
COMMUNICATIONS FUND
BALANCE SHEET
September 30, 2015
With comparative totals for September 30, 2014

| | <u>2015</u> | <u>2014</u> |
|----------------------------------|---------------------|---------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 146,080 | \$ 72,563 |
| Receivables | | |
| Other | <u>4,474</u> | <u>13,785</u> |
| Total current assets | <u>150,554</u> | <u>86,348</u> |
| Noncurrent assets | | |
| Capital assets | | |
| Buildings | 32,623 | 32,623 |
| Infrastructure | 2,501 | 2,501 |
| Machinery and equipment | <u>3,776,319</u> | <u>3,776,319</u> |
| Total capital assets | 3,811,443 | 3,811,443 |
| Less accumulated depreciation | <u>2,817,960</u> | <u>2,623,611</u> |
| Subtotal | 993,483 | 1,187,832 |
| Land | <u>39,168</u> | <u>39,168</u> |
| Net capital assets | <u>1,032,651</u> | <u>1,227,000</u> |
| Total assets | <u>1,183,205</u> | <u>1,313,348</u> |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable | 2,104 | 26,958 |
| Accrued expenses | 2,692 | 2,528 |
| Accrued compensated absences | <u>3,802</u> | <u>3,688</u> |
| Total liabilities | <u>8,598</u> | <u>33,174</u> |
| NET POSITION | | |
| Net investment in capital assets | 1,032,651 | 1,227,000 |
| Unrestricted | <u>141,956</u> | <u>53,174</u> |
| Total net position | <u>\$ 1,174,607</u> | <u>\$ 1,280,174</u> |

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

COMMUNICATIONS FUND

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

For the year ended September 30, 2015

With comparative totals for the year ended September 30, 2014

| | <u>2015</u> | <u>2014</u> |
|--|---------------------|---------------------|
| OPERATING REVENUES | | |
| Charges for services | \$ 589,237 | \$ 119,635 |
| Miscellaneous | <u>6</u> | <u>-</u> |
| Total operating revenues | <u>589,243</u> | <u>119,635</u> |
| OPERATING EXPENSES | | |
| Personnel | 61,202 | 59,818 |
| Materials and supplies | 11,775 | 10,580 |
| Maintenance | 398,584 | 45,511 |
| Miscellaneous services | 19,144 | 26,658 |
| Contractual services | 3,311 | 13,870 |
| Computer services | 6,445 | 11,963 |
| Depreciation | <u>194,349</u> | <u>199,307</u> |
| Total operating expenses | <u>694,810</u> | <u>367,707</u> |
| Operating income (loss) before nonoperating revenues (expenses) and transfers | (105,567) | (248,072) |
| NONOPERATING REVENUES (EXPENSES) | | |
| Investment income | <u>-</u> | <u>77</u> |
| Net nonoperating revenues (expenses) | <u>-</u> | <u>77</u> |
| Income (loss) before transfers | <u>(105,567)</u> | <u>(247,995)</u> |
| Transfers | | |
| Transfers in | <u>-</u> | <u>9,877</u> |
| Change in net position | (105,567) | (238,118) |
| Total net position at beginning of year | <u>1,280,174</u> | <u>1,518,292</u> |
| Total net position at end of year | <u>\$ 1,174,607</u> | <u>\$ 1,280,174</u> |

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

COMMUNICATIONS FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2015

With comparative totals for the year ended September 30, 2014

| | <u>2015</u> | <u>2014</u> |
|---|--------------------------|---------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from other funds | \$ 598,554 | \$ 111,943 |
| Cash paid to suppliers for goods and services | (464,113) | (87,666) |
| Cash paid to employees for services | <u>(60,924)</u> | <u>(59,482)</u> |
| Net cash provided (used) by operating activities | <u>73,517</u> | <u>(35,205)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Transfer in from other funds | <u>-</u> | <u>9,877</u> |
| Net cash provided (used) by noncapital financing activities | <u>-</u> | <u>9,877</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Investment income | <u>-</u> | <u>77</u> |
| Net cash provided (used) by investing activities | <u>-</u> | <u>77</u> |
| Net increase (decrease) in cash and cash equivalents | 73,517 | (25,251) |
| Cash and cash equivalents at beginning of year | <u>72,563</u> | <u>97,814</u> |
| Cash and cash equivalents at end of year | <u><u>\$ 146,080</u></u> | <u><u>\$ 72,563</u></u> |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | | |
| Operating income (loss) | \$ (105,567) | \$ (248,072) |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities | | |
| Depreciation | 194,349 | 199,307 |
| Changes in assets and liabilities | | |
| (Increase) decrease in other receivables | 9,311 | (7,692) |
| Increase (decrease) in accounts payable | (24,854) | 20,916 |
| Increase (decrease) in accrued expenses | 164 | 336 |
| Increase (decrease) in compensated absences | <u>114</u> | <u>-</u> |
| Total adjustments | <u>179,084</u> | <u>212,867</u> |
| Net cash provided (used) by operating activities | <u><u>\$ 73,517</u></u> | <u><u>\$ (35,205)</u></u> |

PURCHASING FUND

CITY OF VICTORIA, TEXAS
INTERNAL SERVICE FUND
PURCHASING FUND
BALANCE SHEET
September 30, 2015
With comparative totals for September 30, 2014

| | <u>2015</u> | <u>2014</u> |
|-----------------------------------|-------------------|-------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 33,742 | \$ 61,661 |
| Receivables | | |
| Other | 32 | 145 |
| Inventory | <u>84,742</u> | <u>80,987</u> |
| Total current assets | <u>118,516</u> | <u>142,793</u> |
| Noncurrent assets | | |
| Capital assets | | |
| Buildings | 144,400 | 140,719 |
| Infrastructure | 7,827 | 7,827 |
| Improvements other than buildings | 5,840 | 5,840 |
| Machinery and equipment | <u>40,686</u> | <u>39,095</u> |
| Total capital assets | 198,753 | 193,481 |
| Less accumulated depreciation | <u>143,733</u> | <u>138,543</u> |
| Net capital assets | <u>55,020</u> | <u>54,938</u> |
| Total assets | <u>173,536</u> | <u>197,731</u> |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable | 4,025 | 3,407 |
| Accrued expenses | 8,539 | 7,676 |
| Due to other funds | 1 | - |
| Accrued compensated absences | <u>11,234</u> | <u>11,102</u> |
| Total liabilities | <u>23,799</u> | <u>22,185</u> |
| NET POSITION | | |
| Net investment in capital assets | 55,020 | 54,938 |
| Unrestricted | <u>94,717</u> | <u>120,608</u> |
| Total net position | <u>\$ 149,737</u> | <u>\$ 175,546</u> |

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

PURCHASING FUND

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

For the year ended September 30, 2015

With comparative totals for the year ended September 30, 2014

| | <u>2015</u> | <u>2014</u> |
|--|-------------------|-------------------|
| OPERATING REVENUES | | |
| Charges for services | \$ 200,009 | \$ 200,062 |
| Miscellaneous | <u>10,620</u> | <u>10,933</u> |
| Total operating revenues | <u>210,629</u> | <u>210,995</u> |
| OPERATING EXPENSES | | |
| Personnel | 186,916 | 180,951 |
| Materials and supplies | 3,190 | 3,388 |
| Maintenance | 959 | 865 |
| Heat, lights, and power | 4,365 | 4,304 |
| Miscellaneous services | 17,529 | 19,765 |
| Computer services | 16,651 | 30,358 |
| Depreciation | <u>6,839</u> | <u>10,368</u> |
| Total operating expenses | <u>236,449</u> | <u>249,999</u> |
| Operating income (loss) before nonoperating revenues (expenses) | (25,820) | (39,004) |
| NONOPERATING REVENUES (EXPENSES) | | |
| Gain on disposition of capital assets | <u>11</u> | <u>-</u> |
| Net nonoperating revenues (expenses) | <u>11</u> | <u>-</u> |
| Change in net position | (25,809) | (39,004) |
| Total net position at beginning of year | <u>175,546</u> | <u>214,550</u> |
| Total net position at end of year | <u>\$ 149,737</u> | <u>\$ 175,546</u> |

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

PURCHASING FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2015

With comparative totals for the year ended September 30, 2014

| | 2015 | 2014 |
|---|--------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from other funds | \$ 210,742 | \$ 211,168 |
| Cash paid to suppliers for goods and services | (45,830) | (64,600) |
| Cash paid to employees for services | (185,921) | (179,557) |
| Net cash provided (used) by operating activities | <u>(21,009)</u> | <u>(32,989)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Acquisition and construction of capital assets | (6,921) | - |
| Proceeds from sale of capital assets | 11 | - |
| Net cash provided (used) by capital and related financing activities | <u>(6,910)</u> | <u>-</u> |
| Net increase (decrease) in cash and cash equivalents | (27,919) | (32,989) |
| Cash and cash equivalents at beginning of year | 61,661 | 94,650 |
| Cash and cash equivalents at end of year | <u>\$ 33,742</u> | <u>\$ 61,661</u> |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | | |
| Operating income (loss) | \$ (25,820) | \$ (39,004) |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities | | |
| Depreciation | 6,839 | 10,368 |
| Changes in assets and liabilities | | |
| (Increase) decrease in other receivables | 113 | 173 |
| (Increase) decrease in inventory | (3,755) | (1,880) |
| Increase (decrease) in accounts payable | 618 | (3,843) |
| Increase (decrease) in accrued expenses | 863 | 602 |
| Increase (decrease) in due to other funds | 1 | (197) |
| Increase (decrease) in compensated absences | 132 | 792 |
| Total adjustments | <u>4,811</u> | <u>6,015</u> |
| Net cash provided (used) by operating activities | <u>\$ (21,009)</u> | <u>\$ (32,989)</u> |

SAFETY MANAGEMENT FUND

CITY OF VICTORIA, TEXAS
INTERNAL SERVICE FUND
SAFETY MANAGEMENT FUND
BALANCE SHEET
September 30, 2015
With comparative totals for September 30, 2014

| | <u>2015</u> | <u>2014</u> |
|----------------------------------|------------------|------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 109,461 | \$ 102,469 |
| Receivables | | |
| Other | <u>1,117</u> | <u>26</u> |
| Total current assets | <u>110,578</u> | <u>102,495</u> |
| Noncurrent assets | | |
| Capital assets | | |
| Buildings | 973 | 973 |
| Machinery and equipment | <u>14,431</u> | <u>14,604</u> |
| Total capital assets | <u>15,404</u> | <u>15,577</u> |
| Less accumulated depreciation | <u>13,761</u> | <u>14,405</u> |
| Net capital assets | <u>1,643</u> | <u>1,172</u> |
| Total assets | <u>112,221</u> | <u>103,667</u> |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable | 4,130 | 2,292 |
| Accrued expenses | 5,224 | 4,705 |
| Accrued compensated absences | <u>4,250</u> | <u>3,840</u> |
| Total liabilities | <u>13,604</u> | <u>10,837</u> |
| NET POSITION | | |
| Net investment in capital assets | 1,643 | 1,172 |
| Unrestricted | <u>96,974</u> | <u>91,658</u> |
| Total net position | <u>\$ 98,617</u> | <u>\$ 92,830</u> |

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

SAFETY MANAGEMENT FUND

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

For the year ended September 30, 2015

With comparative totals for the year ended September 30, 2014

| | <u>2015</u> | <u>2014</u> |
|--|------------------|------------------|
| OPERATING REVENUES | | |
| Charges for services | \$ 613,901 | \$ 468,030 |
| Miscellaneous | <u>17,344</u> | <u>3,432</u> |
| Total operating revenues | <u>631,245</u> | <u>471,462</u> |
| OPERATING EXPENSES | | |
| Personnel | 108,846 | 106,315 |
| Materials and supplies | 1,037 | 1,268 |
| Reinsurance premiums | 463,920 | 452,407 |
| Miscellaneous services | 18,005 | 18,970 |
| Contractual services | 12,195 | 11,355 |
| Computer services | 6,445 | 11,963 |
| Court costs, judgments, and damages | 14,400 | 10,836 |
| Depreciation | <u>610</u> | <u>618</u> |
| Total operating expenses | <u>625,458</u> | <u>613,732</u> |
| Operating income (loss) before nonoperating revenues (expenses) | 5,787 | (142,270) |
| NONOPERATING REVENUES (EXPENSES) | <u>-</u> | <u>-</u> |
| Change in net position | 5,787 | (142,270) |
| Total net position at beginning of year | <u>92,830</u> | <u>235,100</u> |
| Total net position at end of year | <u>\$ 98,617</u> | <u>\$ 92,830</u> |

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

SAFETY MANAGEMENT FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2015

With comparative totals for the year ended September 30, 2014

| | 2015 | 2014 |
|---|-------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from other funds | \$ 630,154 | \$ 471,436 |
| Cash paid to suppliers for goods and services | (514,164) | (510,682) |
| Cash paid to employees for services | (107,917) | (104,739) |
| Net cash provided (used) by operating activities | <u>8,073</u> | <u>(143,985)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Acquisition and construction of capital assets | (1,081) | - |
| Net cash provided (used) by capital and related financing activities | <u>(1,081)</u> | <u>-</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | <u>-</u> | <u>-</u> |
| Net increase (decrease) in cash and cash equivalents | 6,992 | (143,985) |
| Cash and cash equivalents at beginning of year | <u>102,469</u> | <u>246,454</u> |
| Cash and cash equivalents at end of year | <u>\$ 109,461</u> | <u>\$ 102,469</u> |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | | |
| Operating income (loss) | \$ 5,787 | \$ (142,270) |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities | | |
| Depreciation | 610 | 618 |
| Changes in assets and liabilities | | |
| (Increase) decrease in other receivables | (1,091) | (26) |
| Increase (decrease) in accounts payable | 1,838 | (3,838) |
| Increase (decrease) in accrued expenses | 519 | 335 |
| Increase (decrease) in due to other funds | - | (45) |
| Increase (decrease) in compensated absences | 410 | 1,241 |
| Total adjustments | <u>2,286</u> | <u>(1,715)</u> |
| Net cash provided (used) by operating activities | <u>\$ 8,073</u> | <u>\$ (143,985)</u> |

WORKERS' COMPENSATION FUND

CITY OF VICTORIA, TEXAS
INTERNAL SERVICE FUND
WORKERS' COMPENSATION FUND
BALANCE SHEET
September 30, 2015
With comparative totals for September 30, 2014

| | <u>2015</u> | <u>2014</u> |
|---------------------------|-------------------|-------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 396,441 | \$ 310,960 |
| Investments | - | 100,030 |
| Restricted assets | | |
| Cash and cash equivalents | <u>35,000</u> | <u>35,000</u> |
| Total assets | <u>431,441</u> | <u>445,990</u> |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable | 20,672 | 12,352 |
| Claims payable | <u>263,609</u> | <u>218,637</u> |
| Total liabilities | <u>284,281</u> | <u>230,989</u> |
| NET POSITION | | |
| Unrestricted | <u>147,160</u> | <u>215,001</u> |
| Total net position | <u>\$ 147,160</u> | <u>\$ 215,001</u> |

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

WORKERS' COMPENSATION FUND

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

For the year ended September 30, 2015

With comparative totals for the year ended September 30, 2014

| | <u>2015</u> | <u>2014</u> |
|--|-------------------|-------------------|
| OPERATING REVENUES | | |
| Charges for services | \$ 195,301 | \$ 220,000 |
| Miscellaneous | <u>-</u> | <u>3,402</u> |
| Total operating revenues | <u>195,301</u> | <u>223,402</u> |
| OPERATING EXPENSES | | |
| Claims expense | <u>263,460</u> | <u>163,675</u> |
| Total operating expenses | <u>263,460</u> | <u>163,675</u> |
| Operating income (loss) before nonoperating revenues (expenses) | (68,159) | 59,727 |
| NONOPERATING REVENUES (EXPENSES) | | |
| Investment income | <u>318</u> | <u>148</u> |
| Change in net position | (67,841) | 59,875 |
| Total net position at beginning of year | <u>215,001</u> | <u>155,126</u> |
| Total net position at end of year | <u>\$ 147,160</u> | <u>\$ 215,001</u> |

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

WORKERS' COMPENSATION FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2015

With comparative totals for the year ended September 30, 2014

| | <u>2015</u> | <u>2014</u> |
|---|--------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from other funds | \$ 195,301 | \$ 223,402 |
| Cash paid to suppliers for goods and services | <u>(210,168)</u> | <u>(195,460)</u> |
| Net cash provided (used) by operating activities | <u>(14,867)</u> | <u>27,942</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of investments | - | (100,000) |
| Proceeds from sales and maturities of investments | 100,030 | - |
| Investment income | <u>318</u> | <u>118</u> |
| Net cash provided (used) by investing activities | <u>100,348</u> | <u>(99,882)</u> |
| Net increase (decrease) in cash and cash equivalents | 85,481 | (71,940) |
| Cash and cash equivalents at beginning of year | <u>345,960</u> | <u>417,900</u> |
| Cash and cash equivalents at end of year | <u>\$ 431,441</u> | <u>\$ 345,960</u> |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | | |
| Operating income (loss) | \$ (68,159) | \$ 59,727 |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities | | |
| Changes in assets and liabilities | | |
| Increase (decrease) in accounts payable | 8,320 | (3,801) |
| Increase (decrease) in claims payable | <u>44,972</u> | <u>(27,984)</u> |
| Total adjustments | <u>53,292</u> | <u>(31,785)</u> |
| Net cash provided (used) by operating activities | <u>\$ (14,867)</u> | <u>\$ 27,942</u> |

PRINT SHOP FUND

CITY OF VICTORIA, TEXAS
INTERNAL SERVICE FUND
PRINT SHOP FUND
BALANCE SHEET
September 30, 2015
With comparative totals for September 30, 2014

| | <u>2015</u> | <u>2014</u> |
|----------------------------------|-------------------|-------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 81,919 | \$ 102,419 |
| Receivables | | |
| Other | 958 | 2,236 |
| Inventory | <u>20,173</u> | <u>19,975</u> |
| Total current assets | <u>103,050</u> | <u>124,630</u> |
| Noncurrent assets | | |
| Capital assets | | |
| Machinery and equipment | 93,887 | 88,353 |
| Less accumulated depreciation | <u>73,861</u> | <u>79,875</u> |
| Net capital assets | <u>20,026</u> | <u>8,478</u> |
| Total assets | <u>123,076</u> | <u>133,108</u> |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable | 1,883 | 5,398 |
| Accrued expenses | 4,519 | 4,139 |
| Due to other funds | 1 | 4,445 |
| Accrued compensated absences | <u>1,723</u> | <u>1,502</u> |
| Total liabilities | <u>8,126</u> | <u>15,484</u> |
| NET POSITION | | |
| Net investment in capital assets | 20,026 | 8,478 |
| Unrestricted | <u>94,924</u> | <u>109,146</u> |
| Total net position | <u>\$ 114,950</u> | <u>\$ 117,624</u> |

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

PRINT SHOP FUND

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

For the year ended September 30, 2015

With comparative totals for the year ended September 30, 2014

| | <u>2015</u> | <u>2014</u> |
|--|-------------------|-------------------|
| OPERATING REVENUES | | |
| Charges for services | \$ 140,060 | \$ 146,520 |
| Miscellaneous | <u>1,443</u> | <u>-</u> |
| Total operating revenues | <u>141,503</u> | <u>146,520</u> |
| OPERATING EXPENSES | | |
| Personnel | 102,190 | 112,749 |
| Materials and supplies | 2,921 | 2,602 |
| Maintenance | 10,437 | 22,866 |
| Miscellaneous services | 15,325 | 15,728 |
| Computer services | 6,445 | 5,836 |
| Depreciation | <u>6,875</u> | <u>5,167</u> |
| Total operating expenses | <u>144,193</u> | <u>164,948</u> |
| Operating income (loss) before nonoperating revenues (expenses) | (2,690) | (18,428) |
| NONOPERATING REVENUES (EXPENSES) | | |
| Gain on disposition of capital assets | <u>16</u> | <u>-</u> |
| Net nonoperating revenues (expenses) | <u>16</u> | <u>-</u> |
| Change in net position | (2,674) | (18,428) |
| Total net position at beginning of year | <u>117,624</u> | <u>136,052</u> |
| Total net position at end of year | <u>\$ 114,950</u> | <u>\$ 117,624</u> |

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

PRINT SHOP FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2015

With comparative totals for the year ended September 30, 2014

| | <u>2015</u> | <u>2014</u> |
|---|-------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from other funds | \$ 142,781 | \$ 145,513 |
| Cash paid to suppliers for goods and services | (40,342) | (50,533) |
| Cash paid to employees for services | <u>(104,532)</u> | <u>(112,075)</u> |
| Net cash provided (used) by operating activities | <u>(2,093)</u> | <u>(17,095)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Acquisition and construction of capital assets | (18,423) | - |
| Proceeds from sale of capital assets | <u>16</u> | <u>-</u> |
| Net cash provided (used) by capital and related financing activities | <u>(18,407)</u> | <u>-</u> |
| Net increase (decrease) in cash and cash equivalents | (20,500) | (17,095) |
| Cash and cash equivalents at beginning of year | <u>102,419</u> | <u>119,514</u> |
| Cash and cash equivalents at end of year | <u>\$ 81,919</u> | <u>\$ 102,419</u> |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | | |
| Operating income (loss) | \$ (2,690) | \$ (18,428) |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities | | |
| Depreciation | 6,875 | 5,167 |
| Changes in assets and liabilities | | |
| (Increase) decrease in other receivables | 1,278 | (1,007) |
| (Increase) decrease in inventory | (198) | (2,011) |
| Increase (decrease) in accounts payable | (3,515) | (2,799) |
| Increase (decrease) in accrued expenses | 380 | 157 |
| Increase (decrease) in due to other funds | (1,501) | 1,309 |
| Increase (decrease) in compensated absences | <u>(2,722)</u> | <u>517</u> |
| Total adjustments | <u>597</u> | <u>1,333</u> |
| Net cash provided (used) by operating activities | <u>\$ (2,093)</u> | <u>\$ (17,095)</u> |

EMPLOYEE HEALTH PLAN FUND

CITY OF VICTORIA, TEXAS
INTERNAL SERVICE FUND
EMPLOYEE HEALTH PLAN FUND
BALANCE SHEET
 September 30, 2015
 With comparative totals for September 30, 2014

| | <u>2015</u> | <u>2014</u> |
|---------------------------|---------------------|---------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 2,670,776 | \$ 1,787,870 |
| Investments | 2,608,409 | 4,145,355 |
| Receivables | | |
| Other | 57,117 | 156 |
| Due from other funds | 472,642 | 679,822 |
| Prepaid items | 69,119 | - |
| Total assets | <u>5,878,063</u> | <u>6,613,203</u> |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable | 4,372 | 4,310 |
| Claims payable | 446,330 | 380,635 |
| Total liabilities | <u>450,702</u> | <u>384,945</u> |
| NET POSITION | | |
| Unrestricted | <u>5,427,361</u> | <u>6,228,258</u> |
| Total net position | <u>\$ 5,427,361</u> | <u>\$ 6,228,258</u> |

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

EMPLOYEE HEALTH PLAN FUND

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

For the year ended September 30, 2015

With comparative totals for year ended September 30, 2014

| | <u>2015</u> | <u>2014</u> |
|--|---------------------|---------------------|
| OPERATING REVENUES | | |
| Charges for services | \$ 6,175,449 | \$ 5,808,575 |
| Miscellaneous | <u>6,884</u> | <u>17,743</u> |
| Total operating revenues | <u>6,182,333</u> | <u>5,826,318</u> |
| OPERATING EXPENSES | | |
| Reinsurance premiums | 555,138 | 532,574 |
| Contractual services | 414,585 | 359,236 |
| Claims expense | 6,013,558 | 4,962,746 |
| Wellness program | <u>18,343</u> | <u>13,894</u> |
| Total operating expenses | <u>7,001,624</u> | <u>5,868,450</u> |
| Operating income (loss) before nonoperating revenues (expenses) | (819,291) | (42,132) |
| NONOPERATING REVENUES (EXPENSES) | | |
| Investment income | <u>18,394</u> | <u>17,519</u> |
| Net nonoperating revenues (expenses) | <u>18,394</u> | <u>17,519</u> |
| Change in net position | (800,897) | (24,613) |
| Total net position at beginning of year | <u>6,228,258</u> | <u>6,252,871</u> |
| Total net position at end of year | <u>\$ 5,427,361</u> | <u>\$ 6,228,258</u> |

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

EMPLOYEE HEALTH PLAN FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2015

With comparative totals for the year ended September 30, 2014

| | <u>2015</u> | <u>2014</u> |
|---|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from other funds | \$ 6,332,552 | \$ 5,364,631 |
| Cash paid to suppliers for goods and services | <u>(7,004,986)</u> | <u>(5,848,054)</u> |
| Net cash provided (used) by operating activities | <u>(672,434)</u> | <u>(483,423)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of investments | (2,468,696) | (5,360,696) |
| Proceeds from sales and maturities of investments | 4,005,642 | 6,640,323 |
| Investment income | <u>18,394</u> | <u>19,118</u> |
| Net cash provided (used) by investing activities | <u>1,555,340</u> | <u>1,298,745</u> |
| Net increase (decrease) in cash and cash equivalents | 882,906 | 815,322 |
| Cash and cash equivalents at beginning of year | <u>1,787,870</u> | <u>972,548</u> |
| Cash and cash equivalents at end of year | <u>\$ 2,670,776</u> | <u>\$ 1,787,870</u> |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | | |
| Operating income (loss) | \$ (819,291) | \$ (42,132) |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities | | |
| Changes in assets and liabilities | | |
| (Increase) decrease in other receivables | (56,961) | 63,397 |
| (Increase) decrease in due from other funds | 207,180 | (525,572) |
| (Increase) decrease in returned checks | - | 488 |
| (Increase) decrease in prepaid items | (69,119) | - |
| Increase (decrease) in accounts payable | 62 | 4,050 |
| Increase (decrease) in claims payable | <u>65,695</u> | <u>16,346</u> |
| Total adjustments | <u>146,857</u> | <u>(441,291)</u> |
| Net cash provided (used) by operating activities | <u>\$ (672,434)</u> | <u>\$ (483,423)</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, 2015*

| | <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 | \$ 274,093 | \$ 501,996 | \$ 646,889 | \$ 129,200 |
| Receivables (net) | <u>500</u> | <u>16,761</u> | <u>17,261</u> | <u>-</u> |
| Total assets | <u>\$ 274,593</u> | <u>\$ 518,757</u> | <u>\$ 664,150</u> | <u>\$ 129,200</u> |
| Liabilities | | | | |
| Accounts payable | \$ 1,901 | \$ 226,666 | \$ 227,703 | \$ 864 |
| Due to other agencies | <u>272,692</u> | <u>80,639</u> | <u>224,995</u> | <u>128,336</u> |
| Total liabilities | <u>\$ 274,593</u> | <u>\$ 307,305</u> | <u>\$ 452,698</u> | <u>\$ 129,200</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 | 188 |
| 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 | 202 |
| 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..... | 214 |
| 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 | 223 |
| 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 | 225 |

CITY OF VICTORIA, TEXAS
NET POSITION BY COMPONENT (1)
Last ten fiscal years

| | Fiscal Year | | | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2006 | 2007 | 2008 | 2009 |
| Governmental activities | | | | |
| Net investment in capital assets | \$ 68,885,648 | \$ 81,674,543 | \$ 90,954,312 | \$ 103,076,382 |
| Restricted | 1,173,690 | 1,696,525 | 1,838,427 | 1,699,737 |
| Unrestricted | 23,686,971 | 22,718,779 | 24,267,168 | 25,988,151 |
| Total governmental activities net position | \$ 93,746,309 | \$ 106,089,847 | \$ 117,059,907 | \$ 130,764,270 |
| Business-type activities | | | | |
| Net investment in capital assets | \$ 33,504,794 | \$ 33,129,491 | \$ 37,957,306 | \$ 37,535,371 |
| Unrestricted | 15,904,762 | 12,929,543 | 12,557,448 | 16,284,572 |
| Total business-type activities net position | \$ 49,409,556 | \$ 46,059,034 | \$ 50,514,754 | \$ 53,819,943 |
| Primary Government | | | | |
| Net investment in capital assets | \$ 102,390,442 | \$ 114,804,034 | \$ 128,911,618 | \$ 140,611,753 |
| Restricted | 1,173,690 | 1,696,525 | 1,838,427 | 1,699,737 |
| Unrestricted | 39,591,733 | 35,648,322 | 36,824,616 | 42,272,723 |
| Total primary government activities net position | \$ 143,155,865 | \$ 152,148,881 | \$ 167,574,661 | \$ 184,584,213 |

(1) Accrual basis of accounting

NOTE: The City implemented GASB Statement No. 68 "Accounting and Financial Reporting for Pensions" in fiscal year 2015. The amounts for all prior fiscal years have not been restated for the effects of this standard.

| Fiscal Year | | | | | |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| \$ 101,134,927 | \$ 96,662,568 | \$ 92,513,084 | \$ 94,905,320 | \$ 88,654,073 | \$ 83,609,268 |
| 3,582,920 | 4,685,266 | 2,919,609 | 3,500,017 | 3,524,554 | 3,547,378 |
| 26,775,847 | 19,134,765 | 21,378,976 | 18,196,626 | 21,472,040 | (794,827) |
| <u>\$ 131,493,694</u> | <u>\$ 120,482,599</u> | <u>\$ 116,811,669</u> | <u>\$ 116,601,963</u> | <u>\$ 113,650,667</u> | <u>\$ 86,361,819</u> |
| | | | | | |
| \$ 38,241,963 | \$ 42,657,025 | \$ 47,433,497 | \$ 53,705,125 | \$ 60,853,934 | \$ 65,123,880 |
| 14,932,212 | 17,370,233 | 18,648,788 | 17,552,820 | 14,140,873 | 9,203,058 |
| <u>\$ 53,174,175</u> | <u>\$ 60,027,258</u> | <u>\$ 66,082,285</u> | <u>\$ 71,257,945</u> | <u>\$ 74,994,807</u> | <u>\$ 74,326,938</u> |
| | | | | | |
| \$ 139,376,890 | \$ 139,319,593 | \$ 139,946,581 | \$ 148,610,445 | \$ 149,508,007 | \$ 148,733,148 |
| 3,582,920 | 4,685,266 | 2,919,609 | 3,500,017 | 3,524,554 | 3,547,378 |
| 41,708,059 | 36,504,998 | 40,027,764 | 35,749,446 | 35,612,913 | 8,408,231 |
| <u>\$ 184,667,869</u> | <u>\$ 180,509,857</u> | <u>\$ 182,893,954</u> | <u>\$ 187,859,908</u> | <u>\$ 188,645,474</u> | <u>\$ 160,688,757</u> |

CITY OF VICTORIA, TEXAS
CHANGES IN NET POSITION (1)
Last ten fiscal years

| | Fiscal Year | | | |
|---|---------------------|----------------------|----------------------|----------------------|
| | 2006 | 2007 | 2008 | 2009 |
| Governmental activities | | | | |
| Expenses | | | | |
| General government | \$ 6,938,465 | \$ 6,309,381 | \$ 6,931,856 | \$ 7,644,809 |
| Public safety | 21,069,293 | 21,011,764 | 21,735,079 | 23,007,338 |
| Development | 7,043,318 | 6,536,201 | 7,823,283 | 7,914,392 |
| Building services | - | - | - | - |
| Recreation | 4,355,134 | 4,567,261 | 5,103,708 | 5,127,406 |
| Interest on long-term debt | 2,697,616 | 3,045,176 | 3,292,118 | 3,200,423 |
| Total expenses | <u>42,103,826</u> | <u>41,469,783</u> | <u>44,886,044</u> | <u>46,894,368</u> |
| Program revenues | | | | |
| Charges for services | | | | |
| General government | 1,561,043 | 1,500,177 | 1,984,766 | 2,559,383 |
| Public safety | 3,438,132 | 3,462,799 | 5,061,946 | 3,830,282 |
| Development | - | 1,764 | - | - |
| Recreation | 1,116,400 | 1,291,701 | 199,493 | 300,970 |
| Operating grants and contributions | 1,484,178 | 1,483,014 | 1,782,897 | 1,802,260 |
| Capital grants and contributions | 3,949,167 | 205,606 | 4,000,000 | 10,424,447 |
| Total program revenues | <u>11,548,920</u> | <u>7,945,061</u> | <u>13,029,102</u> | <u>18,917,342</u> |
| Total governmental activities net program (expense) revenue | (30,554,906) | (33,524,722) | (31,856,942) | (27,977,026) |
| General revenues and other changes in net position | | | | |
| Taxes | | | | |
| Property taxes | 16,031,334 | 17,365,758 | 18,731,119 | 19,676,691 |
| Sales taxes | 12,223,392 | 13,028,689 | 13,545,220 | 13,046,352 |
| Franchise taxes | 4,807,526 | 4,887,453 | 4,678,027 | 4,657,347 |
| Other taxes | 993,013 | 1,127,701 | 1,306,496 | 1,127,564 |
| Unrestricted investment earnings | 1,924,805 | 2,333,774 | 2,062,275 | 792,410 |
| Gain (loss) on disposition of capital assets | (52,797) | (153,537) | - | - |
| Miscellaneous | 707,809 | 987,575 | 577,458 | 715,111 |
| Transfers | 2,284,100 | 6,290,847 | 1,674,251 | 1,665,914 |
| Total general revenues and other changes in net position | <u>38,919,182</u> | <u>45,868,260</u> | <u>42,574,846</u> | <u>41,681,389</u> |
| Total governmental activities change in net position | <u>\$ 8,364,276</u> | <u>\$ 12,343,538</u> | <u>\$ 10,717,904</u> | <u>\$ 13,704,363</u> |

(1) Accrual basis of accounting

NOTE: The City implemented GASB Statement No. 68 "Accounting and Financial Reporting for Pensions" in fiscal year 2015. The amounts for all prior fiscal years have not been restated for the effects of this standard.

| Fiscal Year | | | | | |
|-------------------|------------------------|-----------------------|---------------------|-----------------------|-----------------------|
| 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| \$ 7,634,811 | \$ 8,885,981 | \$ 7,882,287 | \$ 5,709,668 | \$ 6,094,985 | \$ 5,630,383 |
| 24,156,480 | 24,668,502 | 26,018,770 | 25,215,002 | 25,286,282 | 27,620,120 |
| 14,827,929 | 26,226,457 | 17,974,898 | 19,282,345 | 20,425,736 | 19,636,633 |
| - | - | - | 622,921 | 608,534 | 673,904 |
| 5,358,952 | 5,579,848 | 6,366,709 | 7,025,377 | 7,602,241 | 7,611,173 |
| 4,562,764 | 4,187,138 | 4,465,314 | 3,971,377 | 4,282,847 | 4,402,538 |
| <u>56,540,936</u> | <u>69,547,926</u> | <u>62,707,978</u> | <u>61,826,690</u> | <u>64,300,625</u> | <u>65,574,751</u> |
| 2,411,387 | 2,571,837 | 3,086,126 | 2,216,473 | 2,088,907 | 1,979,444 |
| 3,549,406 | 3,720,774 | 4,055,811 | 4,009,925 | 4,573,392 | 5,075,992 |
| - | - | - | - | 10,440 | - |
| 311,471 | 375,573 | 422,205 | 575,059 | 451,590 | 515,531 |
| 2,868,795 | 3,961,041 | 2,419,230 | 2,580,598 | 3,255,156 | 3,961,463 |
| <u>3,834,982</u> | <u>2,598,637</u> | <u>1,307,549</u> | <u>4,749,721</u> | <u>-</u> | <u>407,335</u> |
| <u>12,976,041</u> | <u>13,227,862</u> | <u>11,290,921</u> | <u>14,131,776</u> | <u>10,379,485</u> | <u>11,939,765</u> |
| (43,564,895) | (56,320,064) | (51,417,057) | (47,694,914) | (53,921,140) | (53,634,986) |
| 20,178,350 | 20,330,192 | 20,855,303 | 20,848,132 | 22,403,124 | 23,339,865 |
| 11,978,185 | 14,768,729 | 17,533,000 | 17,516,177 | 17,692,397 | 17,937,136 |
| 4,665,101 | 4,761,009 | 4,981,674 | 5,136,247 | 5,308,414 | 5,410,432 |
| 1,196,969 | 1,661,740 | 2,116,093 | 1,993,357 | 2,037,318 | 1,933,140 |
| 305,323 | 128,013 | 98,042 | 92,079 | 130,688 | 115,633 |
| - | - | - | - | - | - |
| 1,084,532 | 1,113,342 | 742,520 | 829,767 | 809,043 | 972,716 |
| <u>4,885,859</u> | <u>2,545,944</u> | <u>2,481,540</u> | <u>2,561,760</u> | <u>2,588,860</u> | <u>2,694,491</u> |
| <u>44,294,319</u> | <u>45,308,969</u> | <u>48,808,172</u> | <u>48,977,519</u> | <u>50,969,844</u> | <u>52,403,413</u> |
| <u>\$ 729,424</u> | <u>\$ (11,011,095)</u> | <u>\$ (2,608,885)</u> | <u>\$ 1,282,605</u> | <u>\$ (2,951,296)</u> | <u>\$ (1,231,573)</u> |

(continued)

CITY OF VICTORIA, TEXAS
CHANGES IN NET POSITION (1)
Last ten fiscal years

| | Fiscal Year | | | |
|--|----------------------|-----------------------|----------------------|----------------------|
| | 2006 | 2007 | 2008 | 2009 |
| Business-type activities | | | | |
| Expenses | | | | |
| Water/wastewater | \$ 17,110,109 | \$ 17,796,972 | \$ 18,715,248 | \$ 19,175,705 |
| Environmental services | 3,878,901 | 3,910,749 | 5,024,014 | 3,790,348 |
| Other | 652,407 | 644,320 | 884,680 | 790,005 |
| Total expenses | <u>21,641,417</u> | <u>22,352,041</u> | <u>24,623,942</u> | <u>23,756,058</u> |
| Program revenues | | | | |
| Charges for services | | | | |
| Water/wastewater | 19,465,995 | 19,097,742 | 20,997,411 | 22,889,967 |
| Environmental services | 4,277,226 | 4,319,074 | 6,726,226 | 4,245,528 |
| Other | 338,111 | 346,655 | 480,797 | 564,531 |
| Operating grants and contributions | - | - | - | 54,826 |
| Capital grants and contributions | 2,722,436 | 774,028 | 1,800,876 | 705,899 |
| Total program revenues | <u>26,803,768</u> | <u>24,537,499</u> | <u>30,005,310</u> | <u>28,460,751</u> |
| Total business-type activities net program (expense) revenue | 5,162,351 | 2,185,458 | 5,381,368 | 4,704,693 |
| General revenues and other changes in net position | | | | |
| Unrestricted investment earnings | 713,215 | 812,815 | 748,603 | 266,410 |
| Gain (loss) on disposition of capital assets | (41,675) | (194,343) | - | - |
| Miscellaneous | 88,219 | 136,395 | - | - |
| Transfers | (2,284,100) | (6,290,847) | (1,674,251) | (1,665,914) |
| Total general revenues and other changes in net position | <u>(1,524,341)</u> | <u>(5,535,980)</u> | <u>(925,648)</u> | <u>(1,399,504)</u> |
| Total business-type activities change in net position | <u>\$ 3,638,010</u> | <u>\$ (3,350,522)</u> | <u>\$ 4,455,720</u> | <u>\$ 3,305,189</u> |
| Total primary government change in net position | <u>\$ 12,002,286</u> | <u>\$ 8,993,016</u> | <u>\$ 15,173,624</u> | <u>\$ 17,009,552</u> |

(1) Accrual basis of accounting

NOTE: The City implemented GASB Statement No. 68 "Accounting and Financial Reporting for Pensions" in fiscal year 2015. The amounts for all prior fiscal years have not been restated for the effects of this standard.

| Fiscal Year | | | | | |
|---------------------|-----------------------|---------------------|----------------------|---------------------|---------------------|
| 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| \$ 18,589,868 | \$ 18,628,230 | \$ 18,694,233 | \$ 19,313,776 | \$ 20,553,362 | \$ 20,960,979 |
| 3,182,201 | 3,219,898 | 3,849,208 | 4,135,237 | 4,212,510 | 3,743,052 |
| 848,161 | 813,330 | 848,712 | 926,599 | 923,786 | 1,000,683 |
| <u>22,620,230</u> | <u>22,661,458</u> | <u>23,392,153</u> | <u>24,375,612</u> | <u>25,689,658</u> | <u>25,704,714</u> |
| 21,973,303 | 24,086,400 | 24,029,096 | 24,816,749 | 25,151,264 | 26,333,550 |
| 4,128,139 | 4,462,994 | 4,799,682 | 4,996,129 | 5,043,783 | 5,124,448 |
| 425,929 | 339,623 | 397,531 | 397,968 | 395,088 | 365,058 |
| - | - | - | - | - | - |
| <u>284,490</u> | <u>3,127,754</u> | <u>2,875,295</u> | <u>6,099,555</u> | <u>1,374,311</u> | <u>1,630,985</u> |
| <u>26,811,861</u> | <u>32,016,771</u> | <u>32,101,604</u> | <u>36,310,401</u> | <u>31,964,446</u> | <u>33,454,041</u> |
| 4,191,631 | 9,355,313 | 8,709,451 | 11,934,789 | 6,274,788 | 7,749,327 |
| 48,460 | 43,714 | 60,423 | 57,555 | 50,934 | 78,774 |
| - | - | - | - | - | - |
| - | - | - | 629,420 | - | - |
| <u>(4,885,859)</u> | <u>(2,545,944)</u> | <u>(2,481,540)</u> | <u>(2,561,760)</u> | <u>(2,588,860)</u> | <u>(2,694,491)</u> |
| <u>(4,837,399)</u> | <u>(2,502,230)</u> | <u>(2,421,117)</u> | <u>(1,874,785)</u> | <u>(2,537,926)</u> | <u>(2,615,717)</u> |
| <u>\$ (645,768)</u> | <u>\$ 6,853,083</u> | <u>\$ 6,288,334</u> | <u>\$ 10,060,004</u> | <u>\$ 3,736,862</u> | <u>\$ 5,133,610</u> |
| <u>\$ 83,656</u> | <u>\$ (4,158,012)</u> | <u>\$ 3,679,449</u> | <u>\$ 11,342,609</u> | <u>\$ 785,566</u> | <u>\$ 3,902,037</u> |

(concluded)

CITY OF VICTORIA, TEXAS

PROGRAM REVENUES BY FUNCTION/PROGRAM (1)

Last ten fiscal years

| Function/Program | Fiscal Year | | | |
|-----------------------------------|----------------------|----------------------|----------------------|----------------------|
| | 2006 | 2007 | 2008 | 2009 |
| Governmental activities | | | | |
| General government | \$ 3,658,884 | \$ 2,599,379 | \$ 4,342,863 | \$ 3,959,110 |
| Public safety | | | | |
| Police | 1,964,931 | 1,819,087 | 548,526 | 562,958 |
| Fire | 443,096 | 338,684 | 2,125,551 | 1,498,958 |
| Ambulance | 1,499,431 | 1,450,870 | 1,448,287 | 1,997,342 |
| Other | 56,394 | 232,401 | 339,910 | 140,475 |
| Development | 2,794,733 | 161,801 | 4,000,000 | 10,410,473 |
| Recreation | | | | |
| Parks | 32,453 | 33,906 | 136,490 | 144,192 |
| Library | 1,027,126 | 1,183,038 | 86,475 | 79,009 |
| Other | 71,872 | 125,895 | 1,000 | 124,825 |
| Subtotal governmental activities | <u>11,548,920</u> | <u>7,945,061</u> | <u>13,029,102</u> | <u>18,917,342</u> |
| Business-type activities | | | | |
| Water/wastewater | 22,188,431 | 19,855,925 | 22,798,287 | 23,595,866 |
| Environmental services | 4,277,226 | 4,319,074 | 6,726,226 | 4,245,528 |
| Community center | 169,040 | 230,517 | 224,297 | 267,761 |
| 700 main center | 169,071 | 131,983 | 247,701 | 351,596 |
| Education & government channel | - | - | 8,799 | - |
| Subtotal business-type activities | <u>26,803,768</u> | <u>24,537,499</u> | <u>30,005,310</u> | <u>28,460,751</u> |
| Total primary government | <u>\$ 38,352,688</u> | <u>\$ 32,482,560</u> | <u>\$ 43,034,412</u> | <u>\$ 47,378,093</u> |

(1) Accrual basis of accounting

| Fiscal Year | | | | | |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| \$ 3,676,509 | \$ 4,165,588 | \$ 4,061,019 | \$ 3,390,820 | \$ 3,346,359 | \$ 3,205,473 |
| 1,754,661 | 1,104,800 | 1,110,570 | 1,608,173 | 1,912,010 | 1,675,433 |
| 2,147,401 | 1,673,163 | 1,649,689 | 1,400,000 | 1,400,000 | 1,500,000 |
| 2,367,421 | 2,022,130 | 1,960,248 | 1,530,652 | 1,511,622 | 2,081,337 |
| 12,684 | 173,514 | 81,830 | 47,314 | 57,182 | 214,987 |
| 2,667,991 | 3,297,208 | 1,381,185 | 5,392,128 | 1,645,959 | 2,681,860 |
| 224,017 | 639,063 | 655,488 | 257,374 | 76,836 | 93,088 |
| 90,592 | 87,526 | 74,431 | 75,429 | 88,191 | 83,410 |
| 34,765 | 64,870 | 316,461 | 429,886 | 341,326 | 404,177 |
| <u>12,976,041</u> | <u>13,227,862</u> | <u>11,290,921</u> | <u>14,131,776</u> | <u>10,379,485</u> | <u>11,939,765</u> |
| 22,246,356 | 27,214,154 | 26,904,391 | 30,916,304 | 26,525,575 | 27,964,535 |
| 4,128,139 | 4,462,994 | 4,799,682 | 4,996,129 | 5,043,783 | 5,124,448 |
| 222,105 | 240,429 | 245,895 | 246,453 | 243,548 | 211,541 |
| 215,261 | 99,194 | 151,636 | 151,515 | 151,540 | 153,517 |
| - | - | - | - | - | - |
| <u>26,811,861</u> | <u>32,016,771</u> | <u>32,101,604</u> | <u>36,310,401</u> | <u>31,964,446</u> | <u>33,454,041</u> |
| <u>\$ 39,787,902</u> | <u>\$ 45,244,633</u> | <u>\$ 43,392,525</u> | <u>\$ 50,442,177</u> | <u>\$ 42,343,931</u> | <u>\$ 45,393,806</u> |

CITY OF VICTORIA, TEXAS

FUND BALANCES, GOVERNMENTAL FUNDS (1)

Last ten fiscal years

| | Fiscal Year | | | |
|------------------------------------|----------------------|----------------------|----------------------|----------------------|
| | 2006 | 2007 | 2008 | 2009 |
| General Fund | | | | |
| Nonspendable | | | | |
| Inventory | \$ - | \$ - | \$ - | \$ - |
| Committed | - | - | - | - |
| Unassigned | - | - | - | - |
| Reserved | | | | |
| Encumbrances | 1,957,344 | 2,841,648 | 3,790,753 | 2,007,737 |
| Inventory | - | - | 252,156 | 280,174 |
| Unreserved | <u>8,722,939</u> | <u>12,041,754</u> | <u>11,055,775</u> | <u>12,913,370</u> |
| Total general fund | <u>\$ 10,680,283</u> | <u>\$ 14,883,402</u> | <u>\$ 15,098,684</u> | <u>\$ 15,201,281</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 | 9,768,774 | 22,936,937 | 10,449,047 | 1,869,318 |
| Unreserved, reported in | | | | |
| Special revenue funds | 617,155 | 782,553 | 786,064 | 753,475 |
| Debt service fund | 801,189 | 933,505 | 1,185,901 | 1,197,665 |
| Capital project funds | <u>21,526,958</u> | <u>2,858,366</u> | <u>11,722,400</u> | <u>12,370,240</u> |
| Total all other governmental funds | <u>\$ 32,714,076</u> | <u>\$ 27,511,361</u> | <u>\$ 24,143,412</u> | <u>\$ 16,190,698</u> |

(1) Modified accrual basis of accounting

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

| Fiscal Year | | | | | |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| \$ - | \$ 315,614 | \$ 314,846 | \$ 240,214 | \$ 268,964 | \$ 271,491 |
| - | 1,570,456 | 1,961,362 | 2,331,578 | 2,689,089 | 950,019 |
| - | 14,342,229 | 16,846,702 | 15,289,711 | 15,330,199 | 16,650,305 |
| 2,009,003 | - | - | - | - | - |
| 205,798 | - | - | - | - | - |
| 11,937,105 | - | - | - | - | - |
| <u>\$ 14,151,906</u> | <u>\$ 16,228,299</u> | <u>\$ 19,122,910</u> | <u>\$ 17,861,503</u> | <u>\$ 18,288,252</u> | <u>\$ 17,871,815</u> |
| \$ - | \$ 953,394 | \$ 977,452 | \$ 1,222,778 | \$ 1,091,077 | \$ 1,102,779 |
| - | 16,102,523 | 4,323,282 | 2,729,133 | 8,566,369 | 12,456,055 |
| - | 352,694 | 110,486 | 46,195 | 25,614 | 25,614 |
| - | 1,029,173 | 1,619,141 | 1,835,515 | 1,880,440 | 1,804,432 |
| - | 135,328 | 226,919 | 257,161 | 225,488 | 207,063 |
| - | 96,783 | 66,220 | 53,884 | 94,264 | 96,496 |
| 29,200,456 | - | - | - | - | - |
| 654,310 | - | - | - | - | - |
| 1,024,126 | - | - | - | - | - |
| 6,088,406 | - | - | - | - | - |
| <u>\$ 36,967,298</u> | <u>\$ 18,669,895</u> | <u>\$ 7,323,500</u> | <u>\$ 6,144,666</u> | <u>\$ 11,883,252</u> | <u>\$ 15,692,439</u> |

CITY OF VICTORIA, TEXAS

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (1)

Last ten fiscal years

| | Fiscal Year | | | |
|--|---------------------|---------------------|-----------------------|-----------------------|
| | 2006 | 2007 | 2008 | 2009 |
| Revenues | | | | |
| Taxes | \$ 34,415,212 | \$ 36,551,459 | \$ 38,384,785 | \$ 38,607,055 |
| Licenses and permits | 704,596 | 727,532 | 787,190 | 654,842 |
| Intergovernmental | 4,454,844 | 3,325,215 | 4,411,652 | 4,127,236 |
| Charges for services | 1,639,480 | 1,697,048 | 1,764,291 | 2,020,751 |
| Fines and forfeitures | 1,289,136 | 1,413,887 | 1,254,294 | 1,025,175 |
| Investment income | 1,855,480 | 2,436,372 | 1,852,377 | 654,772 |
| Miscellaneous | 3,164,484 | 757,739 | 4,559,666 | 10,580,086 |
| Total revenues | <u>47,523,232</u> | <u>46,909,252</u> | <u>53,014,255</u> | <u>57,669,917</u> |
| Expenditures | | | | |
| Current | | | | |
| General government | 6,883,983 | 5,634,109 | 6,162,416 | 7,079,966 |
| Public safety | 21,195,636 | 21,705,108 | 25,752,199 | 25,516,863 |
| Development | 5,506,925 | 4,882,077 | 4,961,785 | 6,319,245 |
| Building services | - | - | - | - |
| Recreation | 4,872,862 | 4,825,620 | 5,952,544 | 5,758,754 |
| Capital outlay | 9,815,300 | 11,154,436 | 18,826,980 | 16,355,509 |
| Debt service | | | | |
| Principal retirement | 3,200,000 | 3,150,000 | 3,325,000 | 3,805,000 |
| Interest and fiscal charges | 2,534,977 | 2,824,445 | 3,117,121 | 3,057,924 |
| Paying agents' fees and issue costs | 179,670 | 23,900 | 185,803 | 32,687 |
| Total expenditures | <u>54,189,353</u> | <u>54,199,695</u> | <u>68,283,848</u> | <u>67,925,948</u> |
| Excess (deficiency) of revenues over expenditures | (6,666,121) | (7,290,443) | (15,269,593) | (10,256,031) |
| Other financing sources (uses) | | | | |
| Bonds issued | 9,880,000 | - | 9,995,000 | - |
| Premium on issuance of bonds | 119,097 | - | 195,519 | - |
| Payment to escrow | - | - | - | - |
| Transfers in | 5,488,240 | 6,902,090 | 2,641,257 | 5,691,053 |
| Transfers out | (3,304,140) | (611,243) | (967,006) | (3,285,139) |
| Total other financing sources (uses) | <u>12,183,197</u> | <u>6,290,847</u> | <u>11,864,770</u> | <u>2,405,914</u> |
| Change in fund balances | <u>\$ 5,517,076</u> | <u>\$ (999,596)</u> | <u>\$ (3,404,823)</u> | <u>\$ (7,850,117)</u> |
| Debt service as a percentage of noncapital expenditures | <u>14.32%</u> | <u>15.07%</u> | <u>14.43%</u> | <u>14.76%</u> |

(1) Modified accrual basis of accounting

| Fiscal Year | | | | | |
|----------------------|------------------------|-----------------------|-----------------------|---------------------|---------------------|
| 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| \$ 38,100,542 | \$ 41,747,689 | \$ 45,781,292 | \$ 45,431,594 | \$ 47,356,786 | \$ 48,542,609 |
| 662,792 | 654,829 | 842,050 | 962,217 | 1,134,453 | 959,596 |
| 6,923,780 | 5,568,731 | 4,740,048 | 4,312,719 | 3,721,314 | 5,607,497 |
| 1,957,973 | 2,108,045 | 2,261,037 | 2,066,070 | 2,162,871 | 2,259,027 |
| 913,478 | 871,159 | 1,216,786 | 906,199 | 1,600,630 | 1,432,225 |
| 156,822 | 113,446 | 78,076 | 76,251 | 112,300 | 95,883 |
| 1,628,730 | 3,512,629 | 1,470,793 | 5,688,203 | 2,003,817 | 1,107,333 |
| <u>50,344,117</u> | <u>54,576,528</u> | <u>56,390,082</u> | <u>59,443,253</u> | <u>58,092,171</u> | <u>60,004,170</u> |
| 6,842,991 | 7,691,966 | 6,600,564 | 4,741,811 | 5,309,532 | 4,565,527 |
| 26,475,134 | 25,970,544 | 26,151,196 | 25,097,350 | 25,206,138 | 27,001,802 |
| 4,533,558 | 17,378,572 | 9,134,802 | 10,209,543 | 10,704,794 | 8,058,818 |
| - | - | - | 751,312 | 606,761 | 621,326 |
| 5,787,081 | 5,473,792 | 6,564,863 | 7,586,352 | 7,632,206 | 7,147,774 |
| 10,862,646 | 18,889,663 | 13,249,019 | 7,707,932 | 4,516,213 | 6,397,159 |
| 3,390,000 | 3,715,000 | 3,990,000 | 4,665,000 | 5,410,000 | 7,505,000 |
| 4,103,879 | 4,037,313 | 4,340,073 | 3,567,975 | 4,103,190 | 3,993,868 |
| 681,114 | 203,809 | 205,798 | 393,724 | 162,207 | 316,999 |
| <u>62,676,403</u> | <u>83,360,659</u> | <u>70,236,315</u> | <u>64,720,999</u> | <u>63,651,041</u> | <u>65,608,273</u> |
| (12,332,286) | (28,784,131) | (13,846,233) | (5,277,746) | (5,558,870) | (5,604,103) |
| 35,045,000 | 9,740,000 | 7,720,000 | 25,015,000 | 9,095,000 | 17,715,000 |
| 515,234 | 97,204 | 71,752 | 2,163,159 | 50,222 | 1,400,250 |
| (8,985,582) | - | (3,867,191) | (26,781,924) | - | (12,812,888) |
| 7,275,415 | 10,568,226 | 5,207,042 | 5,540,057 | 5,984,682 | 11,012,236 |
| <u>(1,790,556)</u> | <u>(7,842,309)</u> | <u>(2,699,610)</u> | <u>(3,098,787)</u> | <u>(3,405,699)</u> | <u>(8,317,745)</u> |
| <u>32,059,511</u> | <u>12,563,121</u> | <u>6,431,993</u> | <u>2,837,505</u> | <u>11,724,205</u> | <u>8,996,853</u> |
| <u>\$ 19,727,225</u> | <u>\$ (16,221,010)</u> | <u>\$ (7,414,240)</u> | <u>\$ (2,440,241)</u> | <u>\$ 6,165,335</u> | <u>\$ 3,392,750</u> |
| <u>14.98%</u> | <u>12.85%</u> | <u>16.05%</u> | <u>15.98%</u> | <u>17.46%</u> | <u>20.46%</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> |
|---------------------|-------------------|-----------------------------|------------------|---------------|------------------|
| 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 |
| 2012 | 20,938,687 | 236,838 | 4,981,674 | 17,533,000 | 2,019,642 |
| 2013 | 20,614,474 | 211,062 | 5,136,247 | 17,516,177 | 1,881,129 |
| 2014 | 22,123,371 | 220,286 | 5,308,414 | 17,692,397 | 1,936,667 |
| 2015 | 23,092,499 | 217,368 | 5,410,432 | 17,937,136 | 1,809,554 |
| Change 2006-2015 | 42.98% | -9.62% | 12.54% | 46.74% | 97.20% |

(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 increased in fiscal years 2011 and 2012 due mainly to the addition of new hotels within the City of Victoria, as well as increase in occupancy rates due largely to the Eagle Ford Shale activity in the area. Fiscal year 2013 ended with a decrease due mainly to the leveling off of the Eagle Ford Shale activity; with companies utilizing other long-term options of lodging. Fiscal year 2014 ended with a slight increase over fiscal year 2013 with the addition of three hotels. Fiscal year 2015 saw a decrease mainly due to the slowdown of Eagle Ford Shale activity in the area.

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 years 2011 through 2014, the addition of the Caterpillar excavator assembly plant, Eagle Ford Shale activity, new development of University of Houston-Victoria and the Port of Victoria, and expansion of other retail outlets have all led to confidence in the Victoria area and the increase in sales tax revenue. In fiscal year 2015, there was a slight increase in sales tax revenue, mainly due to consumers having more disposable income because of lower gas prices.

| <u>Other</u> | <u>Total</u> |
|--------------|---------------|
| \$ 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 |
| 71,451 | 45,781,292 |
| 72,505 | 45,431,594 |
| 75,651 | 47,356,786 |
| 75,620 | 48,542,609 |
| 0.33% | 41.05% |

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 |
| 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 |
| 2012 | 2011 | 2,022,466,829 | 1,094,141,142 | 46,713,519 | 502,831,290 | 90,219,830 |
| 2013 | 2012 | 2,078,252,831 | 892,656,818 | 40,818,468 | 979,758,910 | 14,320,720 |
| 2014 | 2013 | 2,317,499,266 | 936,587,850 | 39,292,957 | 1,160,993,128 | 15,070,980 |
| 2015 | 2014 | 2,507,681,585 | 991,303,214 | 38,469,909 | 1,203,884,134 | 16,667,530 |

(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

| Less: Tax Exempt Real Property | Total Taxable Assessed Value | Total Direct Tax Rate | Estimated Actual Taxable Value | Assessed Value (1) as a Percentage of Actual Value |
|--------------------------------------|------------------------------------|--------------------------------|---|---|
| \$ 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% |
| 548,030,240 | 3,208,342,370 | 0.645 | 3,208,342,370 | 100.00% |
| 572,496,198 | 3,433,311,549 | 0.6056 | 3,433,311,549 | 100.00% |
| 733,221,635 | 3,736,222,546 | 0.5996 | 3,736,222,546 | 100.00% |
| 778,151,269 | 3,979,855,103 | 0.584 | 3,979,855,103 | 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 |
| 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 |
| 2012 | 0.2554 | 0.3896 | 0.6450 | 1.3226 | 0.1606 | 0.0296 |
| 2013 | 0.2506 | 0.3550 | 0.6056 | 1.3090 | 0.1606 | 0.0285 |
| 2014 | 0.2506 | 0.3490 | 0.5996 | 1.2896 | 0.1823 | 0.0277 |
| 2015 | 0.2506 | 0.3334 | 0.5840 | 1.2744 | 0.1875 | 0.0240 |

SOURCE: Victoria County Appraisal District

| Overlapping Rates | | | | |
|--------------------|-----------------------|-----------------------------|-----------|--|
| Victoria County | Road and Bridge | Ground Water District | Total | |
| \$ 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 | |
| 0.3436 | 0.0550 | 0.0092 | 1.9206 | |
| 0.3436 | 0.0550 | 0.0092 | 1.9059 | |
| 0.3386 | 0.0600 | 0.0088 | 1.9070 | |
| 0.3386 | 0.0600 | 0.0088 | 1.8933 | |

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

| 2015 | | |
|--------------------------------|----------------------------------|---|
| Taxpayer | Taxable Assessed Valuation | Percentage of Total City Taxable Assessed Valuation |
| Victoria WLE, L.P. | \$ 42,451,848 | 1.07% |
| AEP Texas Central Co. | 38,105,000 | 0.96% |
| Integrated Production Services | 30,510,340 | 0.77% |
| Halliburton Energy Services | 23,602,950 | 0.59% |
| Victoria Texas Apartments, LLC | 18,620,030 | 0.47% |
| Victoria Hospital, L.L.C. | 18,355,080 | 0.46% |
| James A. Wayne | 17,363,420 | 0.44% |
| Berry Plastics Corporation | 16,215,970 | 0.41% |
| Wal-Mart Stores Texas LP | 16,198,510 | 0.41% |
| Performance Food Group | 15,382,330 | 0.39% |
| | <u>\$ 236,805,478</u> | <u>5.95%</u> |

| 2006 | | |
|---------------------------------|----------------------------------|---|
| Taxpayer | Taxable Assessed Valuation | Percentage of Total City Taxable Assessed Valuation |
| AEP Central Power & Light Co. | \$ 27,888,270 | 1.19% |
| Tyco Plastics, L.P. | 22,957,100 | 0.98% |
| HS Victoria, L.P. | 20,746,590 | 0.89% |
| Victoria Hospital, L.L.C. | 19,975,140 | 0.85% |
| Southwestern Bell Telephone Co. | 15,824,800 | 0.68% |
| H.E.B. Grocery | 14,479,390 | 0.62% |
| James A. Wayne | 13,149,820 | 0.56% |
| First Victoria National Bank | 11,176,040 | 0.48% |
| VRMC Limited Partnership | 10,928,300 | 0.47% |
| Schlumberger Well Services | 9,579,890 | 0.41% |
| | <u>\$ 166,705,340</u> | <u>7.13%</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> |
| 2006 | \$ 16,142,704 | \$ (25,273) | \$ 16,117,431 | \$ 15,844,174 | 98.30% |
| 2007 | 17,294,507 | 83,442 | 17,377,949 | 17,050,006 | 98.11% |
| 2008 | 18,725,721 | - | 18,725,721 | 18,369,725 | 98.10% |
| 2009 | 19,693,268 | - | 19,693,268 | 19,271,874 | 97.86% |
| 2010 | 20,228,599 | (4,872) | 20,223,727 | 19,755,429 | 97.68% |
| 2011 | 20,327,879 | (1,008) | 20,326,872 | 19,938,819 | 98.09% |
| 2012 | 20,693,808 | (8,846) | 20,684,963 | 20,470,591 | 98.96% |
| 2013 | 20,792,135 | (5,049) | 20,787,085 | 20,338,256 | 97.84% |
| 2014 | 22,402,390 | 101,450 | 22,503,841 | 21,877,717 | 97.22% |
| 2015 | 23,242,354 | 622,307 | 23,864,661 | 22,715,220 | 95.18% |

SOURCE: City of Victoria
Victoria County Tax Assessor/Collector

| Collections in Subsequent Years | Total Collections to Date | |
|---------------------------------------|---------------------------|-----------------------|
| | Amount | Percentage of Levy |
| \$ 236,705 | \$ 16,080,879 | 99.77% |
| 282,366 | 17,332,372 | 99.74% |
| 299,423 | 18,669,148 | 99.70% |
| 362,081 | 19,633,955 | 99.70% |
| 390,257 | 20,145,686 | 99.61% |
| 314,944 | 20,253,762 | 99.64% |
| 132,202 | 20,602,793 | 99.60% |
| 90,523 | 20,428,779 | 98.28% |
| 226,286 | 22,104,003 | 98.22% |
| - | 22,715,220 | 95.18% |

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

| <u>Fiscal Year</u> | <u>Gallons of Water Produced</u> | <u>Gallons of Water Consumed</u> | <u>Gallons of Water Unbilled</u> | <u>Average Percent Unbilled</u> | <u>Gallons of Wastewater Treated</u> |
|--------------------|----------------------------------|----------------------------------|----------------------------------|---------------------------------|--------------------------------------|
| 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 |
| 2012 | 3,753,223,000 | 3,124,507,750 | 628,715,250 | 16.75% | 2,255,000,000 |
| 2013 | 3,631,750,000 | 3,166,164,000 | 465,586,000 | 12.82% | 2,147,917,000 |
| 2014 | 3,514,585,000 | 2,990,317,000 | 524,268,000 | 14.92% | 2,123,000,000 |
| 2015 | 3,250,871,000 | 3,022,095,000 | 228,776,000 | 7.04% | 2,597,000,000 |

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 |
| \$ 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 |
| 17.96 | 1.67 | 22.43 | 2.22 |
| 17.96 | 1.67 | 22.43 | 2.22 |
| 17.96 | 1.67 | 22.43 | 2.22 |
| 18.21 | 1.92 | 22.68 | 2.47 |

CITY OF VICTORIA, TEXAS

WATER AND SEWER RATES

Last ten fiscal years

| | Fiscal Year | | | |
|--|-------------|----------|----------|----------|
| | 2006 | 2007 | 2008 | 2009 |
| Water Rates (per 2,000 gallons) | | | | |
| Base Rate (meter size) | | | | |
| ¾" | \$ 14.43 | \$ 15.01 | \$ 16.73 | \$ 17.09 |
| 1" | 36.08 | 37.53 | 41.84 | 42.73 |
| 1½" | 72.15 | 75.05 | 83.66 | 85.45 |
| 2" | 115.44 | 120.08 | 133.86 | 136.73 |
| 3" | 230.88 | 240.17 | 267.73 | 273.45 |
| 4" | 360.75 | 375.25 | 418.31 | 427.26 |
| 6" | 721.50 | 750.50 | 836.62 | 854.51 |
| 8" | 2,308.80 | 2,401.60 | 2,677.17 | 2,734.43 |
| 10" | 2,609.34 | 3,752.50 | 4,183.08 | 4,272.55 |
| Water usage rate (1,000 gallons increments) | | | | |
| 3-7 | 1.52 | 1.52 | 1.57 | 1.67 |
| 8-18 | 1.68 | 1.68 | 1.73 | 1.83 |
| 19-50 | 2.00 | 2.00 | 2.05 | 2.15 |
| 51-75 | 2.25 | 2.25 | 2.30 | 2.40 |
| >51 | - | - | - | - |
| 76-100 | 2.40 | 2.40 | 2.45 | 2.55 |
| >100 | 2.55 | 2.55 | 2.60 | 2.70 |
| Sewer Rates (per 2,000 gallons) | | | | |
| ¾" | 18.48 | 19.16 | 21.03 | 21.41 |
| 1" | 46.20 | 47.90 | 52.57 | 53.54 |
| 1½" | 92.40 | 95.80 | 105.14 | 107.10 |
| 2" | 147.84 | 153.28 | 168.22 | 171.34 |
| 3" | 295.68 | 306.56 | 336.44 | 342.69 |
| 4" | 462.00 | 479.00 | 525.69 | 535.45 |
| 6" | 924.00 | 958.00 | 1,051.37 | 1,070.89 |
| 8" | 2,956.80 | 3,065.60 | 3,364.39 | 3,426.86 |
| 10" | 4,617.60 | 4,790.00 | 5,256.86 | 5,354.47 |
| Sewer usage rate (1,000 gallons increments) | | | | |
| >2 | - | - | - | - |
| 3-7 | 2.07 | 2.07 | 2.12 | 2.22 |
| 8-18 | 2.12 | 2.12 | 2.17 | 2.27 |
| 19-50 | 2.17 | 2.17 | 2.22 | 2.32 |
| 51-75 | 2.22 | 2.22 | 2.27 | 2.37 |
| 76-100 | 2.37 | 2.37 | 2.42 | 2.52 |
| >100,000 | 2.52 | 2.52 | 2.57 | 2.67 |

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 | | | | | | |
|-------------|----------|----------|----------|----------|----------|--|
| 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | |
| \$ 17.49 | \$ 17.49 | \$ 17.96 | \$ 17.96 | \$ 17.96 | \$ 18.21 | |
| 43.73 | 43.73 | 44.92 | 44.92 | 44.92 | 45.55 | |
| 87.45 | 87.45 | 89.82 | 89.82 | 89.82 | 91.07 | |
| 139.93 | 139.93 | 143.72 | 143.72 | 143.72 | 145.72 | |
| 279.85 | 279.85 | 287.44 | 287.44 | 287.44 | 291.44 | |
| 437.26 | 437.26 | 449.12 | 449.12 | 449.12 | 455.37 | |
| 874.51 | 874.51 | 898.23 | 898.23 | 898.23 | 910.73 | |
| 2,798.43 | 2,798.43 | 2,874.33 | 2,874.33 | 2,874.33 | 2,913.33 | |
| 4,372.55 | 4,372.55 | 4,491.14 | 4,491.14 | 4,491.14 | 4,553.64 | |
| 1.67 | 1.67 | 1.67 | 1.67 | 1.67 | 1.92 | |
| 1.83 | 1.83 | 1.83 | 1.83 | 1.83 | 2.08 | |
| 2.15 | 2.15 | 2.15 | 2.15 | 2.15 | 2.40 | |
| 2.40 | 2.40 | 2.40 | 2.40 | 2.40 | 2.65 | |
| - | - | - | - | - | - | |
| 2.55 | 2.55 | 2.55 | 2.55 | 2.55 | 2.80 | |
| 2.70 | 2.70 | 2.70 | 2.70 | 2.70 | 2.95 | |
| 21.85 | 21.85 | 22.43 | 22.43 | 22.43 | 22.68 | |
| 54.64 | 54.64 | 56.08 | 56.08 | 56.08 | 56.71 | |
| 109.30 | 109.30 | 112.19 | 112.19 | 112.19 | 113.44 | |
| 174.86 | 174.86 | 179.48 | 179.48 | 179.48 | 181.48 | |
| 349.73 | 349.73 | 358.97 | 358.97 | 358.97 | 362.97 | |
| 546.45 | 546.45 | 560.88 | 560.88 | 560.88 | 567.13 | |
| 1,092.89 | 1,092.89 | 1,121.75 | 1,121.75 | 1,121.75 | 1,134.25 | |
| 3,497.26 | 3,497.26 | 3,589.61 | 3,589.61 | 3,589.61 | 3,629.61 | |
| 5,464.47 | 5,464.47 | 5,608.77 | 5,608.77 | 5,608.77 | 5,670.27 | |
| - | - | - | - | - | - | |
| 2.22 | 2.22 | 2.22 | 2.22 | 2.22 | 2.47 | |
| 2.27 | 2.27 | 2.27 | 2.27 | 2.27 | 2.52 | |
| 2.32 | 2.32 | 2.32 | 2.32 | 2.32 | 2.57 | |
| 2.37 | 2.37 | 2.37 | 2.37 | 2.37 | 2.62 | |
| 2.52 | 2.52 | 2.52 | 2.52 | 2.52 | 2.77 | |
| 2.67 | 2.67 | 2.67 | 2.67 | 2.67 | 2.92 | |

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

2015

| <u>Customer</u> | <u>Type of Business</u> | <u>12-Month Water Consumption (In Thousands)</u> | <u>Percent of Total Billed</u> |
|----------------------------|-------------------------|--|--|
| Caterpillar | Factory | 68,725 | 1.96% |
| Citizens Hospital | Hospital | 45,785 | 1.30% |
| Detar Hospital | Hospital | 25,736 | 0.73% |
| Victoria County Jail | Government | 21,783 | 0.62% |
| Autumn Park Apartments | Apartments | 18,138 | 0.52% |
| VISD - Memorial | School | 18,078 | 0.51% |
| Pinnacle Pointe Apartments | Apartments | 17,537 | 0.50% |
| Mockingbird Apartments | Apartments | 16,079 | 0.46% |
| Creekstone Apartments | Apartments | 15,426 | 0.44% |
| Victoria Housing | Apartments | 12,891 | 0.37% |

2006

| <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 | 58,085 | 1.58% |
| Detar Hospital | Hospital | 24,166 | 0.66% |
| Victoria County Jail | County Jail | 18,681 | 0.51% |
| Sage Creek Apartments | Apartment Complex | 17,188 | 0.47% |
| VISD - Memorial | School | 15,035 | 0.41% |
| Fox Run Apartments | Apartment Complex | 14,256 | 0.39% |
| Holiday Inn | Hotel | 13,872 | 0.38% |
| Creekstone Ranch | Apartment Complex | 12,761 | 0.35% |
| Twin Pines | Assisted Living | 11,692 | 0.32% |
| Cintas | Laundry/Cleaners | 11,412 | 0.31% |

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 | | |
|-------------|----------------------------|--------------------------|-------------------------|--------------------------|-------------------------|--------------------------|
| | Certificates of Obligation | General Obligation Bonds | Plus: Issuance Premiums | Revenue Bonds | Plus: Issuance Premiums | Less: Issuance Discounts |
| 2006 | \$ 32,780,000 | \$ 36,300,000 | \$ 119,097 | \$ 62,985,000 | \$ 1,180,286 | \$ (201,452) |
| 2007 | 30,880,000 | 35,050,000 | 113,426 | 70,360,000 | 1,527,699 | - |
| 2008 | 38,880,000 | 33,720,000 | 293,498 | 66,975,000 | 1,428,723 | - |
| 2009 | 62,900,000 | 32,225,000 | 278,051 | 70,130,000 | 1,329,747 | - |
| 2010 | 61,375,000 | 30,475,000 | 764,623 | 73,040,000 | 2,722,750 | - |
| 2011 | 59,740,000 ** | 38,135,000 * | 800,703 | 69,125,000 | 2,516,601 | - |
| 2012 | 57,835,000 ** | 39,975,000 * | 797,298 | 73,950,000 | 2,376,581 | - |
| 2013 | 47,385,000 ** | 46,370,000 * | 2,741,198 | 69,035,000 | 2,167,055 | - |
| 2014 | 54,080,000 ** | 43,360,000 * | 2,492,041 | 83,290,000 | 4,272,165 | - |
| 2015 | 45,280,000 ** | 50,480,000 * | 3,401,983 | 77,260,000 | 3,937,713 | - |

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 eleven years beginning in 2014.

**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

| <u>Total Primary Government</u> | <u>Percentage of Personal Income</u> | <u>Per Capita</u> |
|---|--|-----------------------|
| \$ 133,162,931 | 6.20% | \$ 2,149 |
| 137,931,125 | 6.20% | 2,219 |
| 141,297,221 | 5.90% | 2,260 |
| 166,862,798 | 7.45% | 2,669 |
| 168,377,373 | 7.16% | 2,685 |
| 170,317,304 | 6.68% | 2,721 |
| 174,933,879 | 6.30% | 2,771 |
| 167,698,253 | 5.82% | 2,617 |
| 187,494,206 | 6.09% | 2,888 |
| 180,359,696 | N/A | 2,729 |

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 (1) |
|-------------|---------------------------------|--------------------------|-------------------------|---------------|-----------------------------------|
| | Certificates of Obligation | General Obligation Bonds | Plus: Issuance Premiums | Total | |
| 2006 | \$ 32,780,000 | \$ 36,300,000 | \$ 119,097 | \$ 69,199,097 | \$ 801,189 |
| 2007 | 30,880,000 | 35,050,000 | 113,426 | 66,043,426 | 933,505 |
| 2008 | 38,880,000 | 33,720,000 | 293,498 | 72,893,498 | 1,185,901 |
| 2009 | 36,570,000 | 32,225,000 | 278,051 | 69,073,051 | 1,197,665 |
| 2010 | 61,375,000 | 30,475,000 | 764,623 | 92,614,623 | 1,024,126 |
| 2011 | 59,740,000 ** | 38,135,000 * | 800,703 | 98,675,703 | 953,394 |
| 2012 | 57,835,000 ** | 39,975,000 * | 797,298 | 98,607,298 | 977,452 |
| 2013 | 47,385,000 ** | 46,370,000 * | 2,741,198 | 96,496,198 | 1,222,778 |
| 2014 | 54,080,000 ** | 43,360,000 * | 2,492,041 | 99,932,041 | 1,091,077 |
| 2015 | 45,280,000 ** | 50,480,000 * | 3,401,983 | 99,161,983 | 1,102,779 |

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 eleven years beginning in 2014.

**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.

(1) This is the amount restricted for debt service principal payments.

SOURCE: City of Victoria

| <u>Net Bonded Debt</u> | <u>Percentage of Actual Taxable Value of Property</u> | <u>Per Capita</u> |
|--------------------------------|---|-----------------------|
| \$ 68,397,908 | 2.92% | \$ 1,104 |
| 65,109,921 | 2.60% | 1,047 |
| 71,707,597 | 2.58% | 1,147 |
| 67,875,386 | 2.24% | 1,085 |
| 91,590,497 | 2.92% | 1,461 |
| 97,722,309 | 3.12% | 1,561 |
| 97,629,846 | 3.04% | 1,546 |
| 95,273,420 | 2.77% | 1,487 |
| 98,840,964 | 2.65% | 1,523 |
| 98,059,204 | 2.46% | 1,484 |

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

September 30, 2015

| | Gross Debt Outstanding | | Percentage Applicable To City | Amount Applicable To City |
|--|------------------------|-----------------------|-------------------------------------|---------------------------------|
| | Date | Amount | | |
| Direct Debt: | | | | |
| City of Victoria | 9/30/2015 | \$ 99,932,041 * | 100.00% | \$ 99,932,041 |
| Overlapping Debt: | | | | |
| Victoria County | 9/30/2015 | 13,810,000 | 59.27% | 8,185,187 |
| Victoria County Junior College District | 9/30/2015 | 29,645,000 | 59.27% | 17,570,592 |
| Victoria County Navigation District | 9/30/2015 | - | 0.00% | - |
| Victoria Independent School District | 9/30/2015 | <u>154,550,000</u> | 73.44% | <u>113,501,520</u> |
| Total Overlapping Debt | | <u>198,005,000</u> | | <u>139,257,299</u> |
| Total | | <u>\$ 297,937,041</u> | | <u>\$ 239,189,340</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 eleven years beginning in 2014.

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>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> |
|--|----------------------|----------------------|----------------------|----------------------|
| Debt limit | \$ 116,976,114 | \$ 125,322,513 | \$ 138,709,044 | \$ 151,486,678 |
| Total net debt applicable to limit | <u>68,278,811</u> | <u>64,996,495</u> | <u>71,414,099</u> | <u>67,597,335</u> |
| Legal debt margin | <u>\$ 48,697,303</u> | <u>\$ 60,326,018</u> | <u>\$ 67,294,945</u> | <u>\$ 83,889,343</u> |
| Total net debt applicable to the limit as a percentage of debt limit | 58.37% | 51.86% | 51.48% | 44.62% |

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

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

| <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> |
|----------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|
| \$ 156,810,850 | \$ 156,368,302 | \$ 160,417,119 | \$ 171,665,577 | \$ 186,811,127 | \$ 198,992,755 |
| <u>90,825,874</u> | <u>96,921,606</u> | <u>96,832,548</u> | <u>92,532,222</u> | <u>96,348,923</u> | <u>94,657,221</u> |
| <u>\$ 65,984,976</u> | <u>\$ 59,446,696</u> | <u>\$ 63,584,571</u> | <u>\$ 79,133,355</u> | <u>\$ 90,462,204</u> | <u>\$ 104,335,534</u> |
| 57.92% | 61.98% | 60.36% | 53.90% | 51.58% | 47.57% |

Legal Debt Margin Calculation for Fiscal Year 2015

| | |
|---|-----------------------|
| Assessed value | \$ 3,979,855,103 |
| Debt limit | 198,992,755 |
| Debt applicable to limit | |
| General obligation bonds | 95,760,000 |
| Less: Debt Service Fund Balance | <u>1,102,779</u> |
| Total amount of debt applicable to debt limit | <u>94,657,221</u> |
| Legal debt margin | <u>\$ 104,335,534</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 |
| 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 |
| 2012 | 24,062,721 | 10,907,178 | 13,155,543 | 4,570,441 |
| 2013 | 24,849,120 | 11,444,061 | 13,405,059 | 4,798,185 |
| 2014 | 25,180,217 | 11,241,597 | 13,938,620 | 4,631,141 |
| 2015 | 26,394,875 | 11,550,206 | 14,844,669 | 5,259,343 |

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 (through FY 2011) GBRA debt which is included in the contractual service expense account. Beginning in January 2011, the City assumed operations of the wastewater treatment plant formerly operated by GBRA under a services contract.

Beginning in 2011, the City did not have any subordinate bonds outstanding.

SOURCE: City of Victoria

Water and Sewer Revenue Bonds

| Subordinate Bonds | | |
|---|----------------------------|-------------------------------|
| Average Debt Service Requirements | Priority Bonds Coverage | Subordinate Bonds Coverage |
| \$ 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 |
| - | 2.88 | N/A |
| - | 2.79 | N/A |
| - | 3.01 | N/A |
| - | 2.82 | 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> |
|--------------------|---------------------------|--|---|--------------------------------------|--------------------------------------|
| 2006 | 61,952 | \$ 2,146,289 | \$ 34,644 | 13,864 | 4.3% |
| 2007 | 62,169 | 2,223,741 | 35,769 | 13,752 | 3.5% |
| 2008 | 62,530 | 2,396,114 | 38,319 | 13,610 | 3.6% |
| 2009 | 62,530 | 2,240,066 | 35,824 | 13,786 | 6.1% |
| 2010 | 62,701 | 2,350,783 | 37,492 | 13,854 | 7.6% |
| 2011 | 62,592 | 2,547,855 | 40,706 | 14,409 | 6.9% |
| 2012 | 63,131 | 2,778,217 | 44,007 | 14,543 | 6.0% |
| 2013 | 64,072 | 2,882,973 | 44,996 | 14,559 | 5.4% |
| 2014 | 64,919 | 3,078,414 | 47,419 | 14,467 | 4.5% |
| 2015 | 66,094 | N/A | N/A | 14,427 | 3.8% |

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 2015 is not yet available.
 (3) Victoria Independent School District as of October 26, 2015
 (4) U.S. Department of Labor

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

| 2015 | | |
|--------------------------------------|---------------|---|
| Employer | Employees | Percentage of Total Area Employment |
| Victoria Independent School District | 2,300 | 5.08% |
| The Inteplast Group | 2,250 | 4.96% |
| Formosa Plastics | 1,896 | 4.18% |
| Citizens Medical Center | 1,074 | 2.37% |
| DeTar Healthcare System | 857 | 1.89% |
| Invista | 700 | 1.54% |
| City of Victoria | 618 | 1.36% |
| DOW - Seadrift Operations | 573 | 1.26% |
| Calhoun Independent School District | 571 | 1.26% |
| Caterpillar - NAHEX Victoria | 550 | 1.21% |
| | <u>11,389</u> | <u>25.11%</u> |

| 2006 | | |
|--------------------------------------|---------------|---|
| Employer | Employees | Percentage of Total Area Employment |
| Victoria Independent School District | 2,215 | 5.08% |
| The Inteplast Group | 1,700 | 3.90% |
| Formosa Plastics | 1,500 | 3.44% |
| Citizens Medical Center | 1,250 | 2.87% |
| DeTar Healthcare System | 1,004 | 2.30% |
| Dow-Seadrift Operations | 660 | 1.51% |
| Alcoa | 630 | 1.45% |
| City of Victoria | 605 | 1.39% |
| Calhoun Independent School District | 600 | 1.38% |
| Koch-Invista (formerly DuPont) | 500 | 1.15% |
| | <u>10,664</u> | <u>24.47%</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 | | | |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|
| | 2006 | 2007 | 2008 | 2009 |
| General government | | | | |
| City manager | 10 | 11 | 11 | 12 |
| Legal | 5.5 | 5.5 | 5.5 | 5.5 |
| Financial | 7 | 7 | 7 | 7 |
| Municipal court | 5.5 | 5.5 | 5.5 | 5.5 |
| Human resources | 6 | 5 | 5 | 5 |
| Planning | 10 | 10 | 10 | 10 |
| Development services administration | - | - | - | - |
| Geographic information system (GIS) | - | - | - | - |
| Building services | 12 | 12 | 12 | 12 |
| City secretary | 3 | 4 | 4 | 4 |
| Public information office | - | - | - | - |
| Public safety | | | | |
| Police | 148 | 146 | 146 | 147 |
| Fire | 107 | 107 | 118 | 118 |
| Inspections | 11 | 11 | 11 | 11 |
| Code enforcement | 5 | 5 | 7 | 7 |
| Traffic control | 9 | 9 | 10 | 11 |
| Highways and streets | | | | |
| Engineering | 14 | 14 | 13 | 12 |
| Streets and drainage | 34 | 34 | 34 | 34 |
| Culture and recreation | | | | |
| Parks and recreation | 35 | 37 | 41 | 41 |
| Public library | 28 | 28 | 28 | 28 |
| Water/wastewater | 81 | 80 | 80 | 80 |
| Community center | 6 | 6 | 7 | 7 |
| Environmental services | 46 | 48 | 43 | 43 |
| Vehicle and equipment services | 2 | 2 | 2 | 2 |
| Information technology | 10 | 10 | 10 | 10 |
| Communications | 2 | 2 | 2 | 1 |
| Purchasing | 4 | 4 | 4 | 4 |
| Safety management | 2 | 2 | 2 | 2 |
| Print shop | 2 | 2 | 2 | 2 |
| Convention and visitors bureau | - | - | - | - |
| Total | <u>605</u> | <u>607</u> | <u>620</u> | <u>621</u> |

- NOTES: * A full-time employee is scheduled to work 2,080 hours per year (including vacation and sick leave). Full-time-equivalent employment is calculated by dividing total labor hours by 2,080.
- * Fiscal Year 2008 includes the addition of 10 Fire Department employees to staff the new fire station to be operational the latter part of 2008.
- * Beginning with Fiscal Year 2010, Environmental Services began the phase in of once-a-week collection using automatic side-loader trucks, resulting in a decrease of personnel.
- * Previously accounted for in the City Manager Department, beginning in Fiscal Year 2009-2010, the Public Information Office will be accounted for in its own cost center.
- * As a result of an efficiency study performed on Planning Department operations, it was concluded that this cost center should be accounted for in various cost centers beginning with Fiscal Year 2009-2010 (Planning, Development Admin. & GIS).

| Fiscal Year | | | | | |
|-------------|------------|------------|------------|------------|------------|
| 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| 10 | 10 | 10 | 10 | 10 | 10 |
| 4.5 | 4 | 4 | 4 | 4 | 4 |
| 6 | 6 | 6 | 6 | 6 | 6 |
| 5.5 | 5 | 5 | 5 | 5 | 5 |
| 5 | 4 | 4 | 4 | 4 | 4 |
| 4 | 4 | 4 | 5 | 5 | 5 |
| 2 | 2 | 2 | 2 | 2 | 2 |
| 3 | 3 | 3 | 4 | 4 | 4 |
| 12 | 10 | 10 | 10 | 10 | 10 |
| 4 | 3 | 3 | 3 | 3 | 3 |
| 2 | 2 | 2 | 2 | 3 | 3 |
| 149 | 154 | 154 | 155 | 158 | 156 |
| 118 | 118 | 118 | 117 | 117 | 129 |
| 12 | 10 | 11 | 10 | 10 | 10 |
| 5 | 4 | 4 | 5 | 5 | 5 |
| 10 | 9 | 9 | 9 | 9 | 9 |
| 12 | 11 | 11 | 10 | 9 | 9 |
| 34 | 31 | 31 | 31 | 31 | 28 |
| 43 | 41 | 43 | 41 | 41 | 40 |
| 28 | 27 | 27 | 27 | 27 | 27 |
| 82 | 96 | 96 | 96 | 95 | 95 |
| 7 | 7 | 7 | 7 | 7 | 6 |
| 26 | 24 | 24 | 24 | 24 | 24 |
| 2 | 2 | 2 | 2 | 2 | 2 |
| 10 | 10 | 10 | 10 | 10 | 10 |
| 1 | 1 | 1 | 1 | 1 | 1 |
| 3 | 3 | 3 | 3 | 3 | 3 |
| 2 | 2 | 2 | 2 | 2 | 2 |
| 2 | 2 | 2 | 2 | 2 | 2 |
| - | - | 3 | 3 | 4 | 4 |
| <u>604</u> | <u>605</u> | <u>611</u> | <u>610</u> | <u>613</u> | <u>618</u> |

* 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.

* Fiscal Year 2012 includes the addition of three employees as a result of the City taking over the operations of the Convention and Visitors Bureau, as well as the addition of one Development Services Inspector, and two Parks Department positions.

* Fiscal Year 2015 includes the addition of 12 Fire Department employees to staff the new fire station; a net decrease of one Parks Department position; a decrease of 2 non-certified Police staff; a decrease of 3 Street department staff; and decrease of 1 Community Center staff.

CITY OF VICTORIA, TEXAS

OPERATING INDICATORS BY FUNCTION/PROGRAM

Last ten fiscal years

| Function/Program | Fiscal Year | | | |
|---|-------------|-----------|-----------|-----------|
| | 2006 | 2007 | 2008 | 2009 |
| General government | | | | |
| Building permits issued | 1,294 | 1,147 | 1,345 | 1,433 |
| Building inspections conducted | 10,415 | 11,062 | 9,883 | 6,138 |
| Birth certificates registered | 2,255 | 2,374 | 2,376 | 1,998 |
| Death certificates registered | 983 | 1,003 | 984 | 795 |
| Birth certificates issued | 6,567 | 7,246 | 7,251 | 6,569 |
| Death certificates issued | 7,677 | 6,863 | 6,767 | 5,698 |
| Public safety | | | | |
| Police | | | | |
| Physical arrests | 5,775 | 4,427 | 4,461 | 4,044 |
| Parking violations | 939 | 1,080 | 641 | 472 |
| Traffic violations | 13,726 | 14,303 | 14,482 | 12,143 |
| Warrants issued | 3,279 | 4,583 | 5,520 | 1,812 |
| Fire | | | | |
| Total Incidents | 7,175 | 7,355 | 8,152 | 8,551 |
| Fires | 493 | 381 | 557 | 621 |
| Rescue/Emergency Medical | 5,393 | 5,706 | 6,166 | 7,930 |
| Inspections | 830 | 874 | 1,210 | 1,279 |
| Streets and highways | | | | |
| Street resurfacing (linear feet) | 24,990 | 29,756 | 31,178 | 12,907 |
| Culture and recreation | | | | |
| Community center admissions (event contracts) | | | | |
| Dome | 107 | 120 | 116 | 120 |
| Annex | 155 | 136 | 120 | 133 |
| Arena | 29 | 29 | 23 | 27 |
| Library | | | | |
| Number of items | 145,318 | 148,764 | 138,804 | 140,599 |
| Circulation | 279,679 | 276,357 | 284,919 | 313,099 |
| Gate count | 226,171 | 228,114 | 242,388 | 263,730 |
| Water and wastewater | | | | |
| Water | | | | |
| Active water connections | 21,861 | 21,962 | 22,041 | 22,129 |
| Active sewer connections | 20,235 | 20,435 | 20,532 | 20,461 |
| Active garbage accounts | 18,655 | 18,131 | 19,233 | 19,018 |
| Average daily consumption (pumped) (in 000's) | 10,067 | 8,615 | 9,584 | 10,718 |
| Peak monthly consumption (in 000's) | 349,686 | 233,143 | 372,618 | 354,264 |
| Wastewater | | | | |
| Average daily sewage treatment | 6,469,471 | 8,812,263 | 6,837,775 | 6,038,356 |
| Environmental services | | | | |
| Refuse collection | | | | |
| Refuse collected (tons per month) | 2,240 | 2,473 | 2,139 | 1,723 |
| Landfill tonnage accepted | 166,475 | 160,048 | 140,508 | 140,791 |
| Recyclables collected (tons per year) | 742.45 | 691.52 | 479.13 | 269.56 |

NOTES: Increase in linear feet of street surfacing from Fiscal Year 2013 to Fiscal Year 2014 is due to implementing a chip-seal program in addition to complete street rebuilds.

N/A denotes information not available

SOURCE: Various City departments

| Fiscal Year | | | | | |
|-------------|-----------|-----------|-----------|-----------|-----------|
| 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| 1,627 | 1,484 | 1,884 | 2,342 | 2,376 | 2,029 |
| 6,066 | 5,874 | 7,044 | 8,698 | 10,380 | 8,438 |
| 2,146 | 2,009 | 2,112 | 1,719 | 2,142 | 2,386 |
| 885 | 924 | 930 | 754 | 968 | 1,046 |
| 6,043 | 5,645 | 5,980 | 5,946 | 5,475 | 6,035 |
| 5,295 | 5,269 | 1,601 | 1,249 | 981 | 945 |
| 3,152 | 3,387 | 3,427 | 3,552 | 4,095 | 3,948 |
| 368 | 223 | 334 | 187 | 409 | 129 |
| 7,303 | 8,756 | 8,876 | 13,181 | 13,061 | 9,391 |
| 1,879 | 1,960 | 2,139 | N/A | 3,608 | 2,717 |
| 8,455 | 9,072 | 8,797 | 8,669 | 9,042 | 9,796 |
| 349 | 554 | 271 | 202 | 204 | 166 |
| 6,568 | 6,832 | 8,526 | 8,467 | 8,838 | 9,630 |
| 1,555 | 1,351 | 2,187 | 1,513 | 1,906 | 1,917 |
| 16,250 | 7,000 | 12,000 | 14,000 | 66,000 | 42,155 |
| 98 | 89 | 88 | 92 | 118 | 112 |
| 102 | 85 | 81 | 75 | 96 | 94 |
| 14 | 22 | 22 | 27 | 58 | 43 |
| 141,887 | 146,455 | 137,548 | 140,976 | 148,232 | 154,109 |
| 271,281 | 340,204 | 340,320 | 353,122 | 373,153 | 363,927 |
| 336,580 | 245,844 | 249,672 | 243,192 | 232,196 | 225,689 |
| 22,071 | 22,312 | 22,456 | 22,660 | 22,923 | 23,136 |
| 20,587 | 20,720 | 20,845 | 21,068 | 21,230 | 21,395 |
| 19,014 | 19,105 | 19,322 | 19,508 | 19,490 | 19,674 |
| 8,617 | 11,292 | 10,283 | 9,950 | 9,629 | 8,972 |
| 319,293 | 407,616 | 374,666 | 374,690 | 434,515 | 382,831 |
| 7,370,000 | 5,800,000 | 6,180,000 | 5,469,000 | 5,842,333 | 7,100,000 |
| 1,936 | 1,669 | 1,685 | N/A | N/A | N/A |
| 102,657 | 202,723 | 149,137 | 154,291 | 140,102 | 143,081 |
| 196.31 | 389.90 | 2,235.98 | 3,227.66 | 3,191.00 | 3,141.00 |

CITY OF VICTORIA, TEXAS

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

Last ten fiscal years

| Function/Program | Fiscal Year | | | |
|--|-------------|--------|--------|--------|
| | 2006 | 2007 | 2008 | 2009 |
| General government | | | | |
| Buildings | 3 | 3 | 3 | 3 |
| Public safety | | | | |
| Police | | | | |
| Stations | 1 | 1 | 1 | 1 |
| Patrol units | 32 | 34 | 36 | 36 |
| Fire stations | 4 | 4 | 4 | 5 |
| Highways and streets | | | | |
| Streets (miles) | 309.87 | 310.60 | 310.82 | 312.00 |
| Streetlights | 6,367 | 6,475 | 4,359 | 4,380 |
| Traffic signals | 76 | 76 | | 78 |
| School zone flashers | 58 | 58 | 58 | 61 |
| Culture and recreation | | | | |
| Acreage | 750.0 | 748.0 | 748.0 | 748.0 |
| Playgrounds | 14 | 14 | 15 | 15 |
| Baseball/softball diamonds | 15 | 27 | 27 | 21 |
| Community centers | 1 | 1 | 1 | 1 |
| Libraries | 1 | 1 | 1 | 1 |
| Water and wastewater | | | | |
| Water | | | | |
| Water mains (miles) | 361 | 361.5 | 361.5 | 363 |
| Wastewater | | | | |
| Sanitary sewers (miles) | 337.2 | 337.6 | 337.6 | 337 |
| Storm sewers (miles) | 450.9 | 451.2 | 451.2 | 450 |
| Environmental services | | | | |
| Refuse collection | | | | |
| Garbage collection trucks | 16 | 17 | 17 | 11 |
| 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 | | | | | | |
|-------------|--------|--------|--------|--------|--------|----|
| 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | |
| 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| 36 | 35 | 37 | 36 | 36 | 36 | 33 |
| 5 | 5 | 5 | 5 | 5 | 5 | 6 |
| 314.50 | 312.60 | 313.23 | 314.51 | 314.51 | 321.81 | |
| 4,429 | 4,473 | 4,444 | 4,550 | 4,550 | 4,676 | |
| 78 | 81 | 81 | 84 | 86 | 88 | |
| 61 | 61 | 61 | 61 | 61 | 61 | |
| 748.0 | 876.0 | 876.0 | 866.7 | 888.0 | 888.0 | |
| 15 | 16 | 16 | 16 | 16 | 16 | |
| 19 | 19 | 19 | 19 | 19 | 19 | |
| 1 | 1 | 1 | 1 | 1 | 1 | |
| 1 | 1 | 1 | 1 | 1 | 1 | |
| 365.8 | 366.8 | 366.8 | 373 | 373 | 380 | |
| 342 | 342 | 342 | 342 | 349.2 | 349.2 | |
| 452 | 452 | 452 | 452 | 452 | 452 | |
| 11 | 7 | 7 | 7 | 8 | 9 | |
| N/A | 5 | 5 | 5 | 4 | 4 | |
| N/A | 4 | 4 | 6 | 4 | 4 | |
| N/A | 1 | 1 | 1 | 1 | 1 | |



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**INDEPENDENT AUDITORS' 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 Mayor and Members
of the City Council
City of Victoria, Texas

We have audited, 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, 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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 24, 2016. The financial statements of the Sales Tax Development Corporation and the Victoria Recreation Association, Inc. were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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 consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



HARRISON, WALDROP & UHEREK, L.L.P.
Certified Public Accountants

March 24, 2016



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited the 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, 2015. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. 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; 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 for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of 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, 2015.

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

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of 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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



HARRISON, WALDROP & UHEREK, L.L.P.
Certified Public Accountants

March 24, 2016

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

For the year ended September 30, 2015

| <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-14-MC-480510 | \$ 368,158 |
| Total U.S. Department of Housing and Urban Development | | | <u>368,158</u> |
| U.S. Department of Transportation | | | |
| <i>Passed Through Texas Department of Transportation</i> | | | |
| Metropolitan Planning Program | 20.205 | 50-15XF0023 | 262,251 |
| STEP-Click It or Ticket | 20.616 | 585EGF6486 | <u>3,579</u> |
| Total U.S. Department of Transportation | | | <u>265,830</u> |
| U.S. Department of Homeland Security | | | |
| <i>Passed through Texas Department of Public Safety's Division of Emergency Management</i> | | | |
| Emergency Protective Measures | 97.036 | PA-06-TX-4223-PW-00098 | 7,899 |
| Homeland Security Grant | 97.067 | 14-SR 75428-01 | 12,808 |
| Homeland Security Grant | 97.067 | 14-SR 75428-02 | <u>4,463</u> |
| Total U.S. Department of Homeland Security | | | <u>25,170</u> |
| U.S. Department of Justice | | | |
| 2010 COPS Hiring Program | 16.710 | 2010-UM-WX-0372 | 14,987 |
| <i>Passed Through the Office of the Attorney General</i> | | | |
| Internet Crimes Against Children Task Force Program | 16.543 | 2012-MC-FX-K047 | <u>19,948</u> |
| Total U.S. Department of Justice | | | <u>34,935</u> |
| TOTAL FEDERAL EXPENDITURES | | | <u>694,093</u> |

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

For the year ended September 30, 2015

| <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 | | | |
| Law Enforcement Officers Standards and Education | | | |
| Training Grant | N/A | N/A | <u>\$ 3,834</u> |
| Texas Department of Motor Vehicles | | | |
| <i>Passed Through Texas Automobile Theft Prevention Authority</i> | | | |
| Automobile Theft Grant | N/A | 2015-T01-City of-00017 | 90,292 |
| Automobile Theft Grant | N/A | 608-16-2350100 | <u>20,149</u> |
| Total Texas Department of Motor Vehicles | | | <u>110,441</u> |
| Texas Commission on Environmental Quality | | | |
| Rider 8 Local Air Quality Planning Grant | N/A | 582-14-40054 | <u>385,025</u> |
| Total Texas Commission on Environmental Quality | | | <u>385,025</u> |
| TOTAL STATE EXPENDITURES | | | <u>499,300</u> |
| TOTAL FEDERAL AND STATE EXPENDITURES | | | <u>\$ 1,193,393</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, 2015

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, 2015

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

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: Unmodified

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

yes no

Identification of major programs:

| <i>CFDA Number(s)</i> | <i>Name of Major Programs or Cluster</i> |
|-----------------------|--|
| 14.218 | Community Development Block Grant |
| | |
| | |

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, 2015

None were reported.

