



Comprehensive Annual Financial Report

Year Ended September 30, 2016
City of Victoria, Texas

CITY OF VICTORIA, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the year ended September 30, 2016

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, 2017

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, 2016, 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 Auth. for Victoria County Public Health Dept.
8. Victoria Housing Finance Corporation Board
9. Building and Standards Commission
10. Victoria County Public Health Dept. Board of Health
11. Victoria Economic Development Corp.
12. Parks and Recreation Commission
13. Victoria Development Commission
14. Victoria Sales Tax Dev. Corp. Board
15. Victoria Metropolitan Planning Org.
16. Victoria Health Facilities Dev. Corp.
17. Victoria Recreation Association Board
18. Victoria Central Appraisal District
19. Golden Crescent Reg. 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.

According to the Charter, which was amended in 2012, the City Manager, City Attorney, and Municipal Court Judge, 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.

Per an interlocal agreement entered 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.

2016 Economic Condition and Outlook

Texas:

The Federal Reserve Bank of Dallas reports, as of February 2017, Texas economic growth has accelerated somewhat. Employment strengthened in the state and in most major metros in the second half of 2016. Improvement was broad based, with stronger manufacturing output and higher service sector revenue as well as solid real estate activity. The energy sector continued to show signs of improvement.

There is also evidence that this pickup in growth is set to continue. The Dallas Fed's Texas Business Outlook Surveys (TBOS) company outlook indexes, job-growth forecast and Texas Leading Index suggest expansion. However, risks to the positive outlook remain, including a strong dollar and the potential for another drop in oil prices.

Texas payroll employment grew at a 1.7 percent annual rate in fourth quarter 2016, close to its historical average of 2.1 percent. While this is well below the 3.7 percent rate that prevailed in 2014, it represents the second consecutive quarter in which Texas' employment growth surpassed the nation's. In the more volatile monthly data, December employment declined slightly, although November and October figures were revised substantially upward.

The headline Texas Manufacturing Outlook Survey (TMOS) production index's three-month moving average edged down in December but ticked up in January, reaching its highest level since October 2014. The three-month moving average of the headline revenue measure from the Texas Service Sector Outlook Survey (TSSOS) rose in December and again in January. The Texas Retail Outlook Survey (TROS) headline sales measure's three-month moving average steadily increased in November, December and January. The latter two indexes are at their highest levels in two years.

Residential housing demand strengthened somewhat after a relatively soft summer. Existing-home sales show improvement across the state, with DFW especially strong. Months of inventory remain well below the six-month mark that traditionally connotes a balanced market, though Houston's rate stands at a four-year high.

Oil prices have risen slightly over the past six weeks to \$52.50 per barrel in January, their highest level in a year and half. While still at less than half their 2011–13 heights, energy prices have gradually recovered from their 2015–16 depths and sent the Texas rig count to a 14-month high. Well permits—a precursor to possible future drilling—jumped from 581 in November to 909 in December, reaching their highest level in two years. This is consistent with the Dallas Fed Energy Survey, whose indexes improved markedly in the fourth quarter. Notably, both the business activity and capital expenditures indexes were positive, suggesting that energy firms expect somewhat higher activity to continue over the medium term.

Looking across the region, the production cost advantage held by the Permian Basin continues to be felt, aided by new technologies that enable drillers to access Permian resources more efficiently. Eagle Ford production fell an estimated 2.7 percent in December and another 1.9 percent in January, continuing a trend that began as oil prices started their 2014–15 plunge. A thus-far-sustained oil price in the low \$50s has led to Permian production increases throughout the fourth quarter and into first quarter 2017, including an estimated 1.1 percent in December and 1.6 percent in January.

The overall weight of the evidence suggests regional economic growth has shifted into a slightly higher gear and will likely be faster in 2017 than it was in 2016. The Texas Leading Index's first estimate ticked up in December, and the Dallas Fed's employment forecast stands at 1.9 percent, which would be the state's strongest growth since 2014.

The Texas economy grew at a somewhat faster pace at year-end amid increasing evidence of a stronger 2017. This acceleration has been broad based across both sectors and regions, with DFW soaring and Houston faring somewhat better than expected. Declining oil prices and a stronger dollar remain the most significant risks to the outlook.

Victoria:

Victoria's economy has been experiencing a slowdown over the last year. The downturn in energy and a stronger dollar, among other economic issues, have created headwinds for the US, Texas and Victoria economy. Despite these challenges, the Victoria economy is resilient and continues to grow, but at a much slower pace, compared to previous years.

Victoria's oil and natural gas industry growth (*i.e. Eagle Ford Shale*) has declined/contracted over the past year, due to lower oil/gas prices. Victoria's rig count for June was 15, a reduction of 67 percent from June 2015; however, the number of completed wells (*i.e. producing wells*) has remained relatively steady, which is one of the main reasons Victoria's oil and natural gas industry will be able to weather the current economic downturn. Over the last year, the industry has been forced to tighten their budgets and change their strategies to stay competitive. These tactics have worked well and many companies have been able to stay the course and gain strength by reducing cost associated with drilling through greater efficiencies and supplier reductions.

Despite the sluggish economy, which had an impact on our 2016 sales tax receipts, developments continue to occur at the Port of Victoria. Future expansion is planned by the University of Houston-Victoria and Formosa Plastics Corporation has undertaken a \$1.7 billion expansion with plans to build three new units, a \$1 billion investment cost in Jackson County, adjacent to Victoria County; and, we continue to experience a moderate growth in our building permit values.

The total building permit value (*i.e. new construction for commercial, multi-family units and single-family units*) increased by 15.09 percent or \$5.1 million, comparing June 2016 to June 2015 values. The increase is mainly due to commercial units. As of June 2016, total commercial permit value was \$28.2 million, an increase of 270.2 percent or \$20.6 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 commercial market has remained relatively stable over the past year. 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 sector leaves Texas and Victoria far less vulnerable to fluctuations in the energy sector than in past years.

Major Initiatives

For Fiscal Year 2016 and Into the Future:

At this point in the year, a lot has been accomplished and fiscal year 2016 budgetary priorities were met. For example, employment turnover rate is down; the Residential Street Construction Program, Preventive Street Maintenance Program, Thoroughfare Street Program, Street Sweeping Program, and Street Striping Program have been awarded and implemented; City's parks and right-of-way property appearances are improving. City has implemented and started funding its OPEB Trust, i.e. post-employment health care benefit liability; public safety budgetary priorities have been implemented; the City has successfully updated its Geographic Information System. Major park improvements have been implemented, for example, fiscal year 2016 Parks Structure Improvement Programs have been implemented or completed, with minor project budget adjustments; the Park's Administration and Maintenance Building Project is well underway; the YMCA/City Pool Project should be completed by early spring; and, the Community Center Splash Pad Project has been completed. The Drainage Mowing Program has been implemented; City is on track with implementing its 2017 Capital Expenditure Replacement Program and the City's Capital Improvement Program has been updated. The new Wastewater Treatment Plant was put into operation in September 2016; and, the North Heights Utility Replacement Phase III Program was awarded in August. Lastly, the City's Comprehensive Plan 2035 Project has been finalized and approved by Council.

The previous mentioned accomplishments are just some of the fiscal year 2016 initiatives and accomplishments. With Council's leadership, we will make sure we continue to move in the right direction for our community.

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 2017 budget, allocating available resources to the various budgetary priorities was a challenge. The budgetary priorities consist of the following: maintain and improve residential streets; maintain and improve public safety; park and recreational services improvement programs; traffic signal maintenance programs; drainage maintenance programs; water and wastewater operations and utility programs; continue to replace routine capital assets; continue to implement the City's Capital Improvement Program; bond debt program; tax rate; sales tax; utility rates; other post employment benefits (OPEB); and maintain adequate fund balance/working capital reserves.

All of these budgetary priorities have been incorporated into the fiscal year 2017 budget, with a slight increase of 1.81¢ to the property tax rate; from 57.11¢ to 58.92¢. Since fiscal year 2004, the tax rate has been reduced by 11.08¢).

Street 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. To dramatically improve the conditions of our residential and major thoroughfare streets over the next decade, the following \$11.7 million street programs have been incorporated into the fiscal year 2017 budget, an increase of \$2.9 million from last year's budget:

- a. ***Residential Street Construction Program*** – The Residential Street Construction Program will address residential streets in subdivisions whose average street ratings are less than 85. The fiscal year 2017 budget includes approximately \$1.2 million for the Residential Street Construction Program, which consists of North Heights Phase III Subdivision. The 2017 Residential Street Construction Program will be funded with \$1.2 million from the General Fund budget. The 2017 Residential Street Construction Program was included in the City's fiscal year 2017 Capital Improvement Program.

- b. *Residential Preventive Street Maintenance Program* – Currently, the City has a backlog of residential streets requiring regular maintenance. The fiscal year 2017 General Fund budget includes approximately \$2.15 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 2017 budget includes approximately \$7.5 million for the Thoroughfare Street Program, which consists of expanding Placedo Benavides Drive from its current end near Wal-Mart to Salem Road/Loop 463 for \$7.5 million. The City’s Sales Tax Development Corporation will fund the 2017 Thoroughfare Street Program. The 2017 Thoroughfare Street Program was included in the City’s fiscal year 2017 Capital Improvement Program.
- d. *Street Point-Repair Program* – The fiscal year 2017 General Fund budget includes \$300,000 for various street maintenance tasks which are 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, the same amount as last year.
- 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 fiscal year 2017 General Fund budget includes \$430,000 for the Street Sweeping Program, \$70,000 less than last year due to a reduction in disposal fees.
- 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. However, due to a reduction in the fiscal year 2017 Sales Tax Revenue budget, the fiscal year 2017 General Fund budget does not include any funding for the Street Striping Program, a decrease of \$250,000 from last year.

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 level of \$27,246,059, 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. Implement a \$35,000 Public Safety Building Feasibility Study to assess the potential re-use of existing building or build a new facility or a combination of the two, along with estimated remodel/construction cost;
- b. The City’s portable radio equipment is reaching its end of life. The replacement cost is estimated at \$1.5 million or \$370,000/year over the next four fiscal years. Instead of replacing radios in fiscal year 2017, a committee was formed to develop options of how the City should move forward replacing its radio equipment. The committee-approved recommendation will be implemented in the fiscal year 2018 budget. In the meantime, the fiscal year 2017 budget includes \$21,000 for remote speaker microphones, which will enhance firefighter communications on the fire-ground or emergency scene. Police Department operations will not be hindered by delaying the purchase of portable radio equipment by one year;
- c. The Public Safety 2017 budget includes \$34,000 for various building improvement projects;
- d. The fiscal year 2017 budget includes \$11,000 for the Fire Training Tower inspection, done every five years;
- e. Replacing rescue tools equipment and vehicles; and
- f. Providing adequate funding for education and training.

Park and Recreational Services Improvement Programs

The fiscal year 2017 budget includes \$1 million in Park and Recreational Services Improvement Programs. The 2017 Park and Recreational Services Improvement Programs consist of \$262,500 to replace mowing equipment; \$106,500 in various park improvement structure programs; \$15,000 for Fireworks Program; and, \$101,500 for various sport tournaments.

The City owned and operated a municipal pool that exceeded its useful life. In fiscal year 2014, the City and YMCA entered 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 2017 budget includes the third and final \$521,420 allocation.

Traffic Signal Maintenance Program

The fiscal year 2017 budget includes \$322,000 in funding to replace various controllers and signal heads; installing twenty wireless beacon control units for school flashers; replacing sixteen LED name sign units; replacing three downtown signal cabinet units and paying for engineers to design a traffic signal light at Mallette and Loop 463.

Drainage Maintenance Program

The fiscal year 2017 budget includes \$216,000 in Drainage Improvement Programs, which consist of the Ben Jordan Outfall Repair Project and Twin 90" Storm Sewer Pipe Replacement Project.

Water and Wastewater Operations and Programs

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.

In January 2016, the City, in conjunction with the Victoria County Groundwater Conservation District, was approved for a grant by the Texas Water Development Board for an Aquifer Storage and Recovery Demonstration Project. This project consists of replacing the pumping equipment of Well #19 and retrofitting it into a full-scale ASR well. After completion of the construction, potable water will be stored in the Gulf Coast Aquifer for approximately 7 months and will then be withdrawn over a period of 4 months with level and water quality data being recorded throughout the entire process. If successful, this project will add 2 MGD of additional capacity to the City's water supply. Financial planning is in place to convert another of the City's existing wells to ASR and to drill an additional ASR well in 2018, which will add another 4 MGD to the City's supply. Additional wells can then be added incrementally in the future to expand the City's water supply and defer the capital expenditure required to expand the Surface Water Treatment Plant.

The City continues to explore other possibilities for additional future water supplies for its citizens.

The fiscal year 2017 Water/Wastewater Fund budget includes the following utility programs:

- a. *North Heights Utility Replacement Phase IV Program* – The project consists of replacing water and sanitary sewer lines in Colorado Street of North Heights Subdivision from Navarro to Laurent Street, at an estimated cost of \$1.2 million.
- b. *SCADA Project* – The project consists of consolidating the SCADA systems so that they interact with one another and replacing some obsolete SCADA equipment and components at an estimated cost of \$750,000.
- c. *Sludge Dewatering Program* – The project consists of replacing the existing belt filter press at the Regional Wastewater Treatment Plant with either a new belt filter press or a centrifuge at an estimated cost of \$2.2 million.
- d. *Emergency Pipe Replacement* – Due to weather conditions and age of the utility infrastructure, the City has experienced various types of water and sanitary sewer line emergency pipe replacement situations. The budget includes \$500,000 for the Emergency Pipe Replacement Program.

Routine Capital Expenditures

The fiscal year 2017 budget includes \$6.2 million in capital expenditures, a decrease of 52.8 percent. The decrease is mainly due to replacing fewer vehicles than last year, decrease in building and other structure improvement projects and a decrease in Street Department Street Program. The \$6.2 million capital expenditure budget will be funded with \$2.99 million of recurring revenue and \$3.21 million of one-time use of fund balance/working capital balance (*\$735K General Fund; \$1.53M Water/Wastewater Fund; \$916K Environmental Services Fund; \$28K Communication Fund*).

The following table recaps the \$6.2 million capital expenditures for fiscal year 2017, compared to fiscal year 2016.

<i>Type of Fund</i>	<i>FY 2017 Original Budget</i>	<i>FY 2016 Original Budget</i>	<i>Increase / (Decrease)</i>	<i>% Change</i>
<i>Governmental Funds</i>	\$1,180,808	\$ 6,114,015	(\$4,933,207)	-80.69%
<i>Enterprise Funds</i>	4,100,655	3,926,963	173,692	4.42%
<i>Internal Service Funds</i>	962,019	3,180,013	(2,217,994)	-69.75%
<i>Total Capital Replacement</i>	<i>\$6,243,482</i>	<i>\$13,220,991</i>	<i>(\$6,977,509)</i>	<i>-52.78%</i>

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), non-routine capital expenditure, 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 of 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 2017 budget is proactive in supporting the City’s Capital Improvement Program (CIP). The fiscal year 2017 budget includes \$16.32 million in “new” capital improvement projects, of which \$50,000 is budgeted in the General Fund, \$2.45 million is budgeted in the Water/Wastewater Fund, \$6.27 million is budgeted in the Capital Construction Funds (*General Governmental and Utility Construction Funds*), and \$7.55 million is budgeted in the Victoria Sales Tax Development Corporation.

Fiscal Year 2017 Capital Improvement Program is as follows:

<i>Type of Fund</i>	<i>FY 2017 Original Budget</i>	<i>FY 2016 Original Budget</i>	<i>Increase / (Decrease)</i>	<i>% Change</i>
Capital Project Funds				
<i>Governmental Capital Project Fund</i>	\$ 4,077,706	\$ 8,222,062	(\$4,144,356)	-50.41%
<i>Utility Capital Project Fund</i>	2,191,670	3,530,709	(1,339,039)	-37.93%
Total Capital Project Funds	\$ 6,269,376	\$11,752,771	(\$5,483,395)	-46.66%
<i>General Fund</i>	50,000	3,519,000	(3,469,000)	-98.58%
<i>Water/Wastewater Fund</i>	2,450,000	1,200,000	1,250,000	104.17%
<i>Victoria Sales Tax Development Corp.</i>	7,546,812	8,507,214	(960,402)	-11.29%
Total Capital Improvement Program	\$16,316,188	\$24,978,985	(\$8,662,797)	-34.68%

Bond Debt Program

The fiscal year 2017 budget includes \$19.7 million in debt service payment (*General Governmental and Utility Revenue Bonds*), a decrease of \$56,420. The net decrease is due to the following:

- a. *General Governmental Bonds* increased by \$50,347, mainly due to an increase in principal payments.
- b. *Utility Revenue Bonds* decreased by \$106,767, mainly due to refinancing certain utility revenue bonds, at a lower interest rate, in fiscal year 2016.

Tax Rate

The 2017 budget is built around a property tax rate of 58.92¢, an increase of 1.81¢ from last year's tax rate. The tax rate is allocated at 33.85¢ for General Fund maintenance and operating costs, an increase of 1.20¢, and 25.07¢ for debt service payments, an increase of 0.61¢. The State's mandated effective tax rate calculation produces an effective tax rate for fiscal year 2017 of 58.92¢, (*since fiscal year 2004, the tax rate has been reduced by 11.08¢*).

Sales Tax

Fiscal year 2016 sales tax revenue came in approximately \$1.4 million under budget, compared to the original budget amount of \$18,049,000.

Due to the local, state, and national economy trend and not anticipating any major retail growth in the near future, the fiscal year 2017 budget assumes a 1.3 percent reduction in revenue, compared to the fiscal year 2016 projected budget of \$16,410,000.

Utility Rates

The fiscal year 2017 budget did not include a utility rate increase for Environmental Services Fund or Water/Wastewater Fund operations. The Environmental Services Curbside Recycling fees increased from \$1.28 per month to \$2.92 per home per month, due to Waste Management increasing its recycling tipping and processing fees in March 2016.

Other Post-Employment Benefits (OPEB)

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 can finance future OPEB cost/liabilities in large part from the investment earnings provided by the OPEB Trust Fund, i.e. the investment earning is expected to generate significant revenue to reduce the City's OPEB obligations. The fiscal year 2017 budget includes \$200,000 in OPEB Trust funding, same as last year's amount.

Pay Program

One of the biggest assets of the City is our outstanding workforce. It is the largest budgetary expense category; and, as such, can have the most significant impact when aligning our expenditures with our available revenue. Unfortunately, due to the "sluggish" economy, the budget does include any pay program for fiscal year 2017.

The total budgeted positions for fiscal year 2017 is 621, the same level as the prior year.

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 2017 is 16.66%, compared to 2016 rate 16.86%. 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. The City provides two medical plans for employees/retiree (under 65) to choose from, with different medical cost allocations between employee/retiree (under 65) and City. One medical plan is more traditional with co-pays and the other offers a high deductible with a health savings account (*health savings account is a tax-advantage medical savings account*). Depending on the health plan design selected for the employee/retiree (under 65) only plans, health insurance premium cost to the participant will vary from \$97.97/month to \$398.00/month. The City's total fiscal year 2017 health and dental plan contribution is \$3,471,662, a decrease of 1.08 percent or \$38,128 from last year's budget.

In fiscal year 2014, retirees (over 65) were placed in a Retiree Exchange System; and, a Health Reimbursement Account was established. This change in retiree (over 65) health plan design will give 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 the City's medical liability.

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.

Fund Balance/Working Capital Balance Reserves

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 and 2016, the General Fund minimum fund balance was increased to 25 percent of budgeted expenditures, to create an adequate reserve to address future economic uncertainties.

The fiscal year 2017 budget set the General Fund minimum fund balance reserve at 25 percent of budgeted expenditures. The minimum fund balance (*25% of \$49,219,116 budgeted expenditures*) is projected to be \$12,304,779, which represents approximately 3 months of fund balance reserve.

The estimated ending fund balance for fiscal year 2017 is \$12,503,450, which is approximately \$198,671 over the minimum reserve fund balance. These funds will be reserved 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.

Other Programs to Note

Environmental Programs - To address the many quality of life issues that come before us each year, the fiscal year 2017 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. 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) 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.

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. Thirty-three (33) homes have been constructed through this housing initiative, 2 additional homes are under construction and 2 are close to beginning 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 all 17 homes have been completed. The subdivision only has one (1) lot that remains available.

Community Development - The City of Victoria 2016-2017 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, 2016 to September 30, 2017, the City of Victoria will utilize CDBG funds totaling \$570,312 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	\$ 25,639	4.49%
2. Public Services Programs	82,403	14.45%
3. Public Facilities	103,140	18.09%
4. Affordable Housing	25,530	4.47%
5. Public Improvements	235,000	41.21%
6. Program Administration	<u>98,600</u>	17.29%
Total:	<u>\$570,312</u>	

Transportation – Federal and state transportation funding programs have provided several million dollars to projects in the Victoria region. Current roadway projects include: adding 2 lanes to US-77 between US-87 and FM 1685; constructing frontage roads along Loop 463 between Mockingbird Lane and BU-59; constructing an overpass on US-59 at Hanselman Road; and constructing an overpass on US-87 at FM 447 in Nursery.

The Golden Crescent Regional Planning Commission provides general public transportation in Victoria, known as Victoria Transit through an interlocal agreement with the City of Victoria. Victoria Transit began

in 1999 as a demand response, curb-to-curb service. The system quickly grew and in order to meet the growing demand, Fixed Route Services were implemented, including paratransit services for persons with disabilities. Victoria Transit currently offers multiple services and provides over 28,000 trips a month.

The Victoria Metropolitan Planning Organization (MPO) approved the Unified Planning Work Program, which details the MPO's budget for planning funds. The MPO also hired a consultant to conduct traffic counts at 73 locations in FY 2016. The Victoria MPO will be amending the FY 2017-2020 Transportation Improvement Program (TIP) this year. The TIP is a four-year plan that summarizes anticipated transportation projects throughout Victoria County that have secured funding. The TIP is updated every two years and then submitted to the Texas Department of Transportation as part of the Statewide TIP; federal funds cannot be expended on a project unless it is listed in the TIP. The 2017-2020 TIP can be viewed at www.victoriatx.org/home/showdocument?id=9133 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, 2016.

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 an initial period of three years, and both additional one year extensions have been executed which extends the contract out to August 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 2016, 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 multiple 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 2016, the City had most of its liability risks covered by insurance. These coverages are summarized below:

General Liability, including EMS Errors & Omissions	\$2,000,000 occurrence \$4,000,000 aggregate \$1,000 deductible per occurrence
Police Professional Liability	\$1,000,000 occurrence \$3,000,000 aggregate \$5,000 deductible per occurrence
Public Officials' Liability	\$5,000,000 occurrence \$10,000,000 aggregate \$25,000 deductible per claim
Fleet Liability	\$2,000,000 occurrence \$1,000,000 uninsured/underinsured motorist \$25,000 medical payment per person \$0 deductible on liability \$500 deductible each vehicle on auto physical damage \$10,000 deductible each occurrence on auto physical damage \$25,000 deductible catastrophe
Contractors' Equipment	\$3,401,982 (per scheduled equipment) \$1,000,000 newly purchased equipment \$5,000 deductible per occurrence
Comprehensive Property Damage	\$143,089,627 combined building and contents \$500,000 blanket extra expense \$143,089,627 earth movement \$1,000,000 property in transit \$1,000,000 newly acq/constr. \$5,000 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	\$6,075,470 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	\$704,093 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

The City manages 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, 2015. This was the thirty-third 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**

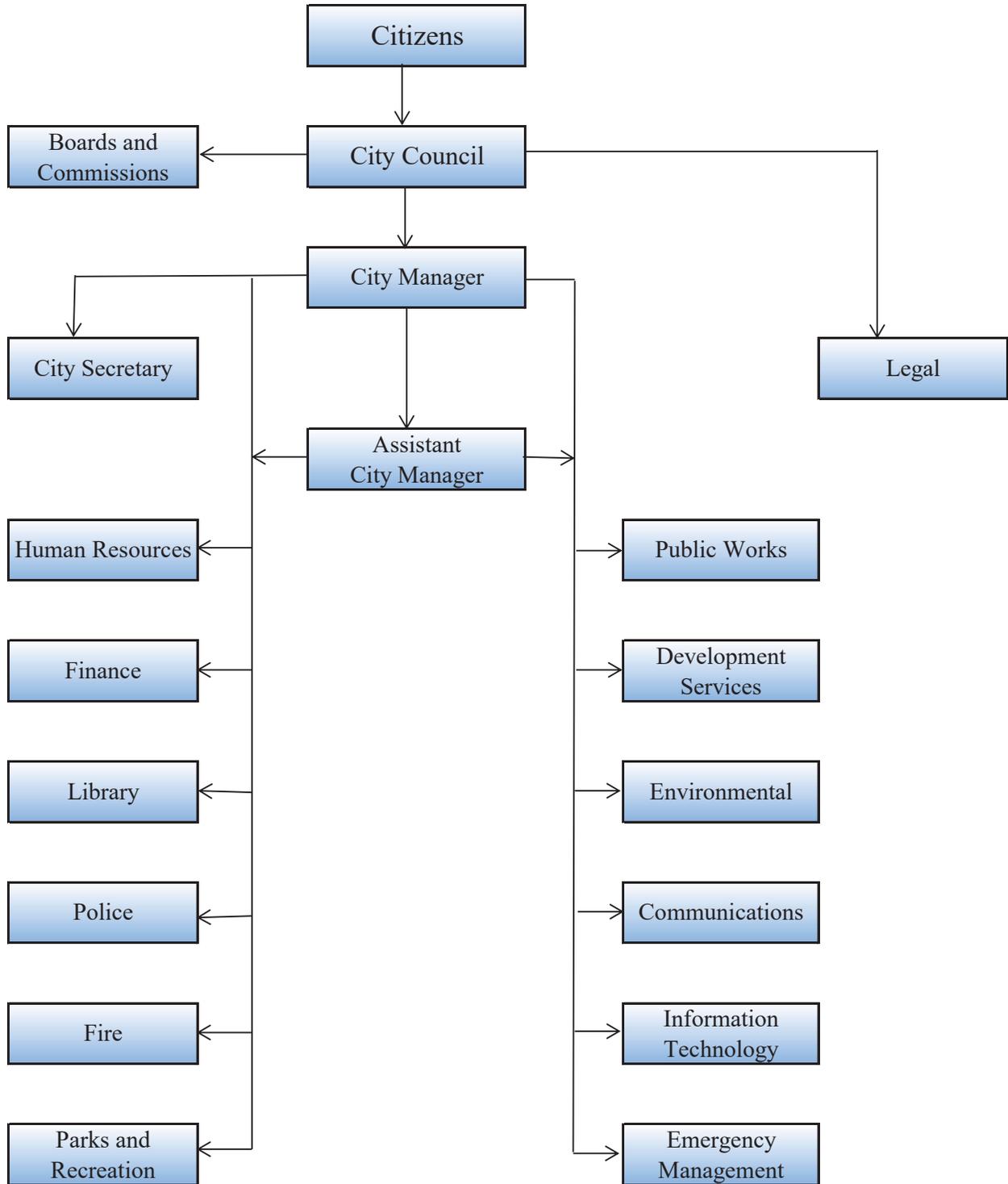
Presented to

**City of Victoria
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2015

Executive Director/CEO



PRINCIPAL CITY OFFICIALS

ELECTED OFFICIALS



Name	Position	Years of Service	Term Expires
<i>Front Row</i>			
Josephine Soliz	Council Member, District 2	4	May, 2018
Paul Polasek	Mayor	10	May, 2019
Jan Scott	Council Member, District 4	1	May, 2018
<i>Back Row</i>			
Tom Halepaska	Council Member, Super District 6	12	May, 2019
Dr. Andrew Young	Council Member, District 5	3	May, 2019
Jeff Bauknight	Mayor Pro-Term, District 3	3	May, 2018
Rafael DeLaGarza, III	Council Member, District 1	0	May, 2018

ADMINISTRATIVE OFFICIALS

Name	Position	Years of Service	
		Current With City	Position
Charmelle Garrett	City Manager	26	5
John Kaminski	Assistant City Manager	28	4
Gilbert P. Reyna, Jr.	Director of Finance	21	21
Thomas Gwosdz	City Attorney	7	7
Cheryl Marthiljohni	Director of Human Resources	6	6
James Foote	Director of Information Technology	9	4
Jared Mayfield	Director of Development Services	20	4
Jeffrey Craig	Police Chief	5	5
Taner Drake	Fire Chief	5	5
Colby VanGundy	Director of Parks and Recreation	3	3
Dayna Williams-Capone	Director of Public Library	9	7
Lynn Short	Director of Public Works	24	13
Darryl Lesak	Director of Environmental Services	8	4
O.C. Garza	Director of Communications	15	7



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

STEPHEN W. VAN MANEN, CPA
DENNIS C. CIHAL, CPA
ERIC L. KUCERA, CPA
CLAYTON P. VAN PELT, CPA
ROBERT W. SCHAAR, CPA
MELISSA M. TERRY, CPA

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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, 2016, 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, 2016, 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.

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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2017, 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 17, 2017

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, 2016. 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.

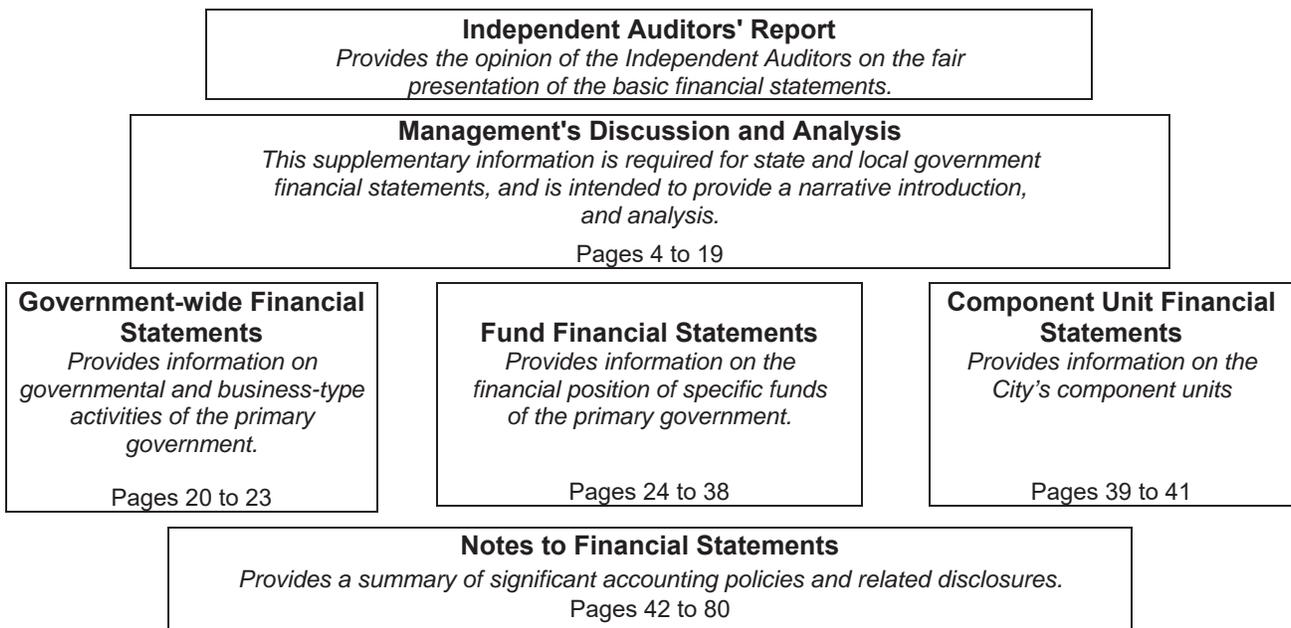
FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City exceeded its liabilities at the close of the fiscal year ended September 30, 2016, by \$165,461,302. Of this amount, \$7,116,920 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, 2016, the City's governmental funds reported combined ending fund balances of \$27,635,790, a decrease of \$5,928,464 (18%) in comparison with prior year. The unassigned fund balance is \$15,483,910 (see page 11 for further detail).
- At September 30, 2016, unassigned fund balance for the General Fund was \$15,483,910 or 34% of total General Fund expenditures.
- The total cost of all City activities was \$96,261,019 for the fiscal year. Net cost of all activities was \$43,645,535.
- During the year, the City's general revenues exceeded net expenses of the primary government by \$4,953,970. This represents a 3% increase in net position from the previous fiscal year.
- The City's outstanding long-term debt had a net decrease of \$3,922,815. The main reason for the net decrease is due to the fact that during the fiscal year 2016, the City paid \$13,450,000 in principal payments and the City issued \$2,445,000 in new debt (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 20 through 21.

Statement of Activities

The statement of activities presents information showing how the government's net position changed during fiscal year 2016. 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 22 through 23.

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

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 30 through 37).

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 38 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 42 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 \$165,461,302 at the close of the fiscal year ended September 30, 2016.

At the end of fiscal year 2016, 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	
	2016	2015	2016	2015*	2016	2015*
Current assets	\$ 45,775,454	\$ 51,256,163	\$ 26,834,858	\$ 37,364,770	\$ 72,610,312	\$ 88,620,933
Capital assets (net)	164,869,058	163,775,825	142,970,833	132,690,075	307,839,891	296,465,900
Other noncurrent assets	839,129	-	177,642	-	1,016,771	-
Total assets	<u>211,483,641</u>	<u>215,031,988</u>	<u>169,983,333</u>	<u>170,054,845</u>	<u>381,466,974</u>	<u>385,086,833</u>
Deferred outflows of resources	13,185,122	7,604,594	2,844,682	1,490,363	16,029,804	9,094,957
Current and other liabilities	14,604,977	12,439,977	10,908,477	11,390,739	25,513,454	23,830,716
Noncurrent liabilities	124,442,908	122,929,097	80,880,437	85,807,310	205,323,345	208,736,407
Total liabilities	<u>139,047,885</u>	<u>135,369,074</u>	<u>91,788,914</u>	<u>97,198,049</u>	<u>230,836,799</u>	<u>232,567,123</u>
Deferred inflows of resources	979,859	905,689	218,818	201,646	1,198,677	1,107,335
Net position:						
Net investment in capital assets	84,007,457	83,609,268	71,351,401	65,123,880	155,358,858	148,733,148
Restricted	2,985,524	3,547,378	-	-	2,985,524	3,547,378
Unrestricted	<u>(2,351,962)</u>	<u>(794,827)</u>	<u>9,468,882</u>	<u>9,021,633</u>	<u>7,116,920</u>	<u>8,226,806</u>
Total net position	<u>\$ 84,641,019</u>	<u>\$ 86,361,819</u>	<u>\$ 80,820,283</u>	<u>\$ 74,145,513</u>	<u>\$ 165,461,302</u>	<u>\$ 160,507,332</u>

*2015 net position has been restated. See Note 21 of this report.

The largest portion of the City's fiscal year 2016 net position (94% or \$155,358,858) 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 \$2,985,524 consisting of \$1,531,683 for debt service, \$1,124,613 for special programs related to recreation, and \$329,228 for public safety programs. The remaining balance of \$7,116,920 may be used to meet the government's ongoing obligations to citizens and creditors; over all, the City's net position increased by \$4,953,970, which consists of a decrease of \$1,720,800 in governmental net position and an increase of \$6,674,770 in business-type net position.

City of Victoria, Texas Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015*	2016	2015*
REVENUES						
Program revenues:						
Charges for services	\$ 7,440,697	\$ 7,570,967	\$ 31,655,411	\$ 31,641,631	\$39,096,108	\$39,212,598
Operating grants and contributions	4,066,404	3,961,463	-	-	4,066,404	3,961,463
Capital grants and contributions	4,711,910	407,335	4,741,062	1,630,985	9,452,972	2,038,320
General revenues:						
Property taxes	23,811,469	23,339,865	-	-	23,811,469	23,339,865
Other taxes	23,191,558	25,280,708	-	-	23,191,558	25,280,708
Other	<u>1,344,437</u>	<u>1,088,349</u>	<u>252,041</u>	<u>78,774</u>	<u>1,596,478</u>	<u>1,167,123</u>
Total revenues	<u>64,566,475</u>	<u>61,648,687</u>	<u>36,648,514</u>	<u>33,351,390</u>	<u>101,214,989</u>	<u>95,000,077</u>
EXPENSES						
General government	5,702,892	5,630,383	-	-	5,702,892	5,630,383
Public safety	29,460,858	27,620,120	-	-	29,460,858	27,620,120
Development	20,668,698	19,636,633	-	-	20,668,698	19,636,633
Building services	707,411	673,904	-	-	707,411	673,904
Recreation	8,463,045	7,611,173	-	-	8,463,045	7,611,173
Interest on long-term debt	4,042,068	4,402,538	-	-	4,042,068	4,402,538
Water/wastewater	-	-	20,894,040	20,960,979	20,894,040	20,960,979
Environmental services	-	-	5,376,450	3,743,052	5,376,450	3,743,052
Other	-	-	<u>945,557</u>	<u>1,000,683</u>	<u>945,557</u>	<u>1,000,683</u>
Total expenses	<u>69,044,972</u>	<u>65,574,751</u>	<u>27,216,047</u>	<u>25,704,714</u>	<u>96,261,019</u>	<u>91,279,465</u>
Change in net position before transfers	(4,478,497)	(3,926,064)	9,432,467	7,646,676	4,953,970	3,720,612
Transfers	<u>2,757,697</u>	<u>2,694,491</u>	<u>(2,757,697)</u>	<u>(2,694,491)</u>	-	-
Change in net position	(1,720,800)	(1,231,573)	6,674,770	4,952,185	4,953,970	3,720,612
Net position - October 1	<u>86,361,819</u>	<u>87,593,392</u>	<u>74,145,513</u>	<u>69,193,328</u>	<u>160,507,332</u>	<u>156,786,720</u>
Net position - September 30	<u>\$ 84,641,019</u>	<u>\$ 86,361,819</u>	<u>\$ 80,820,283</u>	<u>\$ 74,145,513</u>	<u>\$165,461,302</u>	<u>\$160,507,332</u>

*2015 net position has been restated. See Note 21 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)

The over-all increase in net position is \$4,953,970, which consists of a decrease of \$1,720,800 in governmental activities and an increase of \$6,674,770 in business-type activities. The decrease in the governmental activities is mainly due to a decrease in sales tax revenue of approximately \$1.4 million and various one-time expenditures. The increase in the business-type activities is mainly due to Sales Tax Development Corporation \$4.7 million capital contributions, a discretely presented component unit; and water and wastewater operations generating \$2.5 million in net earnings, which is within the normal earning rate for this operation.

Governmental Activities

**City of Victoria, Texas
2016 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	\$ 5,702,892	8.26%	\$ 3,469,295	21.39%	(\$ 2,233,597)
Public safety	29,460,858	42.67%	7,121,341	43.91%	(22,339,517)
Development	20,668,698	29.94%	5,010,613	30.89%	(15,658,085)
Building services	707,411	1.02%	-	0.00%	(707,411)
Recreation	8,463,045	12.26%	617,762	3.81%	(7,845,283)
Interest on long-term debt	4,042,068	5.85%	-	0.00%	(4,042,068)
	<u>\$ 69,044,972</u>		<u>\$ 16,219,011</u>		<u>(\$ 52,825,961)</u>

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

<u>Description</u>	<u>Revenues</u>		<u>Revenues</u>	
	<u>2016</u>	<u>% of Total</u>	<u>2015</u>	<u>% of Total</u>
Charges for services	\$ 7,440,697	11.05%	\$ 7,570,967	11.77%
Operating grants and contributions	4,066,404	6.04%	3,961,463	6.16%
Capital grants and contributions	4,711,910	7.00%	407,335	0.63%
Property taxes	23,811,469	35.37%	23,339,865	36.27%
Sales taxes	16,555,680	24.59%	17,937,136	27.88%
Franchise taxes	5,175,796	7.69%	5,410,432	8.41%
Other taxes	1,460,082	2.17%	1,933,140	3.00%
Unrestricted investment earnings	219,846	0.33%	115,633	0.18%
Miscellaneous	1,124,591	1.67%	972,716	1.51%
Transfers	2,757,697	4.09%	2,694,491	4.19%
Total	<u>\$ 67,324,172</u>		<u>\$ 64,343,178</u>	

GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)

Business-type Activities

Fiscal year 2016 business-type activities increased the City's net position by \$6,674,770. The net position increase is due mainly to:

- 1) Water and Wastewater Fund received a capital grant contribution from the Victoria Sales Tax Development Corporation in the amount of \$4.7 million; and,
- 2) Water and Wastewater Fund generated approximately \$2.5 million net earnings (net of capital contributions), which is in line with last year's net earnings (net of capital contributions).

**City of Victoria, Texas
2016 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	\$20,894,040	76.77%	\$30,634,210	84.17%	\$9,740,170
Environmental services	5,376,450	19.76%	5,354,136	14.71%	(22,314)
Other	<u>945,557</u>	3.47%	<u>408,127</u>	1.12%	(537,430)
	<u>\$27,216,047</u>		<u>\$36,396,473</u>		<u>\$9,180,426</u>

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

<u>Description</u>	<u>Revenues 2016</u>	<u>% of Total</u>	<u>Revenues 2015</u>	<u>% of Total</u>
Charges for services	\$31,655,411	93.40%	\$31,823,056	103.19%
Capital grants and contributions	4,741,062	13.99%	1,630,985	5.29%
Unrestricted investment earnings	114,836	0.34%	78,774	0.26%
Miscellaneous	137,205	0.41%	-	0.00%
Transfers	(2,757,697)	(8.14%)	(2,694,491)	(8.74%)
Total	<u>\$33,890,817</u>		<u>\$30,838,324</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 2016, the City's governmental funds reported combined ending fund balances of \$27,635,790, a decrease of \$5,928,464. The main reasons for the decrease in the City's combined governmental ending fund balance are the General Fund sales tax revenue coming in approximately \$1.4 million less than last year's receipts; and, drawing down Capital Construction Fund fund balance in the amount of \$4.5 million in order to implement planned capital improvement projects, per the City's Capital Improvement Program.

The City's governmental funds combined fund balance of \$27,635,790 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 2016, unassigned fund balance of the General Fund was \$15,483,910 while total General Fund fund balance was \$16,782,101. 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 34% of the total General Fund expenditures, while total fund balance represents 37% of that same amount.

The General Fund fund balance decreased by \$1,089,714, which was mainly due to a \$1.4 million decrease in sales tax revenue, compared to last year's amount.

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 2016, fund balance of the Capital Construction Fund (3037) was \$5,844,985.

The main reason for the decrease in the Capital Construction Fund (3037) fund balance is due to drawing down the Capital Construction Fund (3037) fund balance by \$4.5 million in order to implement planned capital improvement projects, per the City's five-year Capital Improvement Program.

3. *The Debt Service Fund* is a debt service fund used to account for the General Obligation Bond and Certificate of Obligation Bond debt repayments and revenue collections. At the end of fiscal year 2016, fund balance of the Debt Service Fund was \$1,093,523. The main reason for the \$9,256 decrease in the Debt Service Fund fund balance is due to a decrease 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>	2016	(As Restated)
	<u>Unrestricted Net Position</u>	<u>2015 Unrestricted Net Position</u>
Water and Wastewater	\$6,244,820	\$4,932,654
Environmental Services	2,075,059	2,511,020
Other	<u>1,149,003</u>	<u>1,577,959</u>
Total	<u>\$ 9,468,882</u>	<u>\$ 9,021,633</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 2016 General Fund original budget and fiscal year 2016 General Fund final amended budget for expenditures (including transfers) was \$1,013,751. The \$1,013,751 represents fiscal year 2016 carryover encumbrances.
- The original fiscal year 2016 budget included approximately \$3.56 million of "one-time" expenditures mainly consisting of capital acquisition and improvement projects.
- For fiscal year 2016, the General Fund revenues came in \$1.5 million less than the General Fund amended 2016 budget, mainly due to sales tax revenue coming in \$1.4 million under budget.
- For fiscal year 2016, the General Fund actual expenditures, including encumbrances, came in approximately \$3.02 million lower than the General Fund amended fiscal year 2016 budget or \$406,722 lower than the General Fund projected 2016 budget. The variances are mainly the net result of personnel and transfers coming in higher than expected and maintenance and operations expenditures coming in lower than expected. Due to the projected short fall in sales tax revenue, adjustments were made to the General Fund maintenance and operations expenditures.

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, 2016, amounts to \$307,839,891 (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 \$11,373,991 or 4% (a \$1,093,233 or 1% increase for governmental activities and \$10,280,758 or 8% 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	\$ -	\$ -	\$ -	\$ -	\$ -
Buildings	3,833,447	12,019	994,939	-	4,816,367
Other structure improvements	502,267	-	20,875	-	523,142
Infrastructure - streets, drainage, traffic, and sidewalks, etc.	5,432,407	-	-	-	5,432,407
Construction in progress	11,273,490	7,678,820	15,266,876	433,921	18,427,625
Machinery, equipment, and vehicles	5,179,207	2,025,969	224,762	172,097	3,205,903
Water and wastewater distribution system	-	-	<u>1,573,030</u>	-	<u>1,573,030</u>
Total	<u>\$ 26,220,818</u>	<u>\$ 9,716,808</u>	<u>\$ 18,080,482</u>	<u>\$ 606,018</u>	33,978,474
					FY 2016 depreciation expense (24,747,588)
					FY 2016 accumulated depreciation deletions 2,143,105
					Primary government beginning capital assets balance <u>296,465,900</u>
					Primary government ending capital assets balance <u>\$307,839,891</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, 2016:

City of Victoria, Texas						
Capital Assets						
(Net of Depreciation)						
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 4,389,837	\$ 4,389,837	\$ 4,425,685	\$ 4,425,685	\$ 8,815,522	\$ 8,815,522
Construction in progress	11,516,069	7,921,399	31,144,398	16,311,443	42,660,467	24,232,842
Machinery and equipment	14,979,584	15,468,385	1,489,796	1,821,281	16,469,380	17,289,666
Buildings	10,750,658	7,866,737	26,962,699	27,471,432	37,713,357	35,338,169
Improvements other than buildings	3,247,266	3,147,492	690,665	803,575	3,937,931	3,951,067
Infrastructure	119,985,644	124,981,975	823,548	956,422	120,809,192	125,938,397
Water and wastewater distribution system	-	-	<u>77,434,042</u>	<u>80,900,237</u>	<u>77,434,042</u>	<u>80,900,237</u>
Total	<u>\$164,869,058</u>	<u>\$163,775,825</u>	<u>\$142,970,833</u>	<u>\$132,690,075</u>	<u>\$307,839,891</u>	<u>\$296,465,900</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 2016, the City had total bonded debt outstanding of \$162,015,000. Of this amount, \$91,185,000 comprises debt backed by the full faith and credit of the government and \$70,830,000 secured solely by specific revenue sources (i.e., revenue bonds). In addition, the City had outstanding \$1,620,403 in compensated absences, (\$1,016,771) in other post employment benefits payable (asset), \$43,601,264 in net pension liability, \$4,172,280 in estimated landfill closure and post-closure care cost; and \$7,155,955 in net bond premium (discount) as of September 30, 2016.

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

	Governmental Activities		Business-type Activities		Total	
	2016	2015*	2016	2015	2016	2015
General obligation bonds	\$ 46,580,000	\$ 50,480,000	\$ -	\$ -	\$ 46,580,000	\$ 50,480,000
Certificate of obligation bonds	44,605,000	45,280,000	-	-	44,605,000	45,280,000
Revenue bonds	-	-	70,830,000	77,260,000	70,830,000	77,260,000
Compensated absences	1,348,336	1,257,040	272,067	265,681	1,620,403	1,522,721
OPEB payable (asset)	(839,129)	166,712	(177,642)	35,422	(1,016,771)	202,134
Net pension liability	35,404,226	28,639,257	8,197,038	6,376,341	43,601,264	35,015,598
Estimated landfill closure and post-closure care cost	-	-	4,172,280	3,991,730	4,172,280	3,991,730
Net bond premium (discount)	<u>3,195,727</u>	<u>3,401,983</u>	<u>3,960,228</u>	<u>4,316,780</u>	<u>7,155,955</u>	<u>7,718,763</u>
Total	<u>\$130,294,160</u>	<u>\$129,224,992</u>	<u>\$ 87,253,971</u>	<u>\$ 92,245,954</u>	<u>\$ 217,548,131</u>	<u>\$ 221,470,946</u>

The City's debt had a net decrease of \$3,922,815 or 2%. The key factors to this net decrease are the following:

- Debt payments of \$7,020,000 in governmental activities bonds and \$6,430,000 in business-type activities bonds were made during fiscal year 2016,
- The City issued the 2015 Certificates of Obligation in the amount of \$2,445,000 during fiscal year 2016,
- Net pension liability increased by \$8,585,666,
- Payment of \$1,200,000 to an irrevocable trust for future funding of the OPEB liability resulted in an OPEB asset of \$1,016,771,
- Landfill closure/post-closure care cost had a net increase of \$180,550, and
- Bond premium had a net decrease of \$562,808.

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

- *Texas Economy*

The Texas economy overall presents a foggy picture. On the upside, employment growth bounced back in April after nearly halting in March but slowed again in May. Oil prices have increased, the rig count ticked up in early June and Texas exports rose strongly in the first quarter. The Texas Leading Index, which forecasts employment growth for the state, also saw broad-based improvement.

Despite the silver lining, dark clouds remain on the horizon. April exports data showed a decline, and the May Texas Business Outlook Surveys headline indexes weakened from their April readings. Moreover, we are seeing layoffs in Houston (ground zero of the energy bust) affect other sectors of the metro's economy, particularly its residential and office markets.

Texas employment grew an annualized 1.5 percent in April and 0.4 percent in May, an improvement over the March figure of 0.1 percent. So far through May, employment has increased at a 1.1 percent annualized pace in line with growth seen in the first five months of 2015. The good-producing sector continues contracting, and persistent declines in drilling have led to year-to-date job losses of 19.7 percent in oil and gas extraction. These, combined with a strong dollar, have also contributed to a 3.3 percent year-to-date drop in manufacturing employment. Construction payroll has shrunk as well, falling 2.9 percent.

The Texas labor market remains tight overall, with the unemployment rate holding steady at 4.4 percent in May (Victoria's unemployment rate is 4.8 percent) and remaining below the 4.7 percent U.S. rate.

Texas exports rose 3.9 percent in the first quarter, posting their largest quarterly gain since fourth quarter 2013. Still, Texas exports remain 1.7 percent below year-ago levels. The value of exports increased largely because of higher prices for oil, gas and their derivatives; exports of petroleum products and chemicals are among Texas largest export categories. However, other sectors such as computers and electronic products spiked as well, up 11.9 percent in the first quarter. Texas exports declined in April, down 3.4 percent, and U.S. exports fell as well.

Statewide housing starts, including both single-family and multi-family units, rose 2.7 percent in April but are down from year-ago levels. The five-month moving average also shows a steady decline, a result of a drop-off in new multi-family construction projects (apartment occupancy and rent growth remain strong in most major Texas metros).

The impact of the energy bust on home prices finally became apparent. First quarter data from the Federal Housing Finance Agency showed a 0.7 percent dip in Houston home prices. However, prices in other major Texas metros continued to trend upward, with appreciation accelerating in Dallas and Austin.

Recent economic data have been mixed; but overall indicate continued sluggish growth. The Texas Leading Index rose strongly for the second straight month in April, up 1.4 percent, following four consecutive months of declines. Texas employment forecast now stands at 1.3 percent growth (December/December), on par with last year's increase. Growth in the U.S. economy will provide a tailwind for Texas, particularly for Dallas and San Antonio, which are more similar to the nation in their industrial composition.

Victoria Economy

Industry, Commercial, and Housing

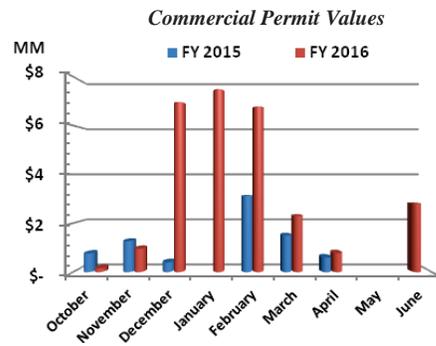
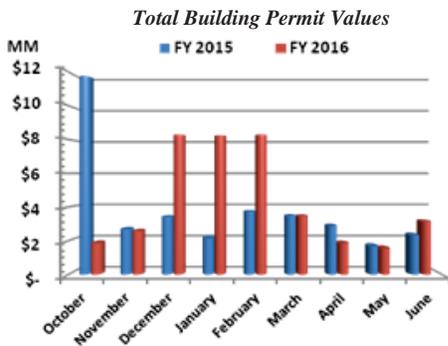
Just like Texas, Victoria's economy is experiencing a slow down. The downturn in energy and a stronger dollar, among other economic issues, have created headwinds for the US, Texas and Victoria economy. Despite these challenges, the Victoria economy is resilient and continues to grow, but at a much slower pace, compared to previous years.

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

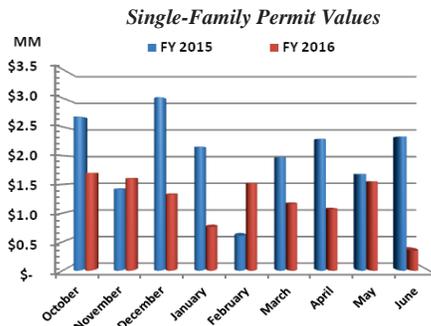
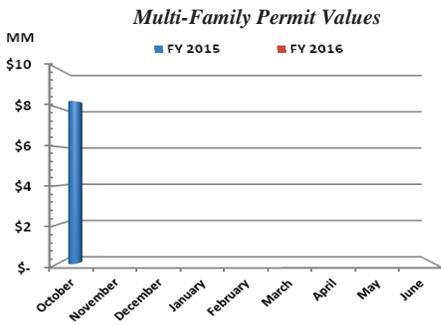
Victoria's oil and natural gas industry growth (*i.e. Eagle Ford Shale*) has declined/contracted over the past year, due to lower oil/gas prices. Victoria's rig count for June was 15, a reduction of 67 percent from June 2015; however, the number of completed wells (*i.e. producing wells*) has remained relatively steady, which is one of the main reasons Victoria's oil and natural gas industry will be able to weather the current economic downturn. Over the last year, the industry has been forced to tighten their budgets and change their strategies in order to stay competitive. These tactics have worked well and many companies have been able to stay the course and gain strength by reducing cost associated with drilling through greater efficiencies and supplier reductions.

Despite the sluggish economy, which had an impact on our 2016 sales tax receipts, developments continue to occur at the Port of Victoria. Future expansion is planned by the University of Houston-Victoria and Formosa Plastics Corporation has completed a \$1.7 billion expansion with plans to build three new units, a \$1 billion investment cost in Jackson County, adjacent to Victoria County; and, we continue to experience a moderate growth in our building permit values.

The total building permit value (*i.e. new construction for commercial, multi-family units and single-family units*) increased by 15.09 percent or \$5.1 million, comparing June 2016 to June 2015 values. The increase is mainly due to commercial units. As of June 2016, total commercial permit value is \$28.2 million, an increase of 270.2 percent or \$20.6 million from last year's values.



As of June 2016, Victoria's multi-family permit value is zero, a decrease of 100 percent or \$8.3 million from last year's values; and, single-family permit value is \$11.03 million, a decrease of 39.2 percent or \$7.1 million from last year's values.



Water Supply

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.

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

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.

In January 2016, the City, in conjunction with the Victoria County Groundwater Conservation District, was approved for a grant by the Texas Water Development Board for an Aquifer Storage and Recovery Demonstration Project. This project consists of replacing the pumping equipment of Well #19 and retrofitting it into a full scale ASR well. After completion of the construction, potable water will be stored in the Gulf Coast Aquifer for approximately 7 months and will then be withdrawn over a period of 4 months with level and water quality data being recorded throughout the entire process. If successful, this project will add 2 MGD of additional capacity to the City's water supply. Financial planning is in place to convert another of the City's existing wells to ASR and to drill an additional ASR well in 2018, which will add another 4 MGD to the City's supply. Additional wells can then be added incrementally in the future to expand the City's water supply and defer the capital expenditure required to expand the Surface Water Treatment Plant.

The City continues to explore other possibilities for additional future water supplies for its citizens.

- 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 67,574 and encompassing an area of approximately 36 square miles, Victoria's economy has become a regional center for retail trade and health care. The City acts as a draw for a seven-county area with a population of nearly 175,000. Per capita effective buying income is 97% of national level; and, per capita retail sales exceed 150% of national levels, which is evidence of the City's role as a regional trade center.

Over the past fifteen years (2002 thru 2016), City's population has grown approximately 11.5%. The population is projected to grow by 9.6% over the next ten years or 0.96% per year.

- As of the first quarter of fiscal year 2017, sales tax revenues are lagging budgeted revenues by 4.92%.
- 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, 2016. The fiscal year 2016-2017 total appraised value of all property in the City of Victoria, as rendered by the Victoria Central Appraisal District and adjusted for frozen taxable appraised values, is \$4,160,573,521; a decrease of 0.44% or \$18.2 million from last year's tax roll (adjusted for frozen taxable appraised values) of \$4,178,822,370.
- The ad valorem tax rate for fiscal year 2017 was set at 58.92¢, an increase of 1.81¢ from last year's tax rate of 57.11¢. The tax rate is allocated at 33.85¢ for General Fund maintenance and operating costs (an increase of 1.20¢), and 25.07¢ for Debt Service Fund (an increase of 0.61¢).

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

- The General Fund unassigned fund balance at September 30, 2016, came in \$2,626,940 above the fiscal year 2016 minimum required unassigned fund balance of \$13,102,902. The City has a policy of maintaining a minimum unassigned fund balance of 25% of total expenditures, in a given budget year. The excess unassigned fund balance will be used during fiscal year 2017 on one-time/non-reoccurring expenditures, capital improvement projects, or at Council's discretion.
- The fiscal year 2017 Budget includes \$1,946,406 of General Fund one-time expenditures and \$3,238,943 of Water and Wastewater Fund one-time expenses.
- There was no increase in water and sewer base rates or residential collection fees budgeted in fiscal year 2017.
- The City's Capital Improvement Program Projects through 2021 consist of approximately \$171.5 million: in progress - \$71.3 million, FY 2017 - \$15.8 million, FY 2018 - \$13.9 million, FY 2019 - \$20.6 million, FY 2020 - \$18.6 million, and FY 2021 - \$31.3 million (more detailed information on this subject can be found in the City's Fiscal Year 2017 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, 2016

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 15,632,432	\$ 7,315,356	\$ 22,947,788	\$ 4,463,504
Investments	21,656,659	10,513,952	32,170,611	13,991,942
Receivables (net)	8,197,625	2,625,921	10,823,546	569,197
Internal balances	(216,704)	216,704	-	-
Due from primary government	-	-	-	26,638
Inventory	386,875	170,544	557,419	-
Returned checks	24,805	2,270	27,075	-
Prepaid items	65,762	-	65,762	-
Restricted assets				
Cash and cash equivalents	28,000	4,225,198	4,253,198	-
Investments	-	1,764,913	1,764,913	-
Total current assets	45,775,454	26,834,858	72,610,312	19,051,281
Noncurrent assets				
Capital assets				
Land and other assets not being depreciated	15,905,906	35,570,083	51,475,989	4,960,523
Buildings, improvements, and equipment (net)	148,963,152	107,400,750	256,363,902	4,714,478
Net capital assets	164,869,058	142,970,833	307,839,891	9,675,001
Other post employment benefits asset	839,129	177,642	1,016,771	-
Total noncurrent assets	165,708,187	143,148,475	308,856,662	9,675,001
Total assets	211,483,641	169,983,333	381,466,974	28,726,282
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amount on refunding	3,059,732	510,299	3,570,031	-
Deferred outflow related to TMRS	10,125,390	2,334,383	12,459,773	-
Total deferred outflows of resources	13,185,122	2,844,682	16,029,804	-

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
LIABILITIES				
Current liabilities				
Accounts payable	\$ 3,947,523	\$ 865,652	\$ 4,813,175	\$ 303,580
Accounts payable (payable from restricted assets)	-	1,994,471	1,994,471	-
Accrued expenses	2,229,253	390,134	2,619,387	-
Due to other governments	128,712	40,756	169,468	-
Due to component unit	-	26,638	26,638	-
Customer deposits	-	63,824	63,824	-
Claims payable	1,004,486	-	1,004,486	-
Unearned revenue	139,874	-	139,874	-
Accrued compensated absences	55,381	11,175	66,556	-
Accrued interest payable	464,748	975,827	1,440,575	25,412
Current portion of long-term obligations	<u>6,635,000</u>	<u>6,540,000</u>	<u>13,175,000</u>	<u>1,030,354</u>
Total current liabilities	<u>14,604,977</u>	<u>10,908,477</u>	<u>25,513,454</u>	<u>1,359,346</u>
Noncurrent liabilities				
Noncurrent portion of long-term obligations	87,745,727	68,250,228	155,995,955	-
Accrued compensated absences	1,292,955	260,892	1,553,847	-
Net pension liability	35,404,226	8,197,037	43,601,263	-
Estimated landfill closure and postclosure care cost	-	4,172,280	4,172,280	-
Total noncurrent liabilities	<u>124,442,908</u>	<u>80,880,437</u>	<u>205,323,345</u>	<u>-</u>
Total liabilities	<u>139,047,885</u>	<u>91,788,914</u>	<u>230,836,799</u>	<u>1,359,346</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflow related to TMRS	<u>979,859</u>	<u>218,818</u>	<u>1,198,677</u>	<u>-</u>
Total deferred inflows of resources	<u>979,859</u>	<u>218,818</u>	<u>1,198,677</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	84,007,457	71,351,401	155,358,858	8,644,647
Restricted for:				
Debt service	1,531,683	-	1,531,683	-
Public safety	329,228	-	329,228	-
Recreation	1,124,613	-	1,124,613	-
Unrestricted	<u>(2,351,962)</u>	<u>9,468,882</u>	<u>7,116,920</u>	<u>18,722,289</u>
Total net position	<u>\$ 84,641,019</u>	<u>\$ 80,820,283</u>	<u>\$ 165,461,302</u>	<u>\$ 27,366,936</u>

The accompanying notes are an integral part of this statement.

CITY OF VICTORIA, TEXAS
STATEMENT OF ACTIVITIES
For the year ended September 30, 2016

Function/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government	\$ 5,702,892	\$ 1,923,867	\$ 1,545,428	\$ -
Public safety	29,460,858	4,990,585	306,398	1,824,358
Development	20,668,698	-	2,123,061	2,887,552
Building services	707,411	-	-	-
Recreation	8,463,045	526,245	91,517	-
Interest on long-term debt	4,042,068	-	-	-
Total governmental activities	<u>69,044,972</u>	<u>7,440,697</u>	<u>4,066,404</u>	<u>4,711,910</u>
Business-type activities				
Water/wastewater	20,894,040	25,893,148	-	4,741,062
Environmental services	5,376,450	5,354,136	-	-
Other	945,557	408,127	-	-
Total business-type activities	<u>27,216,047</u>	<u>31,655,411</u>	<u>-</u>	<u>4,741,062</u>
Total primary government	<u>\$ 96,261,019</u>	<u>\$ 39,096,108</u>	<u>\$ 4,066,404</u>	<u>\$ 9,452,972</u>
Component Units	<u>\$ 11,283,409</u>	<u>\$ 7,721</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
\$ (2,233,597)	\$ -	\$ (2,233,597)	\$ -
(22,339,517)	-	(22,339,517)	-
(15,658,085)	-	(15,658,085)	-
(707,411)	-	(707,411)	-
(7,845,283)	-	(7,845,283)	-
(4,042,068)	-	(4,042,068)	-
<u>(52,825,961)</u>	<u>-</u>	<u>(52,825,961)</u>	<u>-</u>
-	9,740,170	9,740,170	-
-	(22,314)	(22,314)	-
<u>-</u>	<u>(537,430)</u>	<u>(537,430)</u>	<u>-</u>
<u>-</u>	<u>9,180,426</u>	<u>9,180,426</u>	<u>-</u>
<u>(52,825,961)</u>	<u>9,180,426</u>	<u>(43,645,535)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,275,688)</u>
14,576,607	-	14,576,607	-
9,234,862	-	9,234,862	-
16,555,680	-	16,555,680	8,304,478
5,175,796	-	5,175,796	-
1,460,082	-	1,460,082	-
219,846	114,836	334,682	99,976
1,124,591	137,205	1,261,796	-
<u>2,757,697</u>	<u>(2,757,697)</u>	<u>-</u>	<u>-</u>
<u>51,105,161</u>	<u>(2,505,656)</u>	<u>48,599,505</u>	<u>8,404,454</u>
(1,720,800)	6,674,770	4,953,970	(2,871,234)
<u>86,361,819</u>	<u>74,145,513</u>	<u>160,507,332</u>	<u>30,238,170</u>
<u>\$ 84,641,019</u>	<u>\$ 80,820,283</u>	<u>\$ 165,461,302</u>	<u>\$ 27,366,936</u>

CITY OF VICTORIA, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2016

	<u>General</u>	<u>Debt Service</u>	<u>Capital Construction Fund (3037)</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 5,464,082	\$ 92,414	\$ 3,197,206
Investments	14,424,249	1,001,109	3,999,043
Receivables (net)	6,430,012	902,908	-
Due from other funds	295,401	-	-
Inventory	245,932	-	-
Returned checks	24,805	-	-
Total assets	<u>\$ 26,884,481</u>	<u>\$ 1,996,431</u>	<u>\$ 7,196,249</u>
LIABILITIES			
Accounts payable	\$ 1,583,543	\$ -	\$ 1,172,519
Accrued expenditures	2,154,821	-	-
Accrued compensated absences	8,877	-	-
Due to other governments	128,712	-	-
Due to other funds	2,013,265	-	178,745
Unearned revenue	-	-	-
Total liabilities	<u>5,889,218</u>	<u>-</u>	<u>1,351,264</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	<u>4,213,162</u>	<u>902,908</u>	<u>-</u>
Total deferred inflows of resources	<u>4,213,162</u>	<u>902,908</u>	<u>-</u>
FUND BALANCES			
Nonspendable			
Inventory	245,932	-	-
Restricted	-	1,093,523	5,844,985
Committed	1,052,259	-	-
Unassigned	<u>15,483,910</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>16,782,101</u>	<u>1,093,523</u>	<u>5,844,985</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 26,884,481</u>	<u>\$ 1,996,431</u>	<u>\$ 7,196,249</u>

The accompanying notes are an integral part of this statement.

Other Governmental Funds	Total Governmental Funds
\$ 2,932,981	\$ 11,686,683
-	19,424,401
773,489	8,106,409
1,689,884	1,985,285
-	245,932
-	24,805
<u>\$ 5,396,354</u>	<u>\$ 41,473,515</u>

\$ 892,909	\$ 3,648,971
8,793	2,163,614
-	8,877
-	128,712
439,597	2,631,607
139,874	139,874
<u>1,481,173</u>	<u>8,721,655</u>

-	<u>5,116,070</u>
-	<u>5,116,070</u>

-	245,932
3,915,181	10,853,689
-	1,052,259
-	15,483,910
<u>3,915,181</u>	<u>27,635,790</u>
<u>\$ 5,396,354</u>	<u>\$ 41,473,515</u>

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

September 30, 2016

Total governmental fund balances		\$ 27,635,790
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Internal service funds are used by the City to charge the costs of certain activities, such as insurance and vehicle and equipment services, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		15,945,643
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.		2,787,246
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.		2,328,824
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	\$ 338,122,429	
Accumulated depreciation of governmental capital assets	<u>(183,685,819)</u>	154,436,610
Other post employment benefits asset is not a current financial resource and therefore is not reported in the governmental funds balance sheet.		839,129
Deferred outflows of resources are not reported in the governmental funds:		
Deferred amount on refunding	3,059,732	
Pension contributions after measurement date	2,945,605	
Changes in actuarial assumptions used to determine pension liability	169,166	
Difference in projected and actual earnings on pension assets	<u>7,010,619</u>	13,185,122
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Bonds and certificates payable	(91,185,000)	
Premiums on bonds payable	(3,195,727)	
Accrued interest on the bonds	(464,748)	
Compensated absences	(1,287,785)	
Net pension liability	<u>(35,404,226)</u>	(131,537,486)
Deferred inflows of resources are not reported in the governmental funds:		
Difference in expected and actual pension experience		<u>(979,859)</u>
Net position of governmental activities		<u>\$ 84,641,019</u>

The accompanying notes are an integral part of this statement.



CITY OF VICTORIA, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the year ended September 30, 2016

	General	Debt Service	Capital Construction Fund (3037)
REVENUES			
Taxes	\$ 36,463,182	\$ 9,106,290	\$ -
Licenses and permits	993,929	-	-
Intergovernmental	2,060,265	423,036	-
Charges for services	2,310,974	-	-
Fines and forfeitures	1,271,562	-	-
Investment income	115,051	24,912	41,483
Miscellaneous	524,207	-	2,698,934
Total revenues	<u>43,739,170</u>	<u>9,554,238</u>	<u>2,740,417</u>
EXPENDITURES			
Current			
General government	3,572,432	-	-
Public safety	27,136,332	-	-
Development	9,469,796	-	-
Building services	675,935	-	-
Recreation	5,118,190	-	-
Capital outlay	-	-	9,548,250
Debt service			
Principal retirement	-	7,020,000	-
Interest and fiscal charges	-	3,908,294	-
Paying agents' fees, issue costs, and arbitrage rebate premiums	-	11,750	79,995
Total expenditures	<u>45,972,685</u>	<u>10,940,044</u>	<u>9,628,245</u>
Excess (deficiency) of revenues over expenditures	(2,233,515)	(1,385,806)	(6,887,828)
OTHER FINANCING SOURCES (USES)			
Bonds issued	-	-	2,445,000
Premium on issuance of bonds	-	-	137,545
Transfers in	3,757,142	1,376,550	222,700
Transfers out	<u>(2,613,341)</u>	<u>-</u>	<u>(401,445)</u>
Total other financing sources (uses)	<u>1,143,801</u>	<u>1,376,550</u>	<u>2,403,800</u>
Change in fund balances	(1,089,714)	(9,256)	(4,484,028)
Fund balances at beginning of year	<u>17,871,815</u>	<u>1,102,779</u>	<u>10,329,013</u>
Fund balances at end of year	<u>\$ 16,782,101</u>	<u>\$ 1,093,523</u>	<u>\$ 5,844,985</u>

The accompanying notes are an integral part of this statement.

Other Governmental Funds	Total Governmental Funds
\$ 1,365,952	\$ 46,935,424
-	993,929
3,401,670	5,884,971
-	2,310,974
111,156	1,382,718
12,333	193,779
728,109	3,951,250
<u>5,619,220</u>	<u>61,653,045</u>
1,406,026	4,978,458
543,249	27,679,581
-	9,469,796
-	675,935
2,737,097	7,855,287
1,494,405	11,042,655
-	7,020,000
-	3,908,294
-	91,745
<u>6,180,777</u>	<u>72,721,751</u>
(561,557)	(11,068,706)
-	2,445,000
-	137,545
3,297,641	8,654,033
<u>(3,081,550)</u>	<u>(6,096,336)</u>
<u>216,091</u>	<u>5,140,242</u>
(345,466)	(5,928,464)
<u>4,260,647</u>	<u>33,564,254</u>
<u>\$ 3,915,181</u>	<u>\$ 27,635,790</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, 2016*

Total net change in fund balances - governmental funds		\$ (5,928,464)
<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.		(1,213,838)
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	\$ 13,401,866	
Depreciation expense	<u>(14,581,116)</u>	(1,179,250)
The net effect of various transactions involving capital assets (i.e., transfers, contributions, adjustments and dispositions) is to increase (decrease) net position.		1,796,931
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	(2,445,000)	
(Premium) discount	<u>(137,545)</u>	(2,582,545)
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		7,020,000
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	334,550	
Other revenues	<u>16,117</u>	350,667
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	(89,166)	
Increase in accrued interest	13,834	
Decrease in loss on bond refunding	(399,663)	
Decrease in bond premium	343,801	
Net pension costs	(858,948)	
Increase in other post employment benefits asset	<u>1,005,841</u>	<u>15,699</u>
Change in net position of governmental activities		<u>\$ (1,720,800)</u>

The accompanying notes are an integral part of this statement.



CITY OF VICTORIA, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2016

	Business-type Activities			Total	Governmental Activities Internal Service Funds
	Water and Wastewater	Environmental Services	Other Enterprise Funds		
ASSETS					
Current assets					
Cash and cash equivalents	\$ 4,592,301	\$ 2,013,324	\$ 709,731	\$ 7,315,356	\$ 3,945,749
Investments	7,511,476	3,002,476	-	10,513,952	2,232,258
Receivables (net)	2,267,103	356,151	2,667	2,625,921	91,216
Due from other funds	-	-	245,058	245,058	434,983
Inventory	170,544	-	-	170,544	140,943
Returned checks	-	-	2,270	2,270	-
Prepaid items	-	-	-	-	65,762
Restricted assets					
Cash and cash equivalents	1,952,750	1,913,675	358,773	4,225,198	28,000
Investments	1,516,913	248,000	-	1,764,913	-
Total current assets	18,011,087	7,533,626	1,318,499	26,863,212	6,938,911
Noncurrent assets					
Capital assets					
Land and other assets not being depreciated	34,335,344	834,981	399,758	35,570,083	173,175
Buildings, improvements, and equipment (net)	101,611,444	1,600,041	4,189,265	107,400,750	10,259,273
Net capital assets	135,946,788	2,435,022	4,589,023	142,970,833	10,432,448
Other post employment benefits asset	143,799	33,843	-	177,642	-
Total noncurrent assets	136,090,587	2,468,865	4,589,023	143,148,475	10,432,448
Total assets	154,101,674	10,002,491	5,907,522	170,011,687	17,371,359
DEFERRED OUTFLOWS OF RESOURCES					
Deferred amount on refunding	510,299	-	-	510,299	-
Deferred outflow related to TMRS	1,944,682	389,701	-	2,334,383	-
Total deferred outflows of resources	2,454,981	389,701	-	2,844,682	-

	Business-type Activities			Total	Governmental Activities Internal Service Funds
	Water and Wastewater	Environmental Services	Other Enterprise Funds		
LIABILITIES					
Current liabilities					
Accounts payable	\$ 660,564	\$ 120,190	\$ 84,898	\$ 865,652	\$ 298,552
Accounts payable (payable from restricted assets)	1,994,471	-	-	1,994,471	-
Accrued expenses	304,342	71,626	14,166	390,134	65,639
Accrued compensated absences	9,151	1,819	205	11,175	2,122
Due to other governments	-	40,756	-	40,756	-
Due to other funds	18,922	7,806	1,626	28,354	5,365
Due to component unit	-	26,638	-	26,638	-
Customer deposits	-	-	63,824	63,824	-
Claims payable	-	-	-	-	1,004,486
Accrued interest payable	975,827	-	-	975,827	-
Current portion of revenue bonds	6,540,000	-	-	6,540,000	-
Total current liabilities	10,503,277	268,835	164,719	10,936,831	1,376,164
Noncurrent liabilities					
Revenue bonds (net of current portion)	64,290,000	-	-	64,290,000	-
Premiums on long-term debt	3,960,228	-	-	3,960,228	-
Accrued compensated absences	213,652	42,463	4,777	260,892	49,552
Net pension liability	6,836,678	1,360,359	-	8,197,037	-
Estimated landfill closure and postclosure care cost	-	4,172,280	-	4,172,280	-
Total noncurrent liabilities	75,300,558	5,575,102	4,777	80,880,437	49,552
Total liabilities	85,803,835	5,843,937	169,496	91,817,268	1,425,716
DEFERRED INFLOWS OF RESOURCES					
Deferred inflow related to TMRS	180,644	38,174	-	218,818	-
Total deferred inflows of resources	180,644	38,174	-	218,818	-
NET POSITION					
Net investment in capital assets	64,327,356	2,435,022	4,589,023	71,351,401	10,432,448
Unrestricted net position	6,244,820	2,075,059	1,149,003	9,468,882	5,513,195
Total net position	\$ 70,572,176	\$ 4,510,081	\$ 5,738,026	\$ 80,820,283	\$ 15,945,643

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, 2016

	Business-type Activities		
	Water and Wastewater	Environmental Services	Other Enterprise Funds
OPERATING REVENUES			
Charges for services	\$ 25,834,712	\$ 4,542,492	\$ 408,127
Miscellaneous	58,436	811,644	-
Total operating revenues	<u>25,893,148</u>	<u>5,354,136</u>	<u>408,127</u>
OPERATING EXPENSES			
Personnel	6,101,121	1,275,102	262,977
Materials and supplies	1,459,503	167,656	23,105
Maintenance	726,824	19,613	36,577
Heat, lights and power	1,408,987	18,050	157,018
Reinsurance premiums	-	-	-
Miscellaneous services	1,337,775	2,129,665	48,662
Contractual services	418,495	198,510	30,464
Computer services	128,203	62,176	15,237
Court costs, judgments and damages	-	-	-
Claims expense	-	-	-
Wellness program	-	-	-
Tipping fees	-	992,509	-
Landfill closure and postclosure care cost	-	154,114	-
Depreciation	6,624,744	359,055	371,517
Total operating expenses	<u>18,205,652</u>	<u>5,376,450</u>	<u>945,557</u>
Operating income (loss) before nonoperating revenues (expenses), contributions, transfers and special item	7,687,496	(22,314)	(537,430)
NONOPERATING REVENUES (EXPENSES)			
Investment income	76,481	33,304	5,051
Interest and fiscal charges	(2,688,388)	-	-
Gain (loss) on disposition of capital assets	22,551	113,986	668
Net nonoperating revenues (expenses)	<u>(2,589,356)</u>	<u>147,290</u>	<u>5,719</u>
Income before contributions, transfers and special item	5,098,140	124,976	(531,711)
Contributions and transfers			
Capital contributions	4,741,062	-	-
Transfers in	-	-	480,000
Transfers out	<u>(2,605,600)</u>	<u>(595,167)</u>	<u>(36,930)</u>
Total contributions and transfers	<u>2,135,462</u>	<u>(595,167)</u>	<u>443,070</u>
Special item - other post employment benefits trust payment	-	-	-
Change in net position	7,233,602	(470,191)	(88,641)
Total net position at beginning of year, as restated	<u>63,338,574</u>	<u>4,980,272</u>	<u>5,826,667</u>
Total net position at end of year	<u>\$ 70,572,176</u>	<u>\$ 4,510,081</u>	<u>\$ 5,738,026</u>

The accompanying notes are an integral part of this statement.

<u>Total</u>	<u>Governmental Activities Internal Service Funds</u>
\$ 30,785,331	\$ 15,085,415
870,080	151,644
<u>31,655,411</u>	<u>15,237,059</u>
7,639,200	1,281,600
1,650,264	1,027,525
783,014	613,690
1,584,055	30,347
-	1,083,021
3,516,102	825,901
647,469	1,663,597
205,616	51,223
-	25,699
-	6,029,957
-	17,602
992,509	-
154,114	-
<u>7,355,316</u>	<u>2,811,156</u>
<u>24,527,659</u>	<u>15,461,318</u>
7,127,752	(224,259)
114,836	26,067
(2,688,388)	-
<u>137,205</u>	<u>(15,646)</u>
<u>(2,436,347)</u>	<u>10,421</u>
4,691,405	(213,838)
4,741,062	-
480,000	200,000
<u>(3,237,697)</u>	<u>-</u>
<u>1,983,365</u>	<u>200,000</u>
-	<u>(1,200,000)</u>
6,674,770	(1,213,838)
<u>74,145,513</u>	<u>17,159,481</u>
<u>\$ 80,820,283</u>	<u>\$ 15,945,643</u>

CITY OF VICTORIA, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended September 30, 2016

	Business-type Activities		
	Water and Wastewater	Environmental Services	Other Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers/other funds	\$ 26,025,066	\$ 5,292,546	\$ 407,377
Cash paid to suppliers for goods and services	(5,409,639)	(3,588,000)	(320,748)
Cash paid to employees for services	(5,834,717)	(1,279,444)	(259,834)
Net cash provided (used) by operating activities	<u>14,780,710</u>	<u>425,102</u>	<u>(173,205)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Increase (decrease) in customer deposits	-	-	19,124
Other post employment benefits trust payment	-	-	-
Borrowings from (to) other funds	(21,496)	(3,453)	(97,181)
Borrowings from (to) component unit	(361,948)	1,158	-
Transfers in from other funds	-	-	480,000
Transfers out to other funds	(2,605,600)	(595,167)	(36,930)
Net cash provided (used) by noncapital financing activities	<u>(2,989,044)</u>	<u>(597,462)</u>	<u>365,013</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(16,962,778)	(325,167)	(711,832)
Proceeds from capital grants and contributions	4,741,062	-	-
Proceeds from sale of capital assets	32,697	114,328	668
Principal paid on revenue bonds	(6,430,000)	-	-
Interest paid on revenue bonds	(2,983,656)	-	-
Net cash provided (used) by capital and related financing activities	<u>(21,602,675)</u>	<u>(210,839)</u>	<u>(711,164)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	(15,074,994)	(11,723,000)	(700,000)
Proceeds from sales and maturities of investments	14,446,144	13,076,962	1,500,226
Investment income	76,481	33,304	5,051
Net cash provided (used) by investing activities	<u>(552,369)</u>	<u>1,387,266</u>	<u>805,277</u>
Net increase (decrease) in cash and cash equivalents	(10,363,378)	1,004,067	285,921
Cash and cash equivalents at beginning of year	<u>16,908,429</u>	<u>2,922,932</u>	<u>782,683</u>
Cash and cash equivalents at end of year	<u>\$ 6,545,051</u>	<u>\$ 3,926,999</u>	<u>\$ 1,068,604</u>

The accompanying notes are an integral part of this statement.

<u>Total</u>	Governmental Activities Internal Service Funds
\$ 31,724,989	\$ 15,282,650
(9,318,387)	(11,015,735)
<u>(7,373,995)</u>	<u>(1,274,157)</u>
15,032,607	2,992,758
19,124	-
-	(1,200,000)
(122,130)	-
(360,790)	-
480,000	200,000
<u>(3,237,697)</u>	<u>-</u>
<u>(3,221,493)</u>	<u>(1,000,000)</u>
(17,999,777)	(3,315,774)
4,741,062	-
147,693	13,420
(6,430,000)	-
<u>(2,983,656)</u>	<u>-</u>
<u>(22,524,678)</u>	<u>(3,302,354)</u>
(27,497,994)	(1,936,000)
29,023,332	2,312,151
114,836	26,067
<u>1,640,174</u>	<u>402,218</u>
(9,073,390)	(907,378)
<u>20,614,044</u>	<u>4,881,127</u>
<u>\$ 11,540,654</u>	<u>\$ 3,973,749</u>

(continued)

CITY OF VICTORIA, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended September 30, 2016

	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)	\$ 7,687,496	\$ (22,314)	\$ (537,430)
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation	6,624,744	359,055	371,517
Changes in assets and liabilities			
(Increase) decrease in accounts receivable	126,119	(21,096)	-
(Increase) decrease in other receivables	5,799	(40,494)	-
(Increase) decrease in inventory	(16,264)	-	-
(Increase) decrease in returned checks	-	-	(750)
(Increase) decrease in due from other funds	-	-	-
(Increase) decrease in prepaid items	-	-	-
(Increase) decrease in other post employment benefits asset	(143,799)	(33,843)	-
(Increase) decrease in deferred outflows related to TMRS	(1,183,453)	(228,029)	-
Increase (decrease) in accounts payable	86,412	(24,784)	(9,685)
Increase (decrease) in accrued expenses	31,902	11,630	1,965
Increase (decrease) in due to other funds	-	-	-
Increase (decrease) in compensated absences	(874)	6,082	1,178
Increase (decrease) in due to other governments	-	(1,473)	-
Increase (decrease) in claims payable	-	-	-
Increase (decrease) in other post employment benefits payable	(29,029)	(6,393)	-
Increase (decrease) in net pension liability	1,577,335	243,361	-
Increase (decrease) in landfill closure and postclosure care cost	-	180,550	-
Increase (decrease) in deferred inflows related to TMRS	14,322	2,850	-
Total adjustments	<u>7,093,214</u>	<u>447,416</u>	<u>364,225</u>
Net cash provided (used) by operating activities	<u>\$ 14,780,710</u>	<u>\$ 425,102</u>	<u>\$ (173,205)</u>
Reconciliation of cash and cash equivalents			
Unrestricted			
Cash and cash equivalents	\$ 4,592,301	\$ 2,013,324	\$ 709,731
Restricted			
Cash and cash equivalents	<u>1,952,750</u>	<u>1,913,675</u>	<u>358,773</u>
Total	<u>\$ 6,545,051</u>	<u>\$ 3,926,999</u>	<u>\$ 1,068,504</u>

The accompanying notes are an integral part of this statement.

<u>Total</u>	<u>Governmental Activities Internal Service Funds</u>
\$ 7,127,752	\$ 59,534
7,355,316	2,811,156
105,023	-
(34,695)	12,146
(16,264)	10,529
(750)	-
-	37,659
-	3,357
(177,642)	-
(1,411,482)	-
51,943	44,394
45,497	7,656
-	(4,214)
6,386	(213)
(1,473)	-
-	10,754
(35,422)	-
1,820,696	-
180,550	-
17,172	-
<u>7,904,855</u>	<u>2,933,224</u>
<u>\$ 15,032,607</u>	<u>\$ 2,992,758</u>
\$ 7,315,356	\$ 3,945,749
<u>4,225,198</u>	<u>28,000</u>
<u>\$ 11,540,554</u>	<u>\$ 3,973,749</u>

(concluded)

CITY OF VICTORIA, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
September 30, 2016

	<u>Agency</u>
ASSETS	
Cash and cash equivalents	\$ 90,639
Prepaid items	<u>720</u>
Total assets	<u>\$ 91,359</u>
LIABILITIES	
Liabilities	
Accounts payable	\$ 2,434
Due to other agencies	<u>88,925</u>
Total liabilities	<u>\$ 91,359</u>

The accompanying notes are an integral part of this statement.

CITY OF VICTORIA, TEXAS
STATEMENT OF NET POSITION
COMPONENT UNITS
September 30, 2016

	Sales Tax Development Corporation	Victoria Recreation	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 4,463,504	\$ -	\$ 4,463,504
Investments	13,991,942	-	13,991,942
Receivables (net)			
Sales taxes	569,197	-	569,197
Due from primary government	26,638	-	26,638
Total current assets	<u>19,051,281</u>	<u>-</u>	<u>19,051,281</u>
Noncurrent assets			
Capital assets			
Land and other assets not being depreciated	4,960,523	-	4,960,523
Buildings, improvements, and equipment (net)	4,607,955	106,523	4,714,478
Total noncurrent assets	<u>9,568,478</u>	<u>106,523</u>	<u>9,675,001</u>
Total assets	<u>28,619,759</u>	<u>106,523</u>	<u>28,726,282</u>
LIABILITIES			
Current liabilities			
Accounts payable	303,580	-	303,580
Accrued interest payable	25,412	-	25,412
Revenue bonds payable	1,030,354	-	1,030,354
Total liabilities	<u>1,359,346</u>	<u>-</u>	<u>1,359,346</u>
NET POSITION			
Net investment in capital assets	8,538,124	106,523	8,644,647
Unrestricted	18,722,289	-	18,722,289
Total net position	<u>\$ 27,260,413</u>	<u>\$ 106,523</u>	<u>\$ 27,366,936</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, 2016

Function/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Component Units				
Sales Tax Development Corporation	\$ 11,237,390	\$ -	\$ -	\$ -
Victoria Recreation	46,019	7,721	-	-
Total component units	\$ 11,283,409	\$ 7,721	\$ -	\$ -

General revenues:
Taxes:
 Sales taxes
 Unrestricted investment earnings
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
\$ (11,237,390)	\$ -	\$ (11,237,390)
-	(38,298)	(38,298)
(11,237,390)	(38,298)	(11,275,688)
8,304,478	-	8,304,478
99,976	-	99,976
8,404,454	-	8,404,454
(2,832,936)	(38,298)	(2,871,234)
30,093,349	144,821	30,238,170
\$ 27,260,413	\$ 106,523	\$ 27,366,936

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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, Board of 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 Organization, 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 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 no supplemental appropriations made during the year. However, the encumbrances outstanding at September 30, 2015 were carried forward to fiscal year 2016 through a supplemental budgetary allocation which amounted to \$1,013,751.
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 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, 2016, 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 (GRS), 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 ACCOUNTABILITYBudgetary 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 2015-2016.

<u>Fund/Department</u>	<u>Budget</u>	<u>Actual</u>	<u>Negative Variance</u>
General Fund			
City Secretary	\$ 250,123	\$ 250,875	\$ 752
Transfers out	645,656	2,613,341	1,967,685
Debt Service Fund	10,353,137	10,940,044	586,907
Capital Const. Fund (3037)			
Transfers out	-	401,445	401,445
Nonmajor Funds			
Capital Const. Fund (3036)			
Transfers out	-	1,534,550	1,534,550

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, 2016, 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	\$ -	\$ 1,052,259
Capital Const. Fund (3037)	5,844,985	-
Nonmajor Funds		
Capital Const. Fund (3035)	1,949,072	-
Forfeiture Fund	995	-
Convention and Visitors Bureau	108,535	-
Total Encumbrances	<u>\$ 7,903,587</u>	<u>\$ 1,052,259</u>

Deficit Fund Equity

As of September 30, 2016, the Workers' Compensation Fund (an Internal Service Fund) had a deficit fund equity balance of \$55,040. This deficit will be eliminated in the 2017 fiscal year.

NOTE 3: DEPOSITS AND INVESTMENTSDeposits

State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. All deposits of the Reporting Entity that exceeded the federal depository insurance coverage level of \$250,000 per account were covered by collateral by the Federal Reserve Bank in the City's name under a tri-party collateral agreement between Wells Fargo Bank, N.A. and The Bank of New York Mellon. The market value of the collateral held at the Federal Reserve Bank in the City's name at fiscal year-end was \$6,988,334.

At September 30, 2016, the carrying amount of the City's deposits was \$5,962,070 and the respective bank balances totaled \$5,242,923. The City's cash on hand totaled \$5,400.

Investments

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. For additional information see the City of Victoria investment policy at www.victoriatx.org.

The Reporting Entity categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

As of September 30, 2016, the Reporting Entity had the following investments:

Investment Type	Fair Value	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Municipal/Public Bonds	\$ 6,453,287	\$ -	\$ 6,453,287	\$ -
Certificates of Deposits	3,965,806	-	3,965,806	-
Commercial Paper	36,007,578	-	36,007,578	-
U.S. Agencies	1,500,795	-	1,500,795	-
Total	\$ 47,927,466	\$ -	\$ 47,927,466	\$ -

NOTE 3: DEPOSITS AND INVESTMENTS - (Continued)

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. To the extent possible, the City will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not directly invest in securities maturing more than two years from the date of purchase.

As of September 30, 2016, the Reporting Entity's investments had the following maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
Municipal/Public Bonds	\$ 6,453,287	\$ 3,768,456	\$ 2,684,831	\$ -	\$ -
Certificates of Deposits	3,965,806	744,258	3,221,548	-	-
Commercial Paper	36,007,578	36,007,578	-	-	-
U.S. Agencies	1,500,795	500,795	1,000,000	-	-
Total	\$ 47,927,466	\$ 41,021,087	\$ 6,906,379	\$ -	\$ -

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. It is the City's policy to limit its investments to those with ratings of not less than A or its equivalent.

At September 30, 2016, the Reporting Entity's investments had the following quality ratings:

Investment Type	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
Municipal/Public Bonds	\$ 6,453,287	\$ 406,578	\$ 4,653,285	\$ 1,393,424	\$ -
Certificates of Deposits	3,965,806	-	-	-	3,965,806
Commercial Paper	36,007,578	-	-	36,007,578	-
U.S. Agencies	1,500,795	-	1,500,795	-	-
Total	\$ 47,927,466	\$ 406,578	\$ 6,154,080	\$ 37,401,002	\$ 3,965,806

NOTE 3: DEPOSITS AND INVESTMENTS - (Continued)**Investments - (Continued)***Concentration of Credit Risk*

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

Custodial Credit Risk - 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, 2016, and for the year then ended, the City was not exposed to any custodial credit risk.

NOTE 4: RECEIVABLES

Receivables at September 30, 2016 consist of the following:

	General	Debt Service	Water and Wastewater	Environmental Services	Nonmajor and Other Funds	Total
Gross receivables:						
Accounts	\$ -	\$ -	\$ 2,375,277	\$ 294,149	\$ -	\$ 2,669,426
Ad valorem taxes	2,420,897	950,429	-	-	-	3,371,326
Franchise taxes	734,625	-	-	-	-	734,625
Sales taxes	1,138,394	-	-	-	-	1,138,394
Weedy lots	2,391,676	-	-	-	-	2,391,676
Ambulance	3,009,283	-	-	-	-	3,009,283
Fines	1,558,605	-	-	-	-	1,558,605
Other	462,399	-	10,977	94,723	867,372	1,435,471
Total gross receivables	11,715,879	950,429	2,386,254	388,872	867,372	16,308,806
Less: allowances	5,285,867	47,521	119,151	32,721	-	5,485,260
Total net receivables	\$ 6,430,012	\$ 902,908	\$ 2,267,103	\$ 356,151	\$ 867,372	\$ 10,823,546

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, 2016, was \$0.5711 per \$100, which means that the City has a tax margin of \$1.4289 per \$100 and could raise up to \$59,711,193 on \$4,178,822,370 before the limit is reached.

NOTE 4: RECEIVABLES - (Continued)

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:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
General Fund			
Ad valorem taxes receivable	\$ 1,884,338	\$ -	\$ 1,884,338
Weedy lots	357,735	-	357,735
Ambulance	1,504,642	-	1,504,642
Fines	466,447	-	466,447
Debt Service Fund			
Ad valorem taxes receivable	902,908	-	902,908
Nonmajor Funds			
Grants	-	139,874	139,874
	<u>\$ 5,116,070</u>	<u>\$ 139,874</u>	<u>\$ 5,255,944</u>

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, 2016, total assets were \$441,168, total liabilities were \$58,447, total fund net position was \$382,721, total support and revenues were \$689,634 and total expenses were \$685,084. Excess revenue over expenses resulted in a net income of \$4,550. The amount contributed by the City for years ended September 30, 2016 and 2015, was \$182,643 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, 2016, 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	\$ 4,389,837	\$ -	\$ -	\$ 4,389,837
Construction in progress	7,921,399	11,273,490	7,678,820	11,516,069
Total capital assets not being depreciated	<u>12,311,236</u>	<u>11,273,490</u>	<u>7,678,820</u>	<u>15,905,906</u>
Capital assets, being depreciated				
Machinery and equipment	55,501,457	5,179,207	2,025,969	58,654,695
Buildings	15,817,768	3,833,447	12,019	19,639,196
Improvements other than buildings	7,095,584	502,267	-	7,597,851
Infrastructure	<u>261,080,868</u>	<u>5,432,407</u>	<u>-</u>	<u>266,513,275</u>
Total capital assets being depreciated	<u>339,495,677</u>	<u>14,947,328</u>	<u>2,037,988</u>	<u>352,405,017</u>
Less accumulated depreciation for				
Machinery and equipment	40,033,072	5,620,129	1,978,090	43,675,111
Buildings	7,951,031	940,912	3,405	8,888,538
Improvements other than buildings	3,948,092	402,493	-	4,350,585
Infrastructure	<u>136,098,893</u>	<u>10,428,738</u>	<u>-</u>	<u>146,527,631</u>
Total accumulated depreciation	<u>188,031,088</u>	<u>17,392,272</u>	<u>1,981,495</u>	<u>203,441,865</u>
Total capital assets being depreciated, net	<u>151,464,589</u>	<u>(2,444,944)</u>	<u>56,493</u>	<u>148,963,152</u>
Governmental activities capital assets, net	<u>\$163,775,825</u>	<u>\$ 8,828,546</u>	<u>\$ 7,735,313</u>	<u>\$164,869,058</u>

NOTE 6: CAPITAL ASSETS - (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets, not being depreciated				
Land	\$ 4,425,685	\$ -	\$ -	\$ 4,425,685
Construction in progress	<u>16,311,443</u>	<u>15,266,876</u>	<u>433,921</u>	<u>31,144,398</u>
Total capital assets not being depreciated	<u>20,737,128</u>	<u>15,266,876</u>	<u>433,921</u>	<u>35,570,083</u>
Capital assets, being depreciated				
Machinery and equipment	5,696,657	224,762	172,097	5,749,322
Buildings	45,901,016	994,939	-	46,895,955
Improvements other than buildings	2,182,629	20,875	-	2,203,504
Infrastructure	1,793,382	-	-	1,793,382
Water and wastewater distribution system	<u>158,090,829</u>	<u>1,573,030</u>	<u>-</u>	<u>159,663,859</u>
Total capital assets being depreciated	<u>213,664,513</u>	<u>2,813,606</u>	<u>172,097</u>	<u>216,306,022</u>
Less accumulated depreciation for				
Machinery and equipment	3,875,376	545,760	161,610	4,259,526
Buildings	18,429,584	1,503,672	-	19,933,256
Improvements other than buildings	1,379,054	133,785	-	1,512,839
Infrastructure	836,960	132,874	-	969,834
Water and wastewater distribution system	<u>77,190,592</u>	<u>5,039,225</u>	<u>-</u>	<u>82,229,817</u>
Total accumulated depreciation	<u>101,711,566</u>	<u>7,355,316</u>	<u>161,610</u>	<u>108,905,272</u>
Total capital assets being depreciated, net	<u>111,952,947</u>	<u>(4,541,710)</u>	<u>10,487</u>	<u>107,400,750</u>
Business-type activities capital assets, net	<u>\$132,690,075</u>	<u>\$ 10,725,166</u>	<u>\$ 444,408</u>	<u>\$142,970,833</u>

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

Governmental activities

General government	\$ 168,512
Public safety	1,378,143
Development	12,091,860
Building services	53,039
Recreation	889,562
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>2,811,156</u>
Total depreciation expense - governmental activities	<u>\$ 17,392,272</u>

Business-type activities

Water/wastewater	\$ 6,624,744
Environmental services	359,055
Other	371,517
Total depreciation expense - business-type activities	<u>\$ 7,355,316</u>

NOTE 6: CAPITAL ASSETS - (Continued)

	<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	2,648,273	208,364	1,824,358	1,032,279
Total capital assets not being depreciated	<u>6,576,517</u>	<u>208,364</u>	<u>1,824,358</u>	<u>4,960,523</u>
Capital assets, being depreciated				
Improvements other than buildings	9,913,733	-	-	9,913,733
Infrastructure	1,714,085	-	-	1,714,085
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	5,942,785	1,077,078	-	7,019,863
Total accumulated depreciation	<u>5,942,785</u>	<u>1,077,078</u>	<u>-</u>	<u>7,019,863</u>
Total capital assets being depreciated, net	<u>5,685,033</u>	<u>(1,077,078)</u>	<u>-</u>	<u>4,607,955</u>
Sales Tax Development Corporation capital assets, net	<u>12,261,550</u>	<u>(868,714)</u>	<u>1,824,358</u>	<u>9,568,478</u>
Victoria Recreation				
Capital assets, being depreciated				
Machinery and equipment	\$ 38,352	\$ -	\$ -	\$ 38,352
Improvements other than buildings	461,588	-	-	461,588
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	331,913	23,152	-	355,065
Total accumulated depreciation	<u>370,265</u>	<u>23,152</u>	<u>-</u>	<u>393,417</u>
Total capital assets being depreciated, net	<u>129,675</u>	<u>(23,152)</u>	<u>-</u>	<u>106,523</u>
Victoria Recreation capital assets, net	<u>129,675</u>	<u>(23,152)</u>	<u>-</u>	<u>106,523</u>
Discretely presented component units capital assets, net	<u>\$ 12,391,225</u>	<u>\$ (891,866)</u>	<u>\$ 1,824,358</u>	<u>\$ 9,675,001</u>

NOTE 7: DEFINED BENEFIT PENSION PLAN

Plan Description

The City participates as one of 866 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.tmrs.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 2016 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, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	421
Inactive employees entitled to but not yet receiving benefits	334
Active employees	<u>587</u>
	<u>1,342</u>

NOTE 7: DEFINED BENEFIT PENSION PLAN - (Continued)

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 17.36% and 16.68% in calendar years 2015 and 2016, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2016 were \$5,052,004, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2015, 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, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5%
Overall Payroll Growth	3.0%
Investment Rate of Return*	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disables annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2015, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. 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. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. 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.

NOTE 7: DEFINED BENEFIT PENSION PLAN - (Continued)

Net Pension Liability - (Continued)

Actuarial Assumptions - (Continued)

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. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.50%	4.55%
International Equity	17.50%	6.10%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	3.65%
Real Return	10.00%	4.03%
Real Estate	10.00%	5.00%
Absolute Return	10.00%	4.00%
Private Equity	<u>5.00%</u>	8.00%
Total	<u>100.00%</u>	

NOTE 7: DEFINED BENEFIT PENSION PLAN - (Continued)

Net Pension Liability - (Continued)

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. 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.

	Total Pension Liability	Increase (Decrease) Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2014	\$ 173,651,909	\$ 138,636,311	\$ 35,015,598
Changes for the year:			
Service cost	3,904,588	-	3,904,588
Interest	12,002,074	-	12,002,074
Difference between expected and actual experience	(631,245)	-	(631,245)
Change of assumptions	283,542	-	283,542
Contributions - Employer	-	5,127,357	(5,127,357)
Contributions - Employee	-	1,772,128	(1,772,128)
Net investment income	-	204,564	(204,564)
Benefit payments, including refunds of employee contributions	(8,292,008)	(8,292,008)	-
Administrative expense	-	(124,601)	124,601
Other changes	-	(6,154)	6,154
Net changes	<u>7,266,951</u>	<u>(1,318,714)</u>	<u>8,585,665</u>
Balance at 12/31/2015	<u>\$ 180,918,860</u>	<u>\$ 137,317,597</u>	<u>\$ 43,601,263</u>

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 6.75%, 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 (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1.0% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1.0% Increase in Discount Rate (7.75%)
City's Net Pension Liability:	\$69,797,476	\$43,601,263	\$22,292,638

NOTE 7: DEFINED BENEFIT PENSION PLAN - (Continued)

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.tmr.com.

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

For the year ended September 30, 2016 the City recognized pension expense of \$6,337,339.

At September 30, 2016, 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	\$ -	\$ 1,198,677
Changes in actuarial assumptions	208,332	-
Difference between projected and actual investment earnings	8,623,849	-
Contributions subsequent to the measurement date	3,627,592	-
Total	\$ 12,459,773	\$ 1,198,677

\$3,627,592 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, 2017. 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
2016	\$ 1,776,592
2017	1,786,649
2018	2,170,269
2019	1,899,994
2020	-
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 2016, 2015, and 2014 were \$20,967, \$22,374, and \$18,679, 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 Benefit Administrative Systems, LLC. 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, 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 disability coverage, pay a monthly health premium of PPO-\$81 or HDHP-\$73.13, without Medicare, PPO-\$162 or HDHP-\$146.25; with 20 to 29 years of service and with Medicare coverage pay a monthly health premium of PPO-\$153 or HDHP-\$138.13, without Medicare, PPO-\$306 or HDHP-\$276.25; with less than 20 years of service and with Medicare disability coverage pay a monthly health premium of PPO-\$369 or HDHP-\$333.13, without Medicare PPO-\$738 or HDHP-\$666.25.

Retirees, retired after 1/01/09 (not yet age 65) with 20 years or more of service and with Medicare disability coverage, pay a monthly health premium of PPO-\$97 or HDHP-\$59.13, without Medicare, PPO-\$194 or HDHP-\$122.25; with 10 to 19 years of service and with Medicare disability coverage pay a monthly health premium of PPO-\$165 or HDHP-\$127.13, without Medicare, PPO-\$330 or HDHP-\$258.25; with less than 10 years of service and with Medicare disability coverage pay a monthly health premium of PPO-\$369 or HDHP-\$331.13, without Medicare PPO-\$398 or HDHP-\$326.25.

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 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</u>
Retirees	147	148
Active employees	621	618
Payments to Employee Health Plan Fund	\$ 6,219,234	\$ 6,175,449

The following table calculates the City's annual OPEB cost and obligation:

	<u>2016</u>	<u>2015</u>
Annual required contribution (ARC)	\$ 610,704	\$ 590,565
Interest on net OPEB obligation	9,096	5,777
Adjustment to ARC	<u>(8,245)</u>	<u>(5,236)</u>
Annual OPEB cost	611,555	591,106
Contributions to a trust	<u>(1,200,000)</u>	-
Benefit payments	<u>(630,460)</u>	<u>(517,344)</u>
Increase (decrease) in net OPEB obligation	<u>(1,218,905)</u>	73,762
Net obligation (beginning of year)	202,134	<u>128,372</u>
Net obligation (end of year)	<u>(\$ 1,016,771)</u>	<u>\$ 202,134</u>

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 2016 and the three preceding years are as follows:

<u>Year End</u> <u>September 30</u>	<u>Annual OPEB</u> <u>Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2016	\$ 611,555	299.3%	(\$1,016,771)
2015	591,106	87.5%	202,134
2014	581,558	109.8%	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)
9/30/2016	\$ 1,251,713	\$ 10,075,177	\$ 8,823,464	14.19%	\$ 29,267,560	30.15%

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 \$545,992 and \$555,138 for the fiscal years ended September 30, 2016 and 2015, 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, 2016 and 2015, the City paid health claims of \$5,619,836 and \$6,013,558. The fund incurred a net loss for the year of \$1,347,007 compared to a net loss of \$800,897 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 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
Fiscal Year 2016	446,330	5,619,836	5,336,043	730,123

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 \$274,363 and \$263,609, for the fiscal years 2015-2016 and 2014-2015, 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 (\$202,200) and (\$67,841) in the fiscal years 2016 and 2015, 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 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
Fiscal Year 2016	263,609	410,121	399,367	274,363

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 2016 and 2015, total contributions from the various City funds totaled \$622,542 and \$613,901, respectively. During the fiscal years 2016 and 2015, the City paid \$537,029 and \$463,920 in reinsurance premiums and \$25,699 and \$14,400 in legal fees and claims. In addition to this, the fund incurred a net loss of (\$46,395), compared to a net income of \$5,787 for the prior year. Full insurance coverage was in effect for the year ended September 30, 2016. 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 2016. 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, 2016, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary government					
Governmental activities					
Bonds and certificates payable					
Certificates of obligation	\$ 45,280,000	\$ 2,445,000	\$ 3,120,000	\$ 44,605,000	\$ 2,775,000
General obligation bonds	50,480,000	-	3,900,000	46,580,000	3,860,000
Less deferred amounts:					
Issuance premiums	3,401,983	137,545	343,801	3,195,727	-
Net bonds and certificates payable	99,161,983	2,582,545	7,363,801	94,380,727	6,635,000
Other post employment benefits payable (asset)	166,712	-	1,005,841	(839,129)	-
Net pension liability	28,639,257	6,764,969	-	35,404,226	-
Compensated absences	1,257,040	2,039,087	1,947,791	1,348,336	55,381
Total governmental activity long-term liabilities	<u>\$ 129,224,992</u>	<u>\$ 11,386,601</u>	<u>\$ 10,317,433</u>	<u>\$ 130,294,160</u>	<u>\$ 6,690,381</u>
Business-type activities					
Bonds payable					
Revenue bonds	\$ 77,260,000	\$ -	\$ 6,430,000	\$ 70,830,000	\$ 6,540,000
Less deferred amounts:					
Issuance premiums	4,316,780	-	356,552	3,960,228	-
Net bonds payable	81,576,780	-	6,786,552	74,790,228	6,540,000
Estimated landfill closure and postclosure care cost	3,991,730	180,550	-	4,172,280	-
Other post employment benefits payable (asset)	35,422	-	213,064	(177,642)	-
Net pension liability	6,376,341	1,820,697	-	8,197,038	-
Compensated absences	265,681	449,730	443,344	272,067	11,175
Total business-type activity long-term liabilities	<u>\$ 92,245,954</u>	<u>\$ 2,450,977</u>	<u>\$ 7,442,960</u>	<u>\$ 87,253,971</u>	<u>\$ 6,551,175</u>
Discretely presented component units					
Sales Tax Development Corporation					
Bonds payable					
Revenue bonds	\$ 2,010,000	\$ -	\$ 985,000	\$ 1,025,000	\$ 1,025,000
Less deferred amounts:					
Issuance premiums	26,771	-	21,417	5,354	-
Net bonds payable	2,036,771	-	1,006,417	1,030,354	1,025,000
Total discretely presented component units	<u>\$ 2,036,771</u>	<u>\$ -</u>	<u>\$ 1,006,417</u>	<u>\$ 1,030,354</u>	<u>\$ 1,025,000</u>

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

Bonds and certificates payable at September 30, 2016, 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%.	\$ 150,000
\$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%.	510,000
\$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%.	1,085,000
\$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%.	755,000
\$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%.	4,600,000
\$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, 2028; interest varying between 2.00% and 4.00%.	6,400,000
\$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%.	2,565,000
\$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%.	3,205,000
\$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%.	8,710,000
\$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%.	12,625,000
\$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%.	8,090,000
\$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%.	5,450,000
\$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%.	11,680,000
\$2,445,000 2015 Certificates of Obligation due in annual installments ranging from \$85,000 to \$170,000 through August 15, 2035; interest varying between 3.00% and 5.00%.	<u>2,355,000</u>
Total General Obligation Certificates and Bonds	<u>\$ 91,185,000</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
2017	\$ 6,635,000	\$ 3,718,784	\$ 10,353,784
2018	7,225,000	3,538,004	10,763,004
2019	7,435,000	3,281,232	10,716,232
2020	7,560,000	3,006,009	10,566,009
2021	7,850,000	2,719,625	10,569,625
2022-2026	34,205,000	9,174,017	43,379,017
2027-2031	17,595,000	3,004,125	20,599,125
2032-2035	2,680,000	270,162	2,950,162
Total	<u>\$ 91,185,000</u>	<u>\$ 28,711,958</u>	<u>\$ 119,896,958</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, \$51,674 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:

\$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%.	\$ 6,780,000
\$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%.	4,725,000
\$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%.	15,435,000
\$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%.	6,135,000
\$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%.	7,335,000
\$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%.	18,160,000
\$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%.	4,495,000
\$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>7,765,000</u>
Total Revenue Bonds	<u>\$ 70,830,000</u>

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

Year Ending September 30	Business-type Activities		
	Principal	Interest	Total
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	6,450,000	1,714,378	8,164,378
2022-2026	19,320,000	5,723,971	25,043,971
2027-2031	11,700,000	2,533,026	14,233,026
2032-2035	<u>5,555,000</u>	<u>552,344</u>	<u>6,107,344</u>
Total	<u>\$ 70,830,000</u>	<u>\$ 20,121,548</u>	<u>\$ 90,951,548</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 \$70.8 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 (\$5,017,867) are expected to require approximately 35 percent of net revenues. Principal and interest paid for the current year and total net revenues were \$9,405,801 and \$14,388,721, respectively. The total principal and interest remaining to be paid on the bonds is \$90,951,548.

The City complied in all aspects of the above requirements as of September 30, 2016.

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 one annual installment of \$1,025,000 in 2017; interest at 4.25%. \$ 1,025,000

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
2017	<u>\$ 1,025,000</u>	<u>\$ 43,563</u>	<u>\$ 1,068,563</u>
Total	<u>\$ 1,025,000</u>	<u>\$ 43,563</u>	<u>\$ 1,068,563</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, 2016.

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, 2016.

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, 2016, were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Capital Const. Fund (3037)	\$ 178,745
	Nonmajor Governmental	116,656
Nonmajor Governmental	General	1,614,467
	Nonmajor Governmental	75,417
Nonmajor Business-type	Nonmajor Governmental	245,058
Internal Service	General	398,798
	Water and Wastewater	18,922
	Environmental Services	7,806
	Nonmajor Governmental	2,466
	Nonmajor Business-type	1,626
	Other	5,365
		<u>\$ 2,665,326</u>

B. Interfund Transfers

Each year various funds of the City transfer funds to other funds. The most significant of these are the planned transfers from the City's enterprise funds to specified governmental funds. These transfers are intended to provide the necessary resources to meet the operating and debt service obligations of the receiving funds. During the current fiscal year, transfers between funds consisted of the following:

<u>Transfers Out</u>	<u>Transfers In</u>						<u>Total</u>
	<u>General</u>	<u>Debt Service</u>	<u>Capital Const. (3037)</u>	<u>Nonmajor Govt.</u>	<u>Nonmajor Bus.-type</u>	<u>Other</u>	
General	\$ -	\$ -	\$ 222,700	\$ 2,232,641	\$ -	\$ 158,000	\$ 2,613,341
Capital Const. (3037)	401,445	-	-	-	-	-	401,445
Nonmajor Govt.	158,000	1,376,550	-	1,065,000	480,000	2,000	3,081,550
Water and Wwater.	2,575,600	-	-	-	-	30,000	2,605,600
Environmental Svcs.	587,167	-	-	-	-	8,000	595,167
Nonmajor Bus.-type	34,930	-	-	-	-	2,000	36,930
	<u>\$ 3,757,142</u>	<u>\$ 1,376,550</u>	<u>\$ 222,700</u>	<u>\$ 3,297,641</u>	<u>\$ 480,000</u>	<u>\$ 200,000</u>	<u>\$ 9,334,033</u>

NOTE 14: RELATED PARTY TRANSACTIONS

During fiscal year 2016, the Sales Tax Development Corporation, a discretely presented component unit of the City, contributed \$7,528,480 to the City. The contributions consisted of \$4,741,062 to the Water and Wastewater Capital Construction Fund, \$88,485 to the Capital Construction Fund (3035) (a nonmajor capital project fund) for the Business 59 and Loop 463 traffic signal project and \$2,698,934 to the Capital Construction Fund (3037) (a major capital project fund) for various street, engineering and right of way projects during fiscal year 2016. In addition to cash transfers, the Sales Tax Development Corporation paid \$1,824,358 towards the construction of the Fire Station No. 6 during fiscal year 2016.

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, 2016, \$95,645,000 of bonds outstanding is considered defeased.

NOTE 16: COMMITMENTS AND CONTINGENCIES**Grant Programs**

The City participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at September 30, 2016, 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, 2016, is 20 - 23 years.

As of September 30, 2016, 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, 2016: \$0
 - Post-closure liability, as of September 30, 2016: \$1,949,286
 - 26.1 acres (50%) has approximately 8 years useful life left.
 - Closure cost liability, as of September 30, 2016: \$1,422,364
 - Post-closure liability, as of September 30, 2016: \$800,630
- 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 \$4,172,280, \$3,991,730, and \$6,618,630 as of September 30, 2016, 2015, and 2014 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, 2016:

	Governmental Fund Balances				Total
	Nonspendable	Restricted	Committed	Unassigned	
General					
Inventory	\$ 245,932	\$ -	\$ -	\$ -	\$ 245,932
Outstanding encumbrances					
General government (Finance; HR; City Manager)	-	-	6,032	-	6,032
Public safety (Police; Fire; Mun. CRT.)	-	-	40,356	-	40,356
Development (Streets; Traffic Control; Planning; GIS; Engineering)	-	-	848,202	-	848,202
Building services	-	-	3,656	-	3,656
Parks and recreation (Library; Parks)	-	-	154,013	-	154,013
Unassigned	-	-	-	15,483,910	15,483,910
Debt Service Fund					
Retirement of long-term debt	-	1,093,523	-	-	1,093,523
Capital Construction Fund (3037)					
Various capital projects	-	5,844,985	-	-	5,844,985
Nonmajor Governmental					
Arts, tourism and conventions	-	1,124,613	-	-	1,124,613
Police department	-	181,228	-	-	181,228
Emergency management	-	58,380	-	-	58,380
Municipal court security and technology	-	89,620	-	-	89,620
Various capital projects	-	2,461,340	-	-	2,461,340
	<u>\$ 245,932</u>	<u>\$ 10,853,689</u>	<u>\$ 1,052,259</u>	<u>\$ 15,483,910</u>	<u>\$ 27,635,790</u>

NOTE 21: RESTATEMENTS OF BEGINNING BALANCES

The City's business-type activities financial statements for the fiscal year September 30, 2015 have been restated to properly reflect the allowance for uncollectible accounts and unrestricted net position balance for fiscal year ending September 30, 2015. The result of the restatement was to increase the allowance for uncollectible accounts and decrease the unrestricted net position of the business-type activities by \$181,425 and \$181,425, respectively. Similar adjustments were made to the fund financial statements. The Water and Wastewaters Fund's September 30, 2015 allowance for uncollectible accounts increased by \$153,285 and unrestricted net position decreased by \$153,285. The Environmental Services Fund's September 30, 2015 allowance for uncollectible accounts increased by \$28,140 and unrestricted net position decreased by \$28,140.

NOTE 22: SPECIAL ITEM

During fiscal year 2016, the City funded an irrevocable trust by contributing \$1,200,000 from the Employee Health Plan Fund. This trust has been set up to help fund the OPEB liability. Due to the fact that the contribution is infrequent in nature and under control of the City's management, it has been recorded as a special item on the September 30, 2016 financial statements.

NOTE 23: SUBSEQUENT EVENTS

In October 2016, the City issued Utility System Revenue Refunding Bonds, Series 2016 of \$9,150,000. The bonds are due in annual installments ranging from \$80,000 to \$2,285,000 through 2027 with interest varying from 2.00% to 4.00%. The proceeds from the sale of the bonds will be used to refund a portion of the City's outstanding bonds (Utility System Revenue Bonds, Series, 2008; Utility System Revenue Refunding Bonds, Series 2009; and Utility System Revenue Bonds, Series 2010) and to pay costs of issuance of the bonds.

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, 2016

With comparative totals for the year ended September 30, 2015

	2016			Variance Positive (Negative)	2015 Actual
	Original Budget	Final Budget	Actual		
REVENUES					
Taxes	\$ 38,413,854	\$ 38,413,854	\$ 36,463,182	\$ (1,950,672)	\$ 37,834,182
Licenses and permits	918,975	918,975	993,929	74,954	959,596
Intergovernmental	2,104,000	2,104,000	2,060,265	(43,735)	2,008,251
Charges for services	2,152,600	2,152,600	2,310,974	158,374	2,259,027
Fines and forfeitures	1,317,500	1,317,500	1,271,562	(45,938)	1,350,085
Investment income	70,000	70,000	115,051	45,051	51,275
Miscellaneous	214,166	214,166	524,207	310,041	394,643
Total revenues	<u>45,191,095</u>	<u>45,191,095</u>	<u>43,739,170</u>	<u>(1,451,925)</u>	<u>44,857,059</u>
EXPENDITURES					
General government	3,734,489	3,756,744	3,572,432	184,312	3,435,940
Public safety	27,131,554	27,365,149	27,136,332	228,817	26,363,053
Development	12,030,515	12,713,280	9,469,796	3,243,484	8,020,353
Building services	703,748	703,748	675,935	27,813	621,326
Recreation	7,466,867	7,542,003	5,118,190	2,423,813	5,384,400
Total expenditures	<u>51,067,173</u>	<u>52,080,924</u>	<u>45,972,685</u>	<u>6,108,239</u>	<u>43,825,072</u>
Excess (deficiency) of revenues over expenditures	(5,876,078)	(6,889,829)	(2,233,515)	4,656,314	1,031,987
OTHER FINANCING SOURCES (USES)					
Transfers in	3,197,697	3,197,697	3,757,142	559,445	3,184,056
Transfers out	(645,656)	(645,656)	(2,613,341)	(1,967,685)	(4,632,480)
Total other financing sources (uses)	<u>2,552,041</u>	<u>2,552,041</u>	<u>1,143,801</u>	<u>(1,408,240)</u>	<u>(1,448,424)</u>
Change in fund balance	(3,324,037)	(4,337,788)	(1,089,714)	3,248,074	(416,437)
Fund balance at beginning of year	<u>17,871,815</u>	<u>17,871,815</u>	<u>17,871,815</u>	-	<u>18,288,252</u>
Fund balance at end of year	<u>\$ 14,547,778</u>	<u>\$ 13,534,027</u>	<u>\$ 16,782,101</u>	<u>\$ 3,248,074</u>	<u>\$ 17,871,815</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>	<u>2015</u>
Total Pension Liability		
Service cost	\$ 3,340,351	\$ 3,904,588
Interest (on the total pension liability)	11,630,300	12,002,074
Difference between expected and actual experience	(1,479,799)	(631,245)
Change of assumptions	-	283,542
Benefit payments, including refunds of employee contributions	<u>(8,631,810)</u>	<u>(8,292,008)</u>
Net Change in Total Pension Liability	4,859,042	7,266,951
Total Pension Liability - Beginning	<u>168,792,867</u>	<u>173,651,909</u>
Total Pension Liability - Ending (a)	<u>\$ 173,651,909</u>	<u>\$ 180,918,860</u>
Plan Fiduciary Net Position		
Contributions - Employer	\$ 4,771,378	\$ 5,127,357
Contributions - Employee	1,621,816	1,772,128
Net investment income	7,626,946	204,564
Benefit payments, including refunds of employee contributions	(8,631,810)	(8,292,008)
Administrative expense	(79,635)	(124,601)
Other	<u>(6,547)</u>	<u>(6,154)</u>
Net Change in Plan Fiduciary Net Position	5,302,148	(1,318,714)
Plan Fiduciary Net Position - Beginning	<u>133,334,163</u>	<u>138,636,311</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 138,636,311</u>	<u>\$ 137,317,597</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 35,015,598</u>	<u>\$ 43,601,263</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	79.84%	75.90%
Covered Employee Payroll	\$ 27,030,262	\$ 29,535,465
Net Pension Liability as a Percentage of Covered Employee Payroll	129.54%	147.62%

NOTE: Information for the prior eight years was not readily available. The City will compile the respective information over the next eight 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>	<u>2016</u>
Actuarially Determined Contribution	\$ 4,874,372	\$ 5,052,004
Contribution in relation to the actuarially determined contribution	<u>(4,926,182)</u>	<u>(5,106,741)</u>
Contribution deficiency (excess)	<u>\$ (51,810)</u>	<u>\$ (54,737)</u>
Covered employee payroll	\$ 27,967,308	\$ 29,953,292
Contributions as a percentage of covered employee payroll	17.61%	17.05%

NOTE: Information for the prior eight fiscal years was not readily available. The City will compile the respective information over the next eight 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, 2016

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
9/30/2016	\$ 1,251,713	\$ 10,075,177	\$ 8,823,464	14.19%	\$ 29,267,560	30.15%
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

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 were two situations of expenditures exceeding the amounts appropriated during the fiscal year 2015-2016.

<u>Fund/Department</u>	<u>Budget</u>	<u>Actual</u>	<u>Negative Variance</u>
General Fund			
City Secretary	\$ 250,123	\$ 250,875	\$ 752
Transfers out	645,656	2,613,341	1,967,685

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	30 years
Asset Valuation Method	10 year Smoothed Market; 15% Soft Corridor
Inflation	2.5%
Salary Increases	3.50% to 10.5% including inflation
Investment Rate of Return	6.75%, 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 2015 valuation pursuant to an experience study of the period 2010-2014
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.

Other Information

There were no benefit changes during the year.

CITY OF VICTORIA, TEXAS
ALL NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
September 30, 2016

	Total Nonmajor Special Revenue Funds	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
ASSETS			
Current assets			
Cash and cash equivalents	\$ 2,039,010	\$ 893,971	\$ 2,932,981
Receivables (net)	773,489	-	773,489
Due from other funds	122,515	1,567,369	1,689,884
Total assets	\$ 2,935,014	\$ 2,461,340	\$ 5,396,354
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 892,909	\$ -	\$ 892,909
Accrued expenditures	8,793	-	8,793
Due to other funds	439,597	-	439,597
Unearned revenue	139,874	-	139,874
Total liabilities	1,481,173	-	1,481,173
Fund balances			
Restricted			
Arts, tourism and conventions	1,124,613	-	1,124,613
Public safety	239,608	-	239,608
Municipal court	89,620	-	89,620
Various capital projects	-	2,461,340	2,461,340
Total fund balances	1,453,841	2,461,340	3,915,181
Total liabilities and fund balances	\$ 2,935,014	\$ 2,461,340	\$ 5,396,354

CITY OF VICTORIA, TEXAS*ALL NONMAJOR GOVERNMENTAL FUNDS**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**For the year ended September 30, 2016*

	Total Nonmajor Special Revenue Funds	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
REVENUES			
Taxes	\$ 1,365,952	\$ -	\$ 1,365,952
Intergovernmental	1,601,512	1,800,158	3,401,670
Fines and forfeitures	111,156	-	111,156
Investment income	4,382	7,951	12,333
Miscellaneous	639,624	88,485	728,109
Total revenues	<u>3,722,626</u>	<u>1,896,594</u>	<u>5,619,220</u>
EXPENDITURES			
Current			
General government	1,406,026	-	1,406,026
Public safety	543,249	-	543,249
Recreation	1,954,967	782,130	2,737,097
Capital outlay	-	1,494,405	1,494,405
Total expenditures	<u>3,904,242</u>	<u>2,276,535</u>	<u>6,180,777</u>
Excess (deficiency) of revenues over expenditures	(181,616)	(379,941)	(561,557)
OTHER FINANCING SOURCES (USES)			
Transfers in	1,048,852	2,248,789	3,297,641
Transfers out	(1,547,000)	(1,534,550)	(3,081,550)
Total other financing sources (uses)	<u>(498,148)</u>	<u>714,239</u>	<u>216,091</u>
Change in fund balances	(679,764)	334,298	(345,466)
Fund balances at beginning of year	<u>2,133,605</u>	<u>2,127,042</u>	<u>4,260,647</u>
Fund balances at end of year	<u>\$ 1,453,841</u>	<u>\$ 2,461,340</u>	<u>\$ 3,915,181</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.

HOME Grant - Used to account for funds received from the Texas Department of Housing and Community Affairs (TDHCA) to reconstruct substandard owner-occupied single-family residential units.

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

Parks Improvement - Used to account for funds donated to the City for our parks. Currently holds funds from the Ethel Lee Tracy Foundation, and 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 2016, \$2,383,422 was budgeted as follows: for payroll and professional services \$56,422; 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 \$905,000; artificial turf for Riverside Stadium not to exceed \$357,000; and for other programs and various outside agencies, not to exceed \$585,000.

NONMAJOR SPECIAL REVENUE FUNDS - (Continued)

Forfeiture Fund - This fund is used to account for receipt and disbursement of monies awarded to the City by the court system. Money and property confiscated in drug-related cases are the sources of these funds. Both federal and state courts have programs in place. The monies, by law and court order, must be spent on certain activities within the Police Department.

Office of Justice Grants - This fund is used to account for the proceeds of the Local Law Enforcement Block Grant and the Justice Assistance Grant and the disbursement of such on public safety equipment, travel, etc.

K-9 Unit Program - This fund will track the expenditures related to the Police Department K-9 Unit. An initial donation was received from the American Petroleum Institute to purchase two K-9 dogs.

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.

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.

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, 2016

	GCRAC EMS/Trauma System Grant	GCRPC Grant	Police Grants	HOME Grant	LEOSE Training Grant
ASSETS					
Cash and cash equivalents	\$ 12,542	\$ 27,392	\$ 1,022	\$ -	\$ 28,130
Receivables (net)					
Other	-	-	-	346,928	-
Due from other funds	-	-	-	-	-
Total assets	<u>\$ 12,542</u>	<u>\$ 27,392</u>	<u>\$ 1,022</u>	<u>\$ 346,928</u>	<u>\$ 28,130</u>
LIABILITIES					
Accounts payable	\$ 185	\$ -	\$ -	\$ 342,000	\$ -
Accrued expenditures	-	-	-	-	-
Due to other funds	-	-	-	4,928	-
Unearned revenue	12,357	27,392	1,022	-	28,130
Total liabilities	<u>12,542</u>	<u>27,392</u>	<u>1,022</u>	<u>346,928</u>	<u>28,130</u>
FUND BALANCES					
Restricted					
Arts, tourism and conventions	-	-	-	-	-
Public safety	-	-	-	-	-
Municipal court	-	-	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 12,542</u>	<u>\$ 27,392</u>	<u>\$ 1,022</u>	<u>\$ 346,928</u>	<u>\$ 28,130</u>

<u>Auto Theft Grant</u>	<u>TCEQ Grant</u>	<u>MPO Grant</u>	<u>Motel Tax</u>	<u>Forfeiture Fund</u>	<u>K-9 Unit Program</u>	<u>Fire Department Grant</u>	<u>Victoria Kids Recycle</u>
\$ -	\$ 68,187	\$ -	\$ 783,112	\$ 183,238	\$ 811	\$ 5,000	\$ 3,553
48,886	-	32,481	138,234	-	-	-	-
<u>46,014</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 94,900</u>	<u>\$ 68,187</u>	<u>\$ 32,481</u>	<u>\$ 921,346</u>	<u>\$ 183,238</u>	<u>\$ 811</u>	<u>\$ 5,000</u>	<u>\$ 3,553</u>
\$ -	\$ 6,578	\$ 22,336	\$ 234,400	\$ 2,010	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
94,900	-	10,145	320,474	-	-	-	-
<u>-</u>	<u>61,609</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>811</u>	<u>5,000</u>	<u>3,553</u>
<u>94,900</u>	<u>68,187</u>	<u>32,481</u>	<u>554,874</u>	<u>2,010</u>	<u>811</u>	<u>5,000</u>	<u>3,553</u>
-	-	-	366,472	-	-	-	-
-	-	-	-	181,228	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	366,472	181,228	-	-	-
<u>\$ 94,900</u>	<u>\$ 68,187</u>	<u>\$ 32,481</u>	<u>\$ 921,346</u>	<u>\$ 183,238</u>	<u>\$ 811</u>	<u>\$ 5,000</u>	<u>\$ 3,553</u>

(continued)

CITY OF VICTORIA, TEXAS

NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

September 30, 2016

	Municipal Court Special Revenue	Public, Educational, and Governmental (PEG) Fund	Community Development Block Grant	Homeland Security Grant	Emergency Management
ASSETS					
Cash and cash equivalents	\$ 90,123	\$ 196,850	\$ -	\$ -	\$ 173,473
Receivables					
Other	-	41,948	137,708	1,804	-
Due from other funds	-	-	1,084	-	-
Total assets	<u>\$ 90,123</u>	<u>\$ 238,798</u>	<u>\$ 138,792</u>	<u>\$ 1,804</u>	<u>\$ 173,473</u>
LIABILITIES					
Accounts payable	\$ 503	\$ 3,204	\$ 133,913	\$ -	\$ 115,093
Accrued expenditures	-	-	-	-	-
Due to other funds	-	-	4,879	1,804	-
Unearned revenue	-	-	-	-	-
Total liabilities	<u>503</u>	<u>3,204</u>	<u>138,792</u>	<u>1,804</u>	<u>115,093</u>
FUND BALANCES					
Restricted					
Arts, tourism and conventions	-	235,594	-	-	-
Public safety	-	-	-	-	58,380
Municipal court	89,620	-	-	-	-
Total fund balances	<u>89,620</u>	<u>235,594</u>	<u>-</u>	<u>-</u>	<u>58,380</u>
Total liabilities and fund balances	<u>\$ 90,123</u>	<u>\$ 238,798</u>	<u>\$ 138,792</u>	<u>\$ 1,804</u>	<u>\$ 173,473</u>

Convention and Visitors Bureau	Total
\$ 465,577	\$ 2,039,010
25,500	773,489
<u>75,417</u>	<u>122,515</u>
<u>\$ 566,494</u>	<u>\$ 2,935,014</u>
\$ 32,687	\$ 892,909
8,793	8,793
2,467	439,597
<u>-</u>	<u>139,874</u>
<u>43,947</u>	<u>1,481,173</u>
522,547	1,124,613
-	239,608
<u>-</u>	<u>89,620</u>
<u>522,547</u>	<u>1,453,841</u>
<u>\$ 566,494</u>	<u>\$ 2,935,014</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, 2016

	GCRAC EMS/Trauma System Grant	GCRPC Grant	Police Grants	HOME Grant	DSHS Grant
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	5,800	346,928	-
Fines and forfeitures	-	-	-	-	-
Investment income	-	78	-	-	-
Miscellaneous	3,023	20,864	14,975	-	5,882
Total revenues	<u>3,023</u>	<u>20,942</u>	<u>20,775</u>	<u>346,928</u>	<u>5,882</u>
EXPENDITURES					
General government	-	-	-	346,928	-
Public safety	3,023	20,942	20,775	-	5,882
Recreation	-	-	-	-	-
Total expenditures	<u>3,023</u>	<u>20,942</u>	<u>20,775</u>	<u>346,928</u>	<u>5,882</u>
Excess (deficiency) of revenues over expenditures	-	-	-	-	-
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balances	-	-	-	-	-
Fund balance at beginning of year	-	-	-	-	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Parks Improvement	LEOSE Training Grant	Auto Theft Grant	TCEQ Grant	MPO Grant	Motel Tax	Forfeiture Fund	Office of Justice Grants
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,365,952	\$ -	\$ -
-	1,483	152,160	166,331	155,650	-	-	-
-	-	-	-	-	-	58,505	-
-	-	-	149	-	3,752	387	-
-	-	-	-	-	44,866	-	14,448
-	1,483	152,160	166,480	155,650	1,414,570	58,892	14,448
-	-	-	166,480	155,650	-	-	-
-	1,483	180,919	-	-	-	24,485	14,448
25,614	-	-	-	-	807,163	-	-
25,614	1,483	180,919	166,480	155,650	807,163	24,485	14,448
(25,614)	-	(28,759)	-	-	607,407	34,407	-
-	-	28,759	-	-	-	-	-
-	-	-	-	-	(1,385,000)	-	-
-	-	28,759	-	-	(1,385,000)	-	-
(25,614)	-	-	-	-	(777,593)	34,407	-
25,614	-	-	-	-	1,144,065	146,821	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 366,472	\$ 181,228	\$ -

(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, 2016

	Emergency Protective Measures Grant	Municipal Court Special Revenue	Public, Educational, and Governmental (PEG) Fund	Community Development Block Grant
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	61,782	-	-	705,990
Fines and forfeitures	-	52,651	-	-
Investment income	-	-	-	-
Miscellaneous	<u>20,593</u>	<u>7,047</u>	<u>170,529</u>	<u>57,750</u>
Total revenues	<u>82,375</u>	<u>59,698</u>	<u>170,529</u>	<u>763,740</u>
EXPENDITURES				
General government	-	-	133,228	603,740
Public safety	82,375	66,574	-	-
Recreation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>82,375</u>	<u>66,574</u>	<u>133,228</u>	<u>603,740</u>
Excess (deficiency) of revenues over expenditures	-	(6,876)	37,301	160,000
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(160,000)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(160,000)</u>
Change in fund balances	-	(6,876)	37,301	-
Fund balance at beginning of year	<u>-</u>	<u>96,496</u>	<u>198,293</u>	<u>-</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 89,620</u>	<u>\$ 235,594</u>	<u>\$ -</u>

Homeland Security Grant	Emergency Management	Convention and Visitors Bureau	Total
\$ -	\$ -	\$ -	\$ 1,365,952
5,119	269	-	1,601,512
-	-	-	111,156
-	-	16	4,382
-	-	279,647	639,624
<u>5,119</u>	<u>269</u>	<u>279,663</u>	<u>3,722,626</u>
-	-	-	1,406,026
5,119	117,224	-	543,249
-	-	1,122,190	1,954,967
<u>5,119</u>	<u>117,224</u>	<u>1,122,190</u>	<u>3,904,242</u>
-	(116,955)	(842,527)	(181,616)
-	115,093	905,000	1,048,852
-	-	(2,000)	(1,547,000)
-	115,093	903,000	(498,148)
-	(1,862)	60,473	(679,764)
-	60,242	462,074	2,133,605
<u>\$ -</u>	<u>\$ 58,380</u>	<u>\$ 522,547</u>	<u>\$ 1,453,841</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, 2016

	<u>Capital Construction Fund (3035)</u>	<u>Capital Construction Fund (3036)</u>	<u>Total</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 381,703	\$ 512,268	\$ 893,971
Due from other funds	<u>1,567,369</u>	<u>-</u>	<u>1,567,369</u>
Total assets	<u>\$ 1,949,072</u>	<u>\$ 512,268</u>	<u>\$ 2,461,340</u>
LIABILITIES			
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
FUND BALANCES			
Restricted			
Various capital projects	<u>1,949,072</u>	<u>512,268</u>	<u>2,461,340</u>
Total fund balances	<u>1,949,072</u>	<u>512,268</u>	<u>2,461,340</u>
Total liabilities and fund balances	<u>\$ 1,949,072</u>	<u>\$ 512,268</u>	<u>\$ 2,461,340</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, 2016

	Capital Construction Fund (3035)	Capital Construction Fund (3036)	Total
REVENUES			
Intergovernmental	\$ 100,133	\$ 1,700,025	\$ 1,800,158
Investment income			
Interest	3,686	4,265	7,951
Miscellaneous	88,485	-	88,485
Total revenues	<u>192,304</u>	<u>1,704,290</u>	<u>1,896,594</u>
EXPENDITURES			
Current			
Recreation	782,130	-	782,130
Capital outlay	1,494,405	-	1,494,405
Total expenditures	<u>2,276,535</u>	<u>-</u>	<u>2,276,535</u>
Excess (deficiency) of revenues over expenditures	(2,084,231)	1,704,290	(379,941)
OTHER FINANCING SOURCES (USES)			
Transfers in	2,248,789	-	2,248,789
Transfers out	-	(1,534,550)	(1,534,550)
Total other financing sources (uses)	<u>2,248,789</u>	<u>(1,534,550)</u>	<u>714,239</u>
Change in fund balances	164,558	169,740	334,298
Fund balances at beginning of year	1,784,514	342,528	2,127,042
Fund balances at end of year	<u>\$ 1,949,072</u>	<u>\$ 512,268</u>	<u>\$ 2,461,340</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, 2016

With comparative totals for September 30, 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents	\$ 5,464,082	\$ 7,790,089
Investments	14,424,249	13,512,777
Receivables (net)		
Ad valorem taxes (prior years)	1,884,338	1,663,120
Franchise taxes	734,625	718,609
Sales taxes	1,138,394	1,287,282
Ambulance	1,504,642	1,515,664
Fines	466,447	418,438
Other	701,566	721,626
Due from other funds	295,401	540,733
Inventory	245,932	271,491
Returned checks	<u>24,805</u>	<u>18,204</u>
Total assets	\$ 26,884,481	\$ 28,458,033
LIABILITIES		
Accounts payable	\$ 1,583,543	\$ 828,335
Accrued expenditures	2,154,821	1,924,488
Accrued compensated absences	8,877	6,534
Due to other governments	128,712	134,220
Due to other funds	<u>2,013,265</u>	<u>3,716,815</u>
Total liabilities	<u>5,889,218</u>	<u>6,610,392</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue	<u>4,213,162</u>	<u>3,975,826</u>
Total deferred inflows of resources	<u>4,213,162</u>	<u>3,975,826</u>
FUND BALANCES		
Nonspendable		
Inventory	245,932	271,491
Committed	1,052,259	950,019
Unassigned	<u>15,483,910</u>	<u>16,650,305</u>
Total fund balances	<u>16,782,101</u>	<u>17,871,815</u>
Total liabilities, deferred inflows and fund balances	\$ 26,884,481	\$ 28,458,033

CITY OF VICTORIA, TEXAS*MAJOR GOVERNMENTAL FUNDS - GENERAL FUND**SCHEDULE OF REVENUES**BUDGET (GAAP BASIS) AND ACTUAL**For the year ended September 30, 2016**With comparative totals for the year ended September 30, 2015*

	2016			2015 Actual
	Final Budget	Actual	Variance Positive (Negative)	
Taxes				
Ad valorem taxes	\$ 14,570,854	\$ 14,445,282	\$ (125,572)	\$ 14,193,626
Penalty and interest	210,000	217,294	7,294	217,368
Franchise tax	5,512,000	5,175,796	(336,204)	5,410,432
Sales tax	18,049,000	16,555,680	(1,493,320)	17,937,136
Other	72,000	69,130	(2,870)	75,620
Total taxes	38,413,854	36,463,182	(1,950,672)	37,834,182
Licenses and permits				
Building	311,000	344,830	33,830	321,408
Electrical	53,000	57,830	4,830	57,834
Mechanical	51,000	57,198	6,198	56,125
Liquor	255,000	263,888	8,888	273,989
Plumbing	45,000	48,464	3,464	44,935
Vital statistics	124,000	130,141	6,141	126,827
Miscellaneous	79,975	91,578	11,603	78,478
Total licenses and permits	918,975	993,929	74,954	959,596
Intergovernmental	2,104,000	2,060,265	(43,735)	2,008,251
Charges for services				
Ambulance	1,850,000	1,921,852	71,852	1,871,311
Victoria Public Library	78,000	85,376	7,376	83,266
Parks and recreation	89,000	84,456	(4,544)	90,120
Miscellaneous	135,600	219,290	83,690	214,330
Total charges for services	2,152,600	2,310,974	158,374	2,259,027
Fines and forfeitures				
Court costs	118,500	106,419	(12,081)	118,043
Criminal and traffic court	1,190,000	1,163,437	(26,563)	1,229,420
Parking violations	9,000	1,706	(7,294)	2,622
Total fines and forfeitures	1,317,500	1,271,562	(45,938)	1,350,085
Investment income				
Interest	70,000	115,051	45,051	51,275
Miscellaneous				
Rents	3,900	2,553	(1,347)	4,515
Salvage and asset sales	6,000	203,983	197,983	4,631
Contributions and miscellaneous	204,266	317,671	113,405	385,497
Total miscellaneous	214,166	524,207	310,041	394,643
Total revenues	\$ 45,191,095	\$ 43,739,170	\$ (1,451,925)	\$ 44,857,059

CITY OF VICTORIA, TEXAS*MAJOR GOVERNMENTAL FUNDS - GENERAL FUND**SCHEDULE OF EXPENDITURES**BUDGET (GAAP BASIS) AND ACTUAL**For the year ended September 30, 2016**With comparative totals for the year ended September 30, 2015*

	2016		Variance Positive (Negative)	2015 Actual
	Final Budget	Actual		
General government				
City manager and council				
Personnel	\$ 567,561	\$ 566,831	\$ 730	\$ 561,030
Maintenance and operations	58,406	38,934	19,472	43,192
Capital outlay	2,645	5,683	(3,038)	-
Total city manager and council	628,612	611,448	17,164	604,222
Finance				
Personnel	483,466	485,665	(2,199)	453,901
Maintenance and operations	124,329	110,779	13,550	131,190
Total finance	607,795	596,444	11,351	585,091
Legal				
Personnel	396,947	385,183	11,764	366,121
Maintenance and operations	98,206	89,141	9,065	89,240
Capital outlay	6,900	7,302	(402)	5,293
Total legal	502,053	481,626	20,427	460,654
Human resources				
Personnel	312,369	314,512	(2,143)	298,992
Maintenance and operations	182,119	115,030	67,089	116,423
Capital outlay	2,113	-	2,113	2,636
Total human resources	496,601	429,542	67,059	418,051
City secretary				
Personnel	153,850	149,020	4,830	148,400
Maintenance and operations	94,323	99,924	(5,601)	69,716
Capital outlay	1,950	1,931	19	1,082
Total city secretary	250,123	250,875	(752)	219,198
Public information office				
Personnel	211,902	204,833	7,069	187,601
Maintenance and operations	60,187	45,862	14,325	50,595
Capital outlay	2,645	2,631	14	-
Total public information office	274,734	253,326	21,408	238,196

(continued)

CITY OF VICTORIA, TEXAS*MAJOR GOVERNMENTAL FUNDS - GENERAL FUND**SCHEDULE OF EXPENDITURES**BUDGET (GAAP BASIS) AND ACTUAL**For the year ended September 30, 2016**With comparative totals for the year ended September 30, 2015*

	2016		Variance Positive (Negative)	2015 Actual
	Final Budget	Actual		
General government - (continued)				
Non-departmental				
Personnel	\$ 14,000	\$ 3,652	\$ 10,348	\$ 840
Maintenance and operations	982,826	945,519	37,307	909,688
Total non-departmental	996,826	949,171	47,655	910,528
Total general government	3,756,744	3,572,432	184,312	3,435,940
Public safety				
Police				
Personnel	11,658,162	11,815,379	(157,217)	10,866,809
Maintenance and operations	2,451,674	2,290,339	161,335	2,073,702
Capital outlay	371,477	344,365	27,112	451,883
Total police	14,481,313	14,450,083	31,230	13,392,394
Fire				
Personnel	10,410,649	10,323,223	87,426	9,427,537
Maintenance and operations	1,860,785	1,789,644	71,141	2,108,025
Capital outlay	245,150	216,855	28,295	1,098,337
Total fire	12,516,584	12,329,722	186,862	12,633,899
Municipal court				
Personnel	260,131	259,574	557	250,327
Maintenance and operations	105,971	96,184	9,787	86,433
Capital outlay	1,150	769	381	-
Total municipal court	367,252	356,527	10,725	336,760
Total public safety	27,365,149	27,136,332	228,817	26,363,053

(continued)

CITY OF VICTORIA, TEXAS

MAJOR GOVERNMENTAL FUNDS - GENERAL FUND

SCHEDULE OF EXPENDITURES

BUDGET (GAAP BASIS) AND ACTUAL

For the year ended September 30, 2016

With comparative totals for the year ended September 30, 2015

	2016		Variance Positive (Negative)	2015 Actual
	Final Budget	Actual		
Development				
Development svcs. administration				
Personnel	\$ 176,948	\$ 178,402	\$ (1,454)	\$ 170,695
Maintenance and operations	18,403	13,387	5,016	14,044
Total development svcs. administration	195,351	191,789	3,562	184,739
Planning services				
Personnel	224,669	223,714	955	212,172
Maintenance and operations	329,820	324,568	5,252	403,283
Capital outlay	-	-	-	2,109
Total planning services	554,489	548,282	6,207	617,564
Development center/inspections				
Personnel	638,479	635,982	2,497	583,861
Maintenance and operations	203,884	183,274	20,610	106,950
Capital outlay	-	-	-	10,164
Total development center/inspections	842,363	819,256	23,107	700,975
Code enforcement				
Personnel	213,342	182,022	31,320	195,968
Maintenance and operations	239,354	228,440	10,914	208,143
Capital outlay	-	-	-	2,386
Total code enforcement	452,696	410,462	42,234	406,497
Geographic information system (GIS)				
Personnel	263,419	257,600	5,819	249,499
Maintenance and operations	162,970	102,676	60,294	31,738
Capital outlay	2,800	2,281	519	1,499
Total geographic information system	429,189	362,557	66,632	282,736
Engineering				
Personnel	684,896	621,129	63,767	625,224
Maintenance and operations	132,927	118,336	14,591	91,508
Capital outlay	-	-	-	5,154
Total engineering	817,823	739,465	78,358	721,886

(continued)

CITY OF VICTORIA, TEXAS

MAJOR GOVERNMENTAL FUNDS - GENERAL FUND

SCHEDULE OF EXPENDITURES

BUDGET (GAAP BASIS) AND ACTUAL

For the year ended September 30, 2016

With comparative totals for the year ended September 30, 2015

	2016		Variance Positive (Negative)	2015 Actual
	Final Budget	Actual		
Development - (continued)				
Streets and drainage				
Personnel	\$ 1,336,388	\$ 1,363,665	\$ (27,277)	\$ 1,316,452
Maintenance and operations	2,474,422	1,809,040	665,382	1,154,588
Capital outlay	2,847,909	730,578	2,117,331	381,382
Total streets and drainage	6,658,719	3,903,283	2,755,436	2,852,422
Traffic control				
Personnel	475,988	490,187	(14,199)	461,601
Maintenance and operations	2,278,882	2,000,268	278,614	1,658,510
Capital outlay	7,780	4,247	3,533	133,423
Total traffic control	2,762,650	2,494,702	267,948	2,253,534
Total development	12,713,280	9,469,796	3,243,484	8,020,353
Building services				
Building services				
Personnel	286,423	281,605	4,818	246,343
Maintenance and operations	159,470	144,203	15,267	171,489
Capital outlay	45,000	42,514	2,486	2,163
Total building services	490,893	468,322	22,571	419,995
Custodial				
Personnel	173,847	173,722	125	165,096
Maintenance and operations	39,008	33,891	5,117	32,294
Capital outlay	-	-	-	3,941
Total custodial	212,855	207,613	5,242	201,331
Total building services	703,748	675,935	27,813	621,326
Recreation				
Parks and recreation				
Personnel	1,826,108	1,714,306	111,802	1,694,967
Maintenance and operations	1,304,483	1,082,250	222,233	1,337,812
Capital outlay	2,134,025	145,871	1,988,154	232,378
Total parks and recreation	5,264,616	2,942,427	2,322,189	3,265,157

(continued)

CITY OF VICTORIA, TEXAS

MAJOR GOVERNMENTAL FUNDS - GENERAL FUND

SCHEDULE OF EXPENDITURES

BUDGET (GAAP BASIS) AND ACTUAL

For the year ended September 30, 2016

With comparative totals for the year ended September 30, 2015

	2016		Variance	2015
	Final Budget	Actual	Positive (Negative)	Actual
Recreation - (continued)				
Library				
Personnel	\$ 1,361,701	\$ 1,327,564	\$ 34,137	\$ 1,264,053
Maintenance and operations	620,614	563,572	57,042	543,820
Capital outlay	<u>295,072</u>	<u>284,627</u>	<u>10,445</u>	<u>311,370</u>
Total library	<u>2,277,387</u>	<u>2,175,763</u>	<u>101,624</u>	<u>2,119,243</u>
Total recreation	<u>7,542,003</u>	<u>5,118,190</u>	<u>2,423,813</u>	<u>5,384,400</u>
Total expenditures	<u>\$ 52,080,924</u>	<u>\$ 45,972,685</u>	<u>\$ 6,108,239</u>	<u>\$ 43,825,072</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:

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.

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.

DEBT SERVICE FUND - (Continued)

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.

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.

DEBT SERVICE FUND - (Continued)

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.

2015 Certificates of Obligation Issue - To accumulate monies for payment of the 2015 \$2,445,000 3.00% - 5.00% Certificates of Obligation Bonds which are serial bonds due in annual installments of various amounts plus interest until maturity in 2035. 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.



CITY OF VICTORIA, TEXAS*MAJOR GOVERNMENTAL FUNDS - DEBT SERVICE FUND**BALANCE SHEET**September 30, 2016**With comparative totals for September 30, 2015*

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents	\$ 92,414	\$ 1,102,779
Investments	1,001,109	-
Receivables (net)		
Ad valorem taxes (prior years)	<u>902,908</u>	<u>789,576</u>
Total assets	<u>\$ 1,996,431</u>	<u>\$ 1,892,355</u>
LIABILITIES	<u>\$ -</u>	<u>\$ -</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue	<u>902,908</u>	<u>789,576</u>
Total deferred inflows of resources	<u>902,908</u>	<u>789,576</u>
FUND BALANCE		
Restricted	<u>1,093,523</u>	<u>1,102,779</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 1,996,431</u>	<u>\$ 1,892,355</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, 2016

With comparative totals for the year ended September 30, 2015

	2016			2015 Actual
	Final Budget	Actual	Variance Positive (Negative)	
REVENUES				
Taxes				
Ad valorem - current				
2005 Issue	\$ 716,051	\$ 712,862	\$ (3,189)	\$ 720,186
2006 Issue	526,127	523,787	(2,340)	743,276
2007 Issue	567,667	565,145	(2,522)	849,531
2009 Issues	1,519,552	1,512,791	(6,761)	1,392,030
2010 Issue	1,050,377	1,045,700	(4,677)	1,027,470
2012 Issues	650,338	647,447	(2,891)	648,037
2013 Issues	2,980,491	2,967,228	(13,263)	2,944,672
2014 Issue	411,542	409,709	(1,833)	417,885
2015 Issues	624,703	621,914	(2,789)	-
Ad valorem - delinquent	110,000	99,707	(10,293)	155,786
Intergovernmental	420,766	423,036	2,270	420,766
Investment income - interest	12,000	24,912	12,912	12,793
Total revenues	<u>9,589,614</u>	<u>9,554,238</u>	<u>(35,376)</u>	<u>9,332,432</u>
EXPENDITURES				
Debt service				
Principal retirement				
2005 Issue	690,000	690,000	-	675,000
2006 Issue	490,000	490,000	-	470,000
2007 Issue	510,000	510,000	-	490,000
2009 Issues	615,000	615,000	-	480,000
2010 Issue	870,000	870,000	-	825,000
2011 Issue	435,000	1,110,000	(675,000)	1,855,000
2012 Issues	490,000	490,000	-	485,000
2013 Issues	1,920,000	1,920,000	-	1,875,000
2014 Issue	235,000	235,000	-	260,000
2015 Issues	90,000	90,000	-	90,000
Interest				
2005 Issue	33,788	33,788	-	60,788
2006 Issue	41,812	41,813	(1)	176,169
2007 Issue	63,800	63,800	-	230,666
2009 Issues	1,341,736	1,341,735	1	1,356,135
2010 Issue	191,726	191,725	1	224,725
2011 Issue	329,276	266,250	63,026	337,775
2012 Issues	167,364	167,363	1	177,063
2013 Issues	1,092,694	1,092,694	-	1,108,100
2014 Issue	180,988	180,988	-	155,673
2015 Issues	541,453	528,138	13,315	166,774
Paying agents' fees and issue costs	10,500	5,900	4,600	197,163
Arbitrage rebate premiums	13,000	5,850	7,150	7,800
Total expenditures	<u>10,353,137</u>	<u>10,940,044</u>	<u>(586,907)</u>	<u>11,703,831</u>

	2016			2015 Actual
	Final Budget	Actual	Variance Positive (Negative)	
Excess (deficiency) of revenues over expenditures	\$ (763,523)	\$ (1,385,806)	\$ (622,283)	\$ (2,371,399)
OTHER FINANCING SOURCES (USES)				
Bonds issued	-	-	-	11,770,000
Premium on issuance of bonds	-	-	-	1,233,214
Payment to escrow	-	-	-	(12,812,888)
Transfer in	<u>764,276</u>	<u>1,376,550</u>	<u>612,274</u>	<u>2,192,775</u>
Total other financing sources (uses)	<u>764,276</u>	<u>1,376,550</u>	<u>612,274</u>	<u>2,383,101</u>
Change in fund balance	753	(9,256)	(10,009)	11,702
Fund balance at beginning of year	<u>1,102,779</u>	<u>1,102,779</u>	<u>-</u>	<u>1,091,077</u>
Fund balance at end of year	<u>\$ 1,103,532</u>	<u>\$ 1,093,523</u>	<u>\$ (10,009)</u>	<u>\$ 1,102,779</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, 2016**With comparative totals for the year ended September 30, 2015*

	2016		Variance Positive (Negative)	2015 Actual
	Final Budget	Actual		
REVENUES				
Intergovernmental	\$ 100,133	\$ 100,133	\$ -	\$ 149,867
Investment income				
Interest	2,871	3,686	815	2,941
Miscellaneous	88,485	88,485	-	-
Total revenues	<u>191,489</u>	<u>192,304</u>	<u>815</u>	<u>152,808</u>
EXPENDITURES				
General				
Recreation	1,042,840	782,130	260,710	-
Capital outlay	1,457,460	1,494,405	(36,945)	438,510
Total expenditures	<u>2,500,300</u>	<u>2,276,535</u>	<u>260,710</u>	<u>438,510</u>
Excess (deficiency) of revenues over expenditures	(2,308,811)	(2,084,231)	(259,895)	(285,702)
OTHER FINANCING SOURCES (USES)				
Transfers in	521,420	2,248,789	1,727,369	798,183
Transfers out	(157,121)	-	157,121	-
Total other financing sources (uses)	<u>364,299</u>	<u>2,248,789</u>	<u>1,884,490</u>	<u>798,183</u>
Change in fund balance	(1,944,512)	164,558	1,624,595	512,481
Fund balance at beginning of year	<u>1,784,514</u>	<u>1,784,514</u>	<u>-</u>	<u>1,272,033</u>
Fund balance at end of year	<u>\$ (159,998)</u>	<u>\$ 1,949,072</u>	<u>\$ 1,624,595</u>	<u>\$ 1,784,514</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, 2016

With comparative totals for the year ended September 30, 2015

	2016			2015 Actual
	Final Budget	Actual	Variance Positive (Negative)	
REVENUES				
Intergovernmental	\$ -	\$ 1,700,025	\$ 1,700,025	\$ 1,815,294
Investment income				
Interest	-	4,265	4,265	4,270
Total revenues	-	1,704,290	1,704,290	1,819,564
EXPENDITURES	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	1,704,290	1,704,290	1,819,564
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(1,534,550)	(1,534,550)	(2,192,775)
Total other financing sources (uses)	-	(1,534,550)	(1,534,550)	(2,192,775)
Change in fund balance	-	169,740	169,740	(373,211)
Fund balance at beginning of year	342,528	342,528	-	715,739
Fund balance at end of year	<u>\$ 342,528</u>	<u>\$ 512,268</u>	<u>\$ 169,740</u>	<u>\$ 342,528</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, 2016**With comparative totals for the year ended September 30, 2015*

	2016		Variance Positive (Negative)	2015 Actual
	Final Budget	Actual		
REVENUES				
Investment income				
Interest	\$ 64,833	\$ 41,483	\$ (23,350)	\$ 21,416
Miscellaneous	983,111	2,698,934	1,715,823	-
Total revenues	<u>1,047,944</u>	<u>2,740,417</u>	<u>1,692,473</u>	<u>21,416</u>
EXPENDITURES				
Capital outlay	13,768,632	9,548,250	4,220,382	5,720,854
Debt service				
Bond issue costs	79,995	79,995	-	112,036
Total expenditures	<u>13,848,627</u>	<u>9,628,245</u>	<u>4,220,382</u>	<u>5,832,890</u>
Excess (deficiency) of revenues over expenditures	(12,800,683)	(6,887,828)	5,912,855	(5,811,474)
OTHER FINANCING SOURCES (USES)				
Bonds issued	2,445,000	2,445,000	-	5,945,000
Premium on issuance of bonds	137,545	137,545	-	167,036
Transfers in	-	222,700	222,700	3,940,574
Transfers out	-	(401,445)	(401,445)	(490,720)
Total other financing sources (uses)	<u>2,582,545</u>	<u>2,403,800</u>	<u>(178,745)</u>	<u>9,561,890</u>
Change in fund balance	(10,218,138)	(4,484,028)	5,734,110	3,750,416
Fund balance at beginning of year	10,329,013	10,329,013	-	6,578,597
Fund balance at end of year	<u>\$ 110,875</u>	<u>\$ 5,844,985</u>	<u>\$ 5,734,110</u>	<u>\$ 10,329,013</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, 2016

	Community Center	700 Main Center	Total Nonmajor Enterprise Funds
ASSETS			
Current assets			
Cash and cash equivalents	\$ 627,408	\$ 82,323	\$ 709,731
Receivables (net)	375	2,292	2,667
Due from other funds	245,058	-	245,058
Returned checks	2,270	-	2,270
Restricted assets			
Cash and cash equivalents	358,773	-	358,773
Total current assets	<u>1,233,884</u>	<u>84,615</u>	<u>1,318,499</u>
Noncurrent assets			
Capital assets			
Land and other assets not being depreciated	175,160	224,598	399,758
Buildings, improvements, and equipment (net)	3,031,814	1,157,451	4,189,265
Total noncurrent assets	<u>3,206,974</u>	<u>1,382,049</u>	<u>4,589,023</u>
Total assets	<u>4,440,858</u>	<u>1,466,664</u>	<u>5,907,522</u>
LIABILITIES			
Current liabilities			
Accounts payable	65,599	19,299	84,898
Accrued expenses	14,166	-	14,166
Due to other funds	1,626	-	1,626
Accrued compensated absences	205	-	205
Customer deposits	63,824	-	63,824
Total current liabilities	<u>145,420</u>	<u>19,299</u>	<u>164,719</u>
Noncurrent liabilities			
Accrued compensated absences	4,777	-	4,777
Total liabilities	<u>150,197</u>	<u>19,299</u>	<u>169,496</u>
NET POSITION			
Net investment in capital assets	3,206,974	1,382,049	4,589,023
Unrestricted net position	<u>1,083,687</u>	<u>65,316</u>	<u>1,149,003</u>
Total net position	<u>\$ 4,290,661</u>	<u>\$ 1,447,365</u>	<u>\$ 5,738,026</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, 2016*

	Community Center	700 Main Center	Total Nonmajor Enterprise Funds
OPERATING REVENUES			
Charges for services	\$ 256,542	\$ 151,585	\$ 408,127
OPERATING EXPENSES			
Personnel	262,977	-	262,977
Materials and supplies	22,726	379	23,105
Maintenance	25,972	10,605	36,577
Heat, lights and power	96,482	60,536	157,018
Miscellaneous services	35,394	13,268	48,662
Contractual services	7,064	23,400	30,464
Computer services	15,237	-	15,237
Depreciation	265,577	105,940	371,517
Total operating expenses	<u>731,429</u>	<u>214,128</u>	<u>945,557</u>
Operating income (loss) before nonoperating revenues (expenses) and transfers	(474,887)	(62,543)	(537,430)
NONOPERATING REVENUES (EXPENSES)			
Investment income	5,051	-	5,051
Gain (loss) on disposition of capital assets	<u>668</u>	<u>-</u>	<u>668</u>
Net nonoperating revenues (expenses)	<u>5,719</u>	<u>-</u>	<u>5,719</u>
Income before transfers	(469,168)	(62,543)	(531,711)
Transfers			
Transfers in	480,000	-	480,000
Transfers out	<u>(21,800)</u>	<u>(15,130)</u>	<u>(36,930)</u>
Total transfers	<u>458,200</u>	<u>(15,130)</u>	<u>443,070</u>
Change in net position	(10,968)	(77,673)	(88,641)
Total net position at beginning of year	<u>4,301,629</u>	<u>1,525,038</u>	<u>5,826,667</u>
Total net position at end of year	<u>\$ 4,290,661</u>	<u>\$ 1,447,365</u>	<u>\$ 5,738,026</u>

CITY OF VICTORIA, TEXAS
ALL NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the year ended September 30, 2016

	Community Center	700 Main Center	Total Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 255,792	\$ 151,585	\$ 407,377
Cash paid to suppliers for goods and services	(177,511)	(143,237)	(320,748)
Cash paid to employees for services	(259,834)	-	(259,834)
Net cash provided (used) by operating activities	<u>(181,553)</u>	<u>8,348</u>	<u>(173,205)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Increase (decrease) in customer deposits	19,124	-	19,124
Borrowings from (to) other funds	(97,181)	-	(97,181)
Transfers in from other funds	480,000	-	480,000
Transfers out to other funds	(21,800)	(15,130)	(36,930)
Net cash provided (used) by noncapital financing activities	<u>380,143</u>	<u>(15,130)</u>	<u>365,013</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(709,839)	(1,993)	(711,832)
Proceeds from sale of capital assets	668	-	668
Net cash provided (used) by capital and related financing activities	<u>(709,171)</u>	<u>(1,993)</u>	<u>(711,164)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	(700,000)	-	(700,000)
Proceeds from sales and maturities of investments	1,500,226	-	1,500,226
Investment income	5,051	-	5,051
Net cash provided (used) by investing activities	<u>805,277</u>	<u>-</u>	<u>805,277</u>
Net increase (decrease) in cash and cash equivalents	294,696	(8,775)	285,921
Cash and cash equivalents at beginning of year	691,485	91,098	782,583
Cash and cash equivalents at end of year	<u>\$ 986,181</u>	<u>\$ 82,323</u>	<u>\$ 1,068,504</u>

CITY OF VICTORIA, TEXAS
 ALL NONMAJOR ENTERPRISE FUNDS
 COMBINING STATEMENT OF CASH FLOWS
 For the year ended September 30, 2016

	Community Center	700 Main Center	Total Nonmajor Enterprise Funds
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ (474,887)	\$ (62,543)	\$ (537,430)
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation	265,577	105,940	371,517
Changes in assets and liabilities			
(Increase) decrease in returned checks	(750)	-	(750)
Increase (decrease) in accounts payable	25,364	(35,049)	(9,685)
Increase (decrease) in accrued expenses	1,965	-	1,965
Increase (decrease) in compensated absences	1,178	-	1,178
Total adjustments	<u>293,334</u>	<u>70,891</u>	<u>364,225</u>
Net cash provided (used) by operating activities	<u>\$ (181,553)</u>	<u>\$ 8,348</u>	<u>\$ (173,205)</u>

WATER AND WASTEWATER FUND

CITY OF VICTORIA, TEXAS
MAJOR ENTERPRISE FUND
WATER AND WASTEWATER FUND
BALANCE SHEET
September 30, 2016
With comparative totals for September 30, 2015

	2016	2015
ASSETS		
Current assets		
Cash and cash equivalents	\$ 4,592,301	\$ 10,249,832
Investments	7,511,476	400,000
Receivables (net)		
Accounts	2,256,126	2,382,245
Other	10,977	16,776
Inventory	170,544	154,280
Restricted assets		
Cash and cash equivalents	1,952,750	6,658,597
Investments	1,516,913	7,999,539
Total current assets	18,011,087	27,861,269
Noncurrent assets		
Capital assets		
Buildings	37,993,732	37,969,572
Water and wastewater distribution system	159,663,859	158,090,829
Improvements other than buildings	1,583,177	1,562,302
Machinery and equipment	3,629,913	3,639,185
Total capital assets	202,870,681	201,261,888
Less accumulated depreciation	101,259,237	94,792,164
Subtotal	101,611,444	106,469,724
Land and water rights	3,190,946	3,190,946
Construction in progress	31,144,398	16,311,445
Net capital assets	135,946,788	125,972,115
Other post employment benefits asset	143,799	-
Total noncurrent assets	136,090,587	125,972,115
Total assets	154,101,674	153,833,384
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on refunding	510,299	567,462
Deferred outflow related to TMRS	1,944,682	761,229
Total deferred outflows of resources	2,454,981	1,328,691

CITY OF VICTORIA, TEXAS
MAJOR ENTERPRISE FUND
WATER AND WASTEWATER FUND
BALANCE SHEET
September 30, 2016
With comparative totals for September 30, 2015

	<u>2016</u>	<u>2015</u>
LIABILITIES		
Current liabilities		
Accounts payable	\$ 660,564	\$ 574,152
Accounts payable (payable from restricted assets)	1,994,471	2,347,686
Accrued expenses	304,342	272,440
Accrued compensated absences	9,151	7,277
Due to other funds	18,922	40,418
Due to component unit	-	361,948
Accrued interest payable	975,827	971,706
Current portion of waterworks and sewer system revenue bonds	<u>6,540,000</u>	<u>6,430,000</u>
Total current liabilities	<u>10,503,277</u>	<u>11,005,627</u>
Noncurrent liabilities		
Waterworks and sewer system revenue bonds (net of current portion)	64,290,000	70,830,000
Premiums on long-term debt	3,960,228	4,316,780
Other post employment benefits payable	-	29,029
Net pension liability	6,836,678	5,259,343
Accrued compensated absences	<u>213,652</u>	<u>216,400</u>
Total noncurrent liabilities	<u>75,300,558</u>	<u>80,651,552</u>
Total liabilities	<u>85,803,835</u>	<u>91,657,179</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflow related to TMRS	<u>180,644</u>	<u>166,322</u>
Total deferred inflows of resources	<u>180,644</u>	<u>166,322</u>
NET POSITION		
Net investment in capital assets	64,327,356	58,405,920
Unrestricted, as restated	<u>6,244,820</u>	<u>4,932,654</u>
Total net position	<u>\$ 70,572,176</u>	<u>\$ 63,338,574</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, 2016**With comparative totals for the year ended September 30, 2015*

	<u>2016</u>	<u>2015</u>
OPERATING REVENUES		
Water sales	\$ 13,418,715	\$ 13,509,930
Sewer service	12,102,717	12,075,891
Tap and connection fees	313,280	386,537
Miscellaneous	<u>58,436</u>	<u>207,907</u>
Total operating revenues	<u>25,893,148</u>	<u>26,180,265</u>
OPERATING EXPENSES		
Personnel	6,101,121	5,714,977
Materials and supplies	1,459,503	1,398,535
Maintenance	726,824	1,046,856
Heat, lights, and power	1,408,987	1,420,678
Miscellaneous services	1,337,775	1,467,182
Contractual services	418,495	373,775
Computer services	128,203	128,203
Depreciation	<u>6,624,744</u>	<u>6,278,766</u>
Total operating expenses	<u>18,205,652</u>	<u>17,828,972</u>
Operating income (loss) before nonoperating revenues (expenses) and contributions and transfers	7,687,496	8,351,293
NONOPERATING REVENUES (EXPENSES)		
Investment income	76,481	61,325
Interest and fiscal charges	(2,688,388)	(3,128,146)
Gain (loss) on disposition of capital assets	<u>22,551</u>	<u>(3,861)</u>
Net nonoperating revenues (expenses)	<u>(2,589,356)</u>	<u>(3,070,682)</u>
Income before contributions and transfers	5,098,140	5,280,611
Contributions and transfers		
Capital contributions	4,741,062	1,630,985
Transfers out	<u>(2,605,600)</u>	<u>(2,579,500)</u>
Total contributions and transfers	<u>2,135,462</u>	<u>(948,515)</u>
Change in net position	7,233,602	4,332,096
Net position at beginning of year, as restated	<u>63,338,574</u>	<u>59,006,478</u>
Total net position at end of year	<u>\$ 70,572,176</u>	<u>\$ 63,338,574</u>

CITY OF VICTORIA, TEXAS

MAJOR ENTERPRISE FUND

WATER AND WASTEWATER FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2016

With comparative totals for the year ended September 30, 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 26,025,066	\$ 26,066,134
Cash paid to suppliers for goods and services	(5,409,639)	(6,135,201)
Cash paid to employees for services	<u>(5,834,717)</u>	<u>(5,766,423)</u>
Net cash provided (used) by operating activities	<u>14,780,710</u>	<u>14,164,510</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Borrowings from (to) other funds	(21,496)	(48,832)
Borrowings from (to) component unit	(361,948)	361,948
Transfers out to other funds	<u>(2,605,600)</u>	<u>(2,579,500)</u>
Total operating expenses	<u>(2,989,044)</u>	<u>(2,266,384)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(16,962,778)	(12,560,536)
Proceeds from sale of capital assets	32,697	-
Proceeds from capital grants and contributions	4,741,062	1,630,985
Principal paid on revenue bonds	(6,430,000)	(6,090,000)
Interest paid on revenue bonds	<u>(2,983,656)</u>	<u>(3,371,458)</u>
Net cash provided (used) by capital and related financing activities	<u>(21,602,675)</u>	<u>(20,391,009)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(15,074,994)	(25,694,182)
Proceeds from sales and maturities of investments	14,446,144	39,990,305
Investment income	<u>76,481</u>	<u>61,325</u>
Net cash provided (used) by investing activities	<u>(552,369)</u>	<u>14,357,448</u>
Net increase (decrease) in cash and cash equivalents	(10,363,378)	5,864,565
Cash and cash equivalents at beginning of year	<u>16,908,429</u>	<u>11,043,864</u>
Cash and cash equivalents at end of year	<u>\$ 6,545,051</u>	<u>\$ 16,908,429</u>

CITY OF VICTORIA, TEXAS

MAJOR ENTERPRISE FUND

WATER AND WASTEWATER FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2016

With comparative totals for the year ended September 30, 2015

	<u>2016</u>	<u>2015</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 7,687,496	\$ 8,351,293
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	6,624,744	6,278,766
Changes in assets and liabilities		
(Increase) decrease in accounts receivable	126,119	(120,909)
(Increase) decrease in other receivables	5,799	4,310
(Increase) decrease in inventory	(16,264)	(11,773)
(Increase) decrease in returned checks	-	2,468
(Increase) decrease in other post employment benefits asset	(143,799)	-
(Increase) decrease in deferred outflows related to TMRS	(1,183,453)	(220,516)
Increase (decrease) in accounts payable	86,412	(288,199)
Increase (decrease) in accrued expenses	31,902	38,745
Increase (decrease) in compensated absences	(874)	19,135
Increase (decrease) in other post employment benefits payable	(29,029)	11,423
Increase (decrease) in net pension liability	1,577,335	(66,555)
Increase (decrease) in deferred inflows related to TMRS	<u>14,322</u>	<u>166,322</u>
Total adjustments	<u>7,093,214</u>	<u>5,813,217</u>
Net cash provided (used) by operating activities	<u>\$ 14,780,710</u>	<u>\$ 14,164,510</u>

COMMUNITY CENTER FUND

CITY OF VICTORIA, TEXAS
NONMAJOR ENTERPRISE FUND
COMMUNITY CENTER FUND
BALANCE SHEET
September 30, 2016
With comparative totals for September 30, 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 627,408	\$ 604,875
Receivables (net)		
Other	375	375
Due from other funds	245,058	149,936
Returned checks	2,270	1,520
Restricted assets		
Cash and cash equivalents	358,773	86,610
Investments	-	800,226
Total current assets	<u>1,233,884</u>	<u>1,643,542</u>
Noncurrent assets		
Capital assets		
Buildings	5,198,527	4,488,688
Infrastructure	288,581	288,581
Machinery and equipment	<u>362,358</u>	<u>362,358</u>
Total capital assets	5,849,466	5,139,627
Less accumulated depreciation	<u>2,817,652</u>	<u>2,552,075</u>
Subtotal	3,031,814	2,587,552
Land	<u>175,160</u>	<u>175,160</u>
Net capital assets	<u>3,206,974</u>	<u>2,762,712</u>
Total noncurrent assets	<u>3,206,974</u>	<u>2,762,712</u>
Total assets	<u>4,440,858</u>	<u>4,406,254</u>
LIABILITIES		
Current liabilities		
Accounts payable	65,599	40,235
Accrued expenses	14,166	12,201
Due to other funds	1,626	3,685
Accrued compensated absences	205	124
Customer deposits	<u>63,824</u>	<u>44,700</u>
Total current liabilities	<u>145,420</u>	<u>100,945</u>
Noncurrent liabilities		
Accrued compensated absences	<u>4,777</u>	<u>3,680</u>
Total liabilities	<u>150,197</u>	<u>104,625</u>
NET POSITION		
Net investment in capital assets	3,206,974	2,762,712
Unrestricted	<u>1,083,687</u>	<u>1,538,917</u>
Total net position	<u>\$ 4,290,661</u>	<u>\$ 4,301,629</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, 2016

With comparative totals for the year ended September 30, 2015

	<u>2016</u>	<u>2015</u>
OPERATING REVENUES		
Rental fees	\$ 254,634	\$ 209,811
Miscellaneous	<u>1,908</u>	<u>1,730</u>
Total operating revenues	<u>256,542</u>	<u>211,541</u>
OPERATING EXPENSES		
Personnel	262,977	264,304
Materials and supplies	22,726	24,063
Maintenance	25,972	41,437
Heat, lights, and power	96,482	99,668
Miscellaneous services	35,394	29,050
Contractual services	7,064	55,507
Computer services	15,237	15,237
Depreciation	<u>265,577</u>	<u>241,888</u>
Total operating expenses	<u>731,429</u>	<u>771,154</u>
Operating income (loss) before nonoperating revenues (expenses) and transfers	(474,887)	(559,613)
NONOPERATING REVENUES (EXPENSES)		
Investment income	5,051	2,278
Gain (loss) on disposition of capital assets	<u>668</u>	<u>(9,657)</u>
Net nonoperating revenues (expenses)	<u>5,719</u>	<u>(7,379)</u>
Income (loss) before transfers	(469,168)	(566,992)
Transfers		
Transfers in	480,000	480,000
Transfers out	<u>(21,800)</u>	<u>(19,800)</u>
Total transfers	<u>458,200</u>	<u>460,200</u>
Change in net position	(10,968)	(106,792)
Total net position at beginning of year	<u>4,301,629</u>	<u>4,408,421</u>
Total net position at end of year	<u>\$ 4,290,661</u>	<u>\$ 4,301,629</u>

CITY OF VICTORIA, TEXAS
NONMAJOR ENTERPRISE FUND
COMMUNITY CENTER FUND
STATEMENT OF CASH FLOWS
For the year ended September 30, 2016
With comparative totals for the year ended September 30, 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 255,792	\$ 211,541
Cash paid to suppliers for goods and services	(177,511)	(336,936)
Cash paid to employees for services	(259,834)	(259,849)
Net cash provided (used) by operating activities	<u>(181,553)</u>	<u>(385,244)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Increase (decrease) in customer deposits	19,124	2,995
Borrowings from (to) other funds	(97,181)	8,432
Transfers in from other funds	480,000	480,000
Transfers out to other funds	(21,800)	(19,800)
Net cash provided (used) by noncapital financing activities	<u>380,143</u>	<u>471,627</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(709,839)	(42,810)
Proceeds from sale of capital assets	668	20
Net cash provided (used) by capital and related financing activities	<u>(709,171)</u>	<u>(42,790)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(700,000)	(2,400,000)
Proceeds from sales and maturities of investments	1,500,226	2,400,014
Investment income	5,051	2,278
Net cash provided (used) by investing activities	<u>805,277</u>	<u>2,292</u>
Net increase (decrease) in cash and cash equivalents	294,696	45,885
Cash and cash equivalents at beginning of year	691,485	645,600
Cash and cash equivalents at end of year	<u>\$ 986,181</u>	<u>\$ 691,485</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (474,887)	\$ (559,613)
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	265,577	241,888
Changes in assets and liabilities		
(Increase) decrease in returned checks	(750)	-
Increase (decrease) in accounts payable	25,364	(71,974)
Increase (decrease) in accrued expenses	1,965	2,098
Increase (decrease) in compensated absences	1,178	2,357
Total adjustments	<u>293,334</u>	<u>174,369</u>
Net cash provided (used) by operating activities	<u>\$ (181,553)</u>	<u>\$ (385,244)</u>

700 MAIN CENTER FUND

CITY OF VICTORIA, TEXAS
NONMAJOR ENTERPRISE FUND
700 MAIN CENTER FUND
BALANCE SHEET
September 30, 2016
With comparative totals for September 30, 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 82,323	\$ 91,098
Receivables (net)		
Other	<u>2,292</u>	<u>2,292</u>
Total current assets	<u>84,615</u>	<u>93,390</u>
Noncurrent assets		
Capital assets		
Buildings	2,753,531	2,751,538
Improvements other than buildings	78,216	78,216
Machinery and equipment	<u>113,698</u>	<u>113,698</u>
Total capital assets	2,945,445	2,943,452
Less accumulated depreciation	<u>1,787,994</u>	<u>1,682,054</u>
Subtotal	1,157,451	1,261,398
Land	<u>224,598</u>	<u>224,598</u>
Net capital assets	<u>1,382,049</u>	<u>1,485,996</u>
Total assets	<u>1,466,664</u>	<u>1,579,386</u>
LIABILITIES		
Current liabilities		
Accounts payable	<u>19,299</u>	<u>54,348</u>
NET POSITION		
Net investment in capital assets	1,382,049	1,485,996
Unrestricted	<u>65,316</u>	<u>39,042</u>
Total net position	<u>\$ 1,447,365</u>	<u>\$ 1,525,038</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, 2016

With comparative totals for the year ended September 30, 2015

	<u>2016</u>	<u>2015</u>
OPERATING REVENUES		
Rental fees	\$ <u>151,585</u>	\$ <u>153,517</u>
OPERATING EXPENSES		
Materials and supplies	379	934
Maintenance	10,605	12,547
Heat, lights, and power	60,536	65,099
Miscellaneous services	13,268	13,107
Contractual services	23,400	23,218
Depreciation	<u>105,940</u>	<u>104,859</u>
Total operating expenses	<u>214,128</u>	<u>219,764</u>
Operating income (loss) before nonoperating revenues (expenses) and transfers	(62,543)	(66,247)
NONOPERATING REVENUES		
Loss on disposition of capital assets	<u>-</u>	<u>(108)</u>
Net nonoperating revenues (expenses)	<u>-</u>	<u>(108)</u>
Income (loss) before transfers	(62,543)	(66,355)
Transfers		
Transfers out	<u>(15,130)</u>	<u>-</u>
Change in net position	(77,673)	(66,355)
Total net position at beginning of year	<u>1,525,038</u>	<u>1,591,393</u>
Total net position at end of year	<u>\$ 1,447,365</u>	<u>\$ 1,525,038</u>

CITY OF VICTORIA, TEXAS
NONMAJOR ENTERPRISE FUND
700 MAIN CENTER FUND
STATEMENT OF CASH FLOWS
For the year ended September 30, 2016
With comparative totals for the year ended September 30, 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 151,585	\$ 151,248
Cash paid to suppliers for goods and services	<u>(143,237)</u>	<u>(88,198)</u>
Net cash provided (used) by operating activities	<u>8,348</u>	<u>63,050</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers out to other funds	<u>(15,130)</u>	<u>-</u>
Net cash provided (used) by noncapital financing activities	<u>(15,130)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	<u>(1,993)</u>	<u>(48,115)</u>
Net cash provided (used) by capital and related financing activities	<u>(1,993)</u>	<u>(48,115)</u>
Net increase (decrease) in cash and cash equivalents	(8,775)	14,935
Cash and cash equivalents at beginning of year	<u>91,098</u>	<u>76,163</u>
Cash and cash equivalents at end of year	<u><u>\$ 82,323</u></u>	<u><u>\$ 91,098</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (62,543)	\$ (66,247)
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	105,940	104,859
Changes in assets and liabilities		
(Increase) decrease in other receivables	-	(2,269)
Increase (decrease) in accounts payable	<u>(35,049)</u>	<u>26,707</u>
Total adjustments	<u>70,891</u>	<u>129,297</u>
Net cash provided (used) by operating activities	<u><u>\$ 8,348</u></u>	<u><u>\$ 63,050</u></u>

ENVIRONMENTAL SERVICES FUND

CITY OF VICTORIA, TEXAS
MAJOR ENTERPRISE FUND
ENVIRONMENTAL SERVICES FUND
BALANCE SHEET
September 30, 2016
With comparative totals for September 30, 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,013,324	\$ 2,443,582
Investments	3,002,476	3,100,846
Receivables (net)		
Accounts	261,428	240,332
Other	94,723	54,229
Restricted assets		
Cash and cash equivalents	1,913,675	479,350
Investments	<u>248,000</u>	<u>1,503,592</u>
Total current assets	<u>7,533,626</u>	<u>7,821,931</u>
Noncurrent assets		
Capital assets		
Buildings	950,165	691,216
Infrastructure	1,504,801	1,504,801
Improvements other than buildings	542,111	542,111
Machinery and equipment	<u>1,643,352</u>	<u>1,581,414</u>
Total capital assets	4,640,429	4,319,542
Less accumulated depreciation	<u>3,040,388</u>	<u>2,685,271</u>
Subtotal	1,600,041	1,634,271
Land	<u>834,981</u>	<u>834,981</u>
Net capital assets	<u>2,435,022</u>	<u>2,469,252</u>
Other post employment benefits asset	<u>33,843</u>	<u>-</u>
Total noncurrent assets	<u>2,468,865</u>	<u>2,469,252</u>
Total assets	<u>10,002,491</u>	<u>10,291,183</u>
 DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflow related to TMRS	<u>389,701</u>	<u>161,672</u>
Total deferred outflows of resources	<u>389,701</u>	<u>161,672</u>

CITY OF VICTORIA, TEXAS
MAJOR ENTERPRISE FUND
ENVIRONMENTAL SERVICES FUND
BALANCE SHEET
September 30, 2016
With comparative totals for September 30, 2015

	<u>2016</u>	<u>2015</u>
LIABILITIES		
Current liabilities		
Accounts payable	\$ 120,190	\$ 144,974
Accrued expenses	71,626	59,996
Accrued compensated absences	1,819	1,243
Due to other funds	7,806	11,259
Due to other governments	40,756	42,229
Due to component unit	<u>26,638</u>	<u>25,480</u>
Total current liabilities	<u>268,835</u>	<u>285,181</u>
Noncurrent liabilities		
Accrued compensated absences	42,463	36,957
Other post employment benefits payable	-	6,393
Net pension liability	1,360,359	1,116,998
Estimated landfill closure and postclosure care cost	<u>4,172,280</u>	<u>3,991,730</u>
Total noncurrent liabilities	<u>5,575,102</u>	<u>5,152,078</u>
Total liabilities	<u>5,843,937</u>	<u>5,437,259</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflow related to TMRS	<u>38,174</u>	<u>35,324</u>
Total deferred inflows of resources	<u>38,174</u>	<u>35,324</u>
NET POSITION		
Net investment in capital assets	2,435,022	2,469,252
Unrestricted, as restated	<u>2,075,059</u>	<u>2,511,020</u>
Total net position	<u>\$ 4,510,081</u>	<u>\$ 4,980,272</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, 2016

With comparative totals for the year ended September 30, 2015

	<u>2016</u>	<u>2015</u>
OPERATING REVENUES		
Garbage fees	\$ 3,342,768	\$ 3,368,217
Other garbage fees	1,199,724	1,188,548
Miscellaneous	811,644	539,543
Total operating revenues	<u>5,354,136</u>	<u>5,096,308</u>
OPERATING EXPENSES		
Personnel	1,275,102	1,191,104
Materials and supplies	167,656	218,593
Maintenance	19,613	18,056
Heat, lights, and power	18,050	17,383
Miscellaneous services	2,129,665	648,726
Contractual services	198,510	257,955
Computer services	62,176	50,639
Tipping fees	992,509	834,117
Landfill closure and postclosure care cost	154,114	166,021
Depreciation	359,055	340,458
Total operating expenses	<u>5,376,450</u>	<u>3,743,052</u>
Operating income (loss) before nonoperating revenues (expenses) and transfers	(22,314)	1,353,256
NONOPERATING REVENUES (EXPENSES)		
Gain (loss) on disposition of capital assets	113,986	-
Investment income	33,304	15,171
Net nonoperating revenues (expenses)	<u>147,290</u>	<u>15,171</u>
Income before transfers	124,976	1,368,427
Transfers		
Transfers out	(595,167)	(575,191)
Total transfers	<u>(595,167)</u>	<u>(575,191)</u>
Change in net position	(470,191)	793,236
Net position at beginning of year, as restated	<u>4,980,272</u>	<u>4,187,036</u>
Total net position at end of year	<u>\$ 4,510,081</u>	<u>\$ 4,980,272</u>

CITY OF VICTORIA, TEXAS

MAJOR ENTERPRISE FUND

ENVIRONMENTAL SERVICES FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2016

With comparative totals for the year ended September 30, 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 5,292,546	\$ 5,066,538
Cash paid to suppliers for goods and services	(3,588,000)	(4,830,159)
Cash paid to employees for services	<u>(1,279,444)</u>	<u>(1,214,274)</u>
Net cash provided (used) by operating activities	<u>425,102</u>	<u>(977,895)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Borrowings from (to) other funds	(3,453)	(9,189)
Borrowings from (to) component unit	1,158	418
Transfers out to other funds	<u>(595,167)</u>	<u>(575,191)</u>
Net cash provided (used) by noncapital financing activities	<u>(597,462)</u>	<u>(583,962)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(325,167)	(138,062)
Proceeds from sale of capital assets	<u>114,328</u>	<u>-</u>
Net cash provided (used) by capital and related financing activities	<u>(210,839)</u>	<u>(138,062)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(11,723,000)	(14,098,000)
Proceeds from sales and maturities of investments	13,076,962	14,816,614
Investment income	<u>33,304</u>	<u>15,171</u>
Net cash provided (used) by investing activities	<u>1,387,266</u>	<u>733,785</u>
Net increase (decrease) in cash and cash equivalents	1,004,067	(966,134)
Cash and cash equivalents at beginning of year	<u>2,922,932</u>	<u>3,889,066</u>
Cash and cash equivalents at end of year	<u>\$ 3,926,999</u>	<u>\$ 2,922,932</u>

CITY OF VICTORIA, TEXAS

MAJOR ENTERPRISE FUND

ENVIRONMENTAL SERVICES FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2016

With comparative totals for the year ended September 30, 2015

	<u>2016</u>	<u>2015</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (22,314)	\$ 1,353,256
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	359,055	340,458
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources		
(Increase) decrease in accounts receivable	(21,096)	(27,600)
(Increase) decrease in other receivables	(40,494)	(2,170)
(Increase) decrease in other post employment benefits asset	(33,843)	-
(Increase) decrease in deferred outflows related to TMRS	(228,029)	(46,834)
Increase (decrease) in accounts payable	(24,784)	5,030
Increase (decrease) in due to other governments	(1,473)	3,201
Increase (decrease) in accrued expenses	11,630	6,705
Increase (decrease) in compensated absences	6,082	(6,608)
Increase (decrease) in other post employment benefits payable	(6,393)	2,378
Increase (decrease) in net pension liability	243,361	(14,135)
Increase (decrease) in landfill closure and postclosure care cost	180,550	(2,626,900)
Increase (decrease) in deferred inflows related to TMRS	<u>2,850</u>	<u>35,324</u>
Total adjustments	<u>447,416</u>	<u>(2,331,151)</u>
Net cash provided (used) by operating activities	<u>\$ 425,102</u>	<u>\$ (977,895)</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, 2016

	<u>V.E.S.</u>	<u>Information Technology</u>	<u>Communications</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 758,484	\$ 485,951	\$ 233,715
Investments	-	-	-
Receivables (net)			
Other	60,413	-	4,572
Due from other funds	-	-	-
Inventory	41,298	-	-
Prepaid items	-	-	-
Restricted assets			
Cash and cash equivalents	-	-	-
Total current assets	<u>860,195</u>	<u>485,951</u>	<u>238,287</u>
Noncurrent assets			
Capital assets			
Land and other assets not being depreciated	134,007	-	39,168
Buildings, improvements, and equipment (net)	<u>8,465,900</u>	<u>907,591</u>	<u>808,845</u>
Total noncurrent assets	<u>8,599,907</u>	<u>907,591</u>	<u>848,013</u>
Total assets	<u>9,460,102</u>	<u>1,393,542</u>	<u>1,086,300</u>
LIABILITIES			
Current liabilities			
Accounts payable	163,321	38,676	2,357
Accrued expenses	6,726	34,993	3,081
Due to other funds	38	-	38
Accrued compensated absences	8,066	26,648	3,916
Claims payable	-	-	-
Total current liabilities	<u>178,151</u>	<u>100,317</u>	<u>9,392</u>
Total liabilities	<u>178,151</u>	<u>100,317</u>	<u>9,392</u>
NET POSITION			
Net investment in capital assets	8,599,907	907,591	848,013
Unrestricted	<u>682,044</u>	<u>385,634</u>	<u>228,895</u>
Total net position	<u>\$ 9,281,951</u>	<u>\$ 1,293,225</u>	<u>\$ 1,076,908</u>

<u>Purchasing</u>	<u>Safety Management</u>	<u>Workers' Compensation</u>	<u>Print Shop</u>	<u>Employee Health Plan</u>	<u>Total</u>
\$ 10,597	\$ 65,905	\$ 250,027	\$ 68,884	\$ 2,072,186	\$ 3,945,749
-	-	-	-	2,232,258	2,232,258
23	-	-	3,187	23,021	91,216
-	-	-	-	434,983	434,983
80,274	-	-	19,371	-	140,943
-	-	-	-	65,762	65,762
-	-	28,000	-	-	28,000
<u>90,894</u>	<u>65,905</u>	<u>278,027</u>	<u>91,442</u>	<u>4,828,210</u>	<u>6,938,911</u>
-	-	-	-	-	173,175
<u>47,837</u>	<u>1,060</u>	<u>-</u>	<u>28,040</u>	<u>-</u>	<u>10,259,273</u>
<u>47,837</u>	<u>1,060</u>	<u>-</u>	<u>28,040</u>	<u>-</u>	<u>10,432,448</u>
<u>138,731</u>	<u>66,965</u>	<u>278,027</u>	<u>119,482</u>	<u>4,828,210</u>	<u>17,371,359</u>
4,647	8,230	58,704	4,884	17,733	298,552
9,954	5,705	-	5,180	-	65,639
112	808	-	4,369	-	5,365
11,771	-	-	1,273	-	51,674
-	-	274,363	-	730,123	1,004,486
<u>26,484</u>	<u>14,743</u>	<u>333,067</u>	<u>15,706</u>	<u>747,856</u>	<u>1,425,716</u>
<u>26,484</u>	<u>14,743</u>	<u>333,067</u>	<u>15,706</u>	<u>747,856</u>	<u>1,425,716</u>
47,837	1,060	-	28,040	-	10,432,448
<u>64,410</u>	<u>51,162</u>	<u>(55,040)</u>	<u>75,736</u>	<u>4,080,354</u>	<u>5,513,195</u>
<u>\$ 112,247</u>	<u>\$ 52,222</u>	<u>\$ (55,040)</u>	<u>\$ 103,776</u>	<u>\$ 4,080,354</u>	<u>\$ 15,945,643</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, 2016*

	V.E.S.	Information Technology	Communications
OPERATING REVENUES			
Charges for services	\$ 5,920,706	\$ 1,192,898	\$ 588,067
Miscellaneous	79,959	6	1
Total operating revenues	<u>6,000,665</u>	<u>1,192,904</u>	<u>588,068</u>
OPERATING EXPENSES			
Personnel	129,644	682,348	61,999
Materials and supplies	985,379	21,074	9,948
Maintenance	36,352	157,921	400,493
Heat, lights, and power	26,328	-	-
Reinsurance premiums	-	-	-
Miscellaneous services	609,486	146,202	19,081
Contractual services	1,155,906	78,144	1,952
Computer services	15,237	-	6,445
Court costs, judgments, and damages	-	-	-
Claims expense	-	-	-
Wellness program	-	-	-
Depreciation	2,268,326	339,749	186,171
Total operating expenses	<u>5,226,658</u>	<u>1,425,438</u>	<u>686,089</u>
Operating income (loss) before nonoperating revenues (expenses), transfers and special item	774,007	(232,534)	(98,021)
NONOPERATING REVENUES (EXPENSES)			
Investment income	368	1,794	322
Gain (loss) on disposition of capital assets	(16,052)	544	-
Net nonoperating revenues (expenses)	<u>(15,684)</u>	<u>2,338</u>	<u>322</u>
Income (loss) before transfers and special item	758,323	(230,196)	(97,699)
Transfers			
Transfers in	-	-	-
Special item - other post employment benefits trust payment	-	-	-
Change in net position	758,323	(230,196)	(97,699)
Total net position at beginning of year	<u>8,523,628</u>	<u>1,523,421</u>	<u>1,174,607</u>
Total net position at end of year	<u>\$ 9,281,951</u>	<u>\$ 1,293,225</u>	<u>\$ 1,076,908</u>

<u>Purchasing</u>	<u>Safety Management</u>	<u>Workers' Compensation</u>	<u>Print Shop</u>	<u>Employee Health Plan</u>	<u>Total</u>
\$ 200,042	\$ 622,542	\$ 195,006	\$ 146,920	\$ 6,219,234	\$ 15,085,415
8,093	40,639	12,088	129	10,729	151,644
<u>208,135</u>	<u>663,181</u>	<u>207,094</u>	<u>147,049</u>	<u>6,229,963</u>	<u>15,237,059</u>
194,119	110,718	-	102,772	-	1,281,600
3,416	1,140	-	6,568	-	1,027,525
1,141	-	-	17,783	-	613,690
4,019	-	-	-	-	30,347
-	537,029	-	-	545,992	1,083,021
19,151	16,662	-	15,319	-	825,901
-	11,299	-	-	416,296	1,663,597
16,651	6,445	-	6,445	-	51,223
-	25,699	-	-	-	25,699
-	-	410,121	-	5,619,836	6,029,957
-	-	-	-	17,602	17,602
7,183	584	-	9,143	-	2,811,156
<u>245,680</u>	<u>709,576</u>	<u>410,121</u>	<u>158,030</u>	<u>6,599,726</u>	<u>15,461,318</u>
(37,545)	(46,395)	(203,027)	(10,981)	(369,763)	(224,259)
-	-	827	-	22,756	26,067
55	-	-	(193)	-	(15,646)
<u>55</u>	<u>-</u>	<u>827</u>	<u>(193)</u>	<u>22,756</u>	<u>10,421</u>
(37,490)	(46,395)	(202,200)	(11,174)	(347,007)	(213,838)
-	-	-	-	200,000	200,000
-	-	-	-	(1,200,000)	(1,200,000)
(37,490)	(46,395)	(202,200)	(11,174)	(1,347,007)	(1,213,838)
<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>
<u>\$ 112,247</u>	<u>\$ 52,222</u>	<u>\$ (55,040)</u>	<u>\$ 103,776</u>	<u>\$ 4,080,354</u>	<u>\$ 15,945,643</u>

CITY OF VICTORIA, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the year ended September 30, 2016

	V.E.S.	Information Technology	Communications
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from other funds	\$ 5,979,809	\$ 1,183,473	\$ 588,008
Cash paid to suppliers for goods and services	(2,835,410)	(406,335)	(437,666)
Cash paid to employees for services	(128,324)	(675,122)	(61,496)
Net cash provided (used) by operating activities	<u>3,016,075</u>	<u>102,016</u>	<u>88,846</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Other post employment benefits trust payment	-	-	-
Transfers in from other funds	-	-	-
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(2,990,016)	(306,875)	(1,533)
Proceeds from sale of capital assets	12,821	544	-
Net cash provided (used) by capital and related financing activities	<u>(2,977,195)</u>	<u>(306,331)</u>	<u>(1,533)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	-	-	-
Proceeds from sales and maturities of investments	-	-	-
Investment income	368	1,794	322
Net cash provided (used) by investing activities	<u>368</u>	<u>1,794</u>	<u>322</u>
Net increase (decrease) in cash and cash equivalents	39,248	(202,521)	87,635
Cash and cash equivalents at beginning of year	<u>719,236</u>	<u>688,472</u>	<u>146,080</u>
Cash and cash equivalents at end of year	<u>\$ 758,484</u>	<u>\$ 485,951</u>	<u>\$ 233,715</u>

<u>Purchasing</u>	<u>Safety Management</u>	<u>Workers' Compensation</u>	<u>Print Shop</u>	<u>Employee Health Plan</u>	<u>Total</u>
\$ 208,255	\$ 665,105	\$ 207,094	\$ 149,188	\$ 6,301,718	\$ 15,282,650
(39,288)	(594,174)	(361,335)	(42,312)	(6,299,215)	(11,015,735)
<u>(192,167)</u>	<u>(114,487)</u>	<u>-</u>	<u>(102,561)</u>	<u>-</u>	<u>(1,274,157)</u>
(23,200)	(43,556)	(154,241)	4,315	2,503	2,992,758
-	-	-	-	(1,200,000)	(1,200,000)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>200,000</u>	<u>200,000</u>
-	-	-	-	(1,000,000)	(1,000,000)
-	-	-	(17,350)	-	(3,315,774)
<u>55</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,420</u>
<u>55</u>	<u>-</u>	<u>-</u>	<u>(17,350)</u>	<u>-</u>	<u>(3,302,354)</u>
-	-	-	-	(1,936,000)	(1,936,000)
-	-	-	-	2,312,151	2,312,151
<u>-</u>	<u>-</u>	<u>827</u>	<u>-</u>	<u>22,756</u>	<u>26,067</u>
-	-	827	-	398,907	402,218
(23,145)	(43,556)	(153,414)	(13,035)	(598,590)	(907,378)
<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>
<u>\$ 10,597</u>	<u>\$ 65,905</u>	<u>\$ 278,027</u>	<u>\$ 68,884</u>	<u>\$ 2,072,186</u>	<u>\$ 3,973,749</u>

(continued)

CITY OF VICTORIA, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the year ended September 30, 2016

	<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)	\$ 774,007	\$ (232,534)	\$ (98,021)
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation	2,268,326	339,749	186,171
Changes in assets and liabilities			
(Increase) decrease in other receivables	(20,748)	-	(98)
(Increase) decrease in due from other funds	-	-	-
(Increase) decrease in prepaid items	-	-	-
(Increase) decrease in inventory	5,259	-	-
Increase (decrease) in accounts payable	(11,981)	(2,994)	253
Increase (decrease) in accrued expenses	963	3,747	389
Increase (decrease) in due to other funds	(108)	(9,431)	38
Increase (decrease) in compensated absences	357	3,479	114
Increase (decrease) in claims payable	-	-	-
Total adjustments	<u>2,242,068</u>	<u>334,550</u>	<u>186,867</u>
Net cash provided (used) by operating activities	<u>\$ 3,016,075</u>	<u>\$ 102,016</u>	<u>\$ 88,846</u>

<u>Purchasing</u>	<u>Safety Management</u>	<u>Workers' Compensation</u>	<u>Print Shop</u>	<u>Employee Health Plan</u>	<u>Total</u>
\$ (37,545)	\$ (46,395)	\$ (203,027)	\$ (10,981)	\$ (369,763)	\$ (224,259)
7,183	584	-	9,143	-	2,811,156
9	1,116	-	(2,229)	34,096	12,146
-	-	-	-	37,659	37,659
-	-	-	-	3,357	3,357
4,468	-	-	802	-	10,529
622	4,100	38,032	3,001	13,361	44,394
1,415	481	-	661	-	7,656
111	808	-	4,368	-	(4,214)
537	(4,250)	-	(450)	-	(213)
-	-	10,754	-	283,793	294,547
<u>14,345</u>	<u>2,839</u>	<u>48,786</u>	<u>15,296</u>	<u>372,266</u>	<u>3,217,017</u>
<u>\$ (23,200)</u>	<u>\$ (43,556)</u>	<u>\$ (154,241)</u>	<u>\$ 4,315</u>	<u>\$ 2,503</u>	<u>\$ 2,992,758</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, 2016
With comparative totals for September 30, 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 758,484	\$ 719,236
Receivables		
Other	60,413	39,665
Inventory	<u>41,298</u>	<u>46,557</u>
Total current assets	<u>860,195</u>	<u>805,458</u>
Noncurrent assets		
Capital assets		
Buildings	421,221	432,907
Infrastructure	93,179	93,179
Improvements other than buildings	10,659	10,659
Machinery and equipment	<u>22,637,518</u>	<u>20,753,712</u>
Total capital assets	23,162,577	21,290,457
Less accumulated depreciation	<u>14,696,677</u>	<u>13,517,374</u>
Subtotal	8,465,900	7,773,083
Land	<u>134,007</u>	<u>134,007</u>
Net capital assets	<u>8,599,907</u>	<u>7,907,090</u>
Total assets	<u>9,460,102</u>	<u>8,712,548</u>
LIABILITIES		
Current liabilities		
Accounts payable	163,321	175,302
Accrued expenses	6,726	5,763
Due to other funds	38	146
Accrued compensated absences	<u>8,066</u>	<u>7,709</u>
Total liabilities	<u>178,151</u>	<u>188,920</u>
NET POSITION		
Net investment in capital assets	8,599,907	7,907,090
Unrestricted	<u>682,044</u>	<u>616,538</u>
Total net position	<u>\$ 9,281,951</u>	<u>\$ 8,523,628</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, 2016

With comparative totals for the year ended September 30, 2015

	<u>2016</u>	<u>2015</u>
OPERATING REVENUES		
Charges for services	\$ 5,920,706	\$ 4,406,080
Miscellaneous	<u>79,959</u>	<u>80,816</u>
Total operating revenues	<u>6,000,665</u>	<u>4,486,896</u>
OPERATING EXPENSES		
Personnel	129,644	123,776
Materials and supplies	985,379	1,284,111
Maintenance	36,352	18,474
Heat, lights, and power	26,328	27,541
Miscellaneous services	609,486	629,817
Contractual services	1,155,906	1,136,230
Computer services	15,237	15,237
Depreciation	<u>2,268,326</u>	<u>2,169,635</u>
Total operating expenses	<u>5,226,658</u>	<u>5,404,821</u>
Operating income (loss) before nonoperating revenues (expenses)	774,007	(917,925)
NONOPERATING REVENUES (EXPENSES)		
Investment income	368	115
Gain (loss) on disposition of capital assets	<u>(16,052)</u>	<u>33,107</u>
Net nonoperating revenues (expenses)	<u>(15,684)</u>	<u>33,222</u>
Change in net position	758,323	(884,703)
Total net position at beginning of year	<u>8,523,628</u>	<u>9,408,331</u>
Total net position at end of year	<u>\$ 9,281,951</u>	<u>\$ 8,523,628</u>

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

V.E.S. FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2016

With comparative totals for the year ended September 30, 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from other funds	\$ 5,979,809	\$ 4,545,996
Cash paid to suppliers for goods and services	(2,835,410)	(3,124,649)
Cash paid to employees for services	(128,324)	(123,067)
Net cash provided (used) by operating activities	<u>3,016,075</u>	<u>1,298,280</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(2,990,016)	(1,167,249)
Proceeds from sale of capital assets	12,821	35,013
Net cash provided (used) by capital and related financing activities	<u>(2,977,195)</u>	<u>(1,132,236)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	368	115
Net increase (decrease) in cash and cash equivalents	39,248	166,159
Cash and cash equivalents at beginning of year	719,236	553,077
Cash and cash equivalents at end of year	<u>\$ 758,484</u>	<u>\$ 719,236</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 774,007	\$ (917,925)
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	2,268,326	2,169,635
Changes in assets and liabilities		
(Increase) decrease in other receivables	(20,748)	59,100
(Increase) decrease in inventory	5,259	37,350
Increase (decrease) in accounts payable	(11,981)	(45,271)
Increase (decrease) in accrued expenses	963	570
Increase (decrease) in due to other funds	(108)	(5,318)
Increase (decrease) in compensated absences	357	139
Total adjustments	<u>2,242,068</u>	<u>2,216,205</u>
Net cash provided (used) by operating activities	<u>\$ 3,016,075</u>	<u>\$ 1,298,280</u>

INFORMATION TECHNOLOGY FUND

CITY OF VICTORIA, TEXAS
INTERNAL SERVICE FUND
INFORMATION TECHNOLOGY FUND
BALANCE SHEET
September 30, 2016
With comparative totals for September 30, 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 485,951	\$ 688,472
Total current assets	<u>485,951</u>	<u>688,472</u>
Noncurrent assets		
Capital assets		
Machinery and equipment	<u>2,741,627</u>	<u>2,439,246</u>
Total capital assets	<u>2,741,627</u>	<u>2,439,246</u>
Less accumulated depreciation	<u>1,834,036</u>	<u>1,498,781</u>
Net capital assets	<u>907,591</u>	<u>940,465</u>
Total assets	<u>1,393,542</u>	<u>1,628,937</u>
LIABILITIES		
Current liabilities		
Accounts payable	38,676	41,670
Accrued expenses	34,993	31,246
Due to other funds	-	9,431
Accrued compensated absences	<u>26,648</u>	<u>23,169</u>
Total liabilities	<u>100,317</u>	<u>105,516</u>
NET POSITION		
Net investment in capital assets	907,591	940,465
Unrestricted	<u>385,634</u>	<u>582,956</u>
Total net position	<u>\$ 1,293,225</u>	<u>\$ 1,523,421</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, 2016

With comparative totals for the year ended September 30, 2015

	<u>2016</u>	<u>2015</u>
OPERATING REVENUES		
Charges for services	\$ 1,192,898	\$ 1,192,898
Miscellaneous	<u>6</u>	<u>-</u>
Total operating revenues	<u>1,192,904</u>	<u>1,192,898</u>
OPERATING EXPENSES		
Personnel	682,348	638,172
Materials and supplies	21,074	18,543
Maintenance	157,921	190,526
Miscellaneous services	146,202	135,245
Contractual services	78,144	54,606
Depreciation	<u>339,749</u>	<u>314,970</u>
Total operating expenses	<u>1,425,438</u>	<u>1,352,062</u>
Operating income (loss) before nonoperating revenues (expenses)	(232,534)	(159,164)
NONOPERATING REVENUES (EXPENSES)		
Investment income	1,794	923
Gain on disposition of capital assets	<u>544</u>	<u>526</u>
Net nonoperating revenues (expenses)	<u>2,338</u>	<u>1,449</u>
Change in net position	(230,196)	(157,715)
Total net position at beginning of year	<u>1,523,421</u>	<u>1,681,136</u>
Total net position at end of year	<u>\$ 1,293,225</u>	<u>\$ 1,523,421</u>

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

INFORMATION TECHNOLOGY FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2016

With comparative totals for the year ended September 30, 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from other funds	\$ 1,183,473	\$ 1,192,898
Cash paid to suppliers for goods and services	(406,335)	(385,216)
Cash paid to employees for services	(675,122)	(636,144)
Net cash provided (used) by operating activities	<u>102,016</u>	<u>171,538</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(306,875)	(770,301)
Proceeds from sale of capital assets	544	526
Net cash provided (used) by capital and related financing activities	<u>(306,331)</u>	<u>(769,775)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	1,794	923
Net cash provided (used) by investing activities	<u>1,794</u>	<u>923</u>
Net increase (decrease) in cash and cash equivalents	(202,521)	(597,314)
Cash and cash equivalents at beginning of year	688,472	1,285,786
Cash and cash equivalents at end of year	<u>\$ 485,951</u>	<u>\$ 688,472</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (232,534)	\$ (159,164)
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	339,749	314,970
Changes in assets and liabilities		
Increase (decrease) in accounts payable	(2,994)	9,857
Increase (decrease) in accrued expenses	3,747	4,694
Increase (decrease) in due to other funds	(9,431)	3,847
Increase (decrease) in compensated absences	3,479	(2,666)
Total adjustments	<u>334,550</u>	<u>330,702</u>
Net cash provided (used) by operating activities	<u>\$ 102,016</u>	<u>\$ 171,538</u>

COMMUNICATIONS FUND

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

COMMUNICATIONS FUND

BALANCE SHEET

September 30, 2016

With comparative totals for September 30, 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 233,715	\$ 146,080
Receivables		
Other	<u>4,572</u>	<u>4,474</u>
Total current assets	<u>238,287</u>	<u>150,554</u>
Noncurrent assets		
Capital assets		
Buildings	32,623	32,623
Infrastructure	2,501	2,501
Machinery and equipment	<u>3,777,852</u>	<u>3,776,319</u>
Total capital assets	3,812,976	3,811,443
Less accumulated depreciation	<u>3,004,131</u>	<u>2,817,960</u>
Subtotal	808,845	993,483
Land	<u>39,168</u>	<u>39,168</u>
Net capital assets	<u>848,013</u>	<u>1,032,651</u>
Total assets	<u>1,086,300</u>	<u>1,183,205</u>
LIABILITIES		
Current liabilities		
Accounts payable	2,357	2,104
Accrued expenses	3,081	2,692
Due to other funds	38	-
Accrued compensated absences	<u>3,916</u>	<u>3,802</u>
Total liabilities	<u>9,392</u>	<u>8,598</u>
NET POSITION		
Net investment in capital assets	848,013	1,032,651
Unrestricted	<u>228,895</u>	<u>141,956</u>
Total net position	<u>\$ 1,076,908</u>	<u>\$ 1,174,607</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, 2016

With comparative totals for the year ended September 30, 2015

	<u>2016</u>	<u>2015</u>
OPERATING REVENUES		
Charges for services	\$ 588,067	\$ 589,237
Miscellaneous	<u>1</u>	<u>6</u>
Total operating revenues	<u>588,068</u>	<u>589,243</u>
OPERATING EXPENSES		
Personnel	61,999	61,202
Materials and supplies	9,948	11,775
Maintenance	400,493	398,584
Miscellaneous services	19,081	19,144
Contractual services	1,952	3,311
Computer services	6,445	6,445
Depreciation	<u>186,171</u>	<u>194,349</u>
Total operating expenses	<u>686,089</u>	<u>694,810</u>
Operating income (loss) before nonoperating revenues (expenses)	(98,021)	(105,567)
NONOPERATING REVENUES (EXPENSES)		
Investment income	<u>322</u>	<u>-</u>
Net nonoperating revenues (expenses)	<u>322</u>	<u>-</u>
Change in net position	(97,699)	(105,567)
Total net position at beginning of year	<u>1,174,607</u>	<u>1,280,174</u>
Total net position at end of year	<u>\$ 1,076,908</u>	<u>\$ 1,174,607</u>

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

COMMUNICATIONS FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2016

With comparative totals for the year ended September 30, 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from other funds	\$ 588,008	\$ 598,554
Cash paid to suppliers for goods and services	(437,666)	(464,113)
Cash paid to employees for services	<u>(61,496)</u>	<u>(60,924)</u>
Net cash provided (used) by operating activities	<u>88,846</u>	<u>73,517</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	<u>(1,533)</u>	<u>-</u>
Net cash provided (used) by capital and related financing activities	<u>(1,533)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	<u>322</u>	<u>-</u>
Net cash provided (used) by investing activities	<u>322</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	87,635	73,517
Cash and cash equivalents at beginning of year	<u>146,080</u>	<u>72,563</u>
Cash and cash equivalents at end of year	<u>\$ 233,715</u>	<u>\$ 146,080</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (98,021)	\$ (105,567)
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	186,171	194,349
Changes in assets and liabilities		
(Increase) decrease in other receivables	(98)	9,311
Increase (decrease) in accounts payable	253	(24,854)
Increase (decrease) in accrued expenses	389	164
Increase (decrease) in due to other funds	38	-
Increase (decrease) in compensated absences	<u>114</u>	<u>114</u>
Total adjustments	<u>186,867</u>	<u>179,084</u>
Net cash provided (used) by operating activities	<u>\$ 88,846</u>	<u>\$ 73,517</u>

PURCHASING FUND

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

PURCHASING FUND

BALANCE SHEET

September 30, 2016

With comparative totals for September 30, 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 10,597	\$ 33,742
Receivables		
Other	23	32
Inventory	<u>80,274</u>	<u>84,742</u>
Total current assets	<u>90,894</u>	<u>118,516</u>
Noncurrent assets		
Capital assets		
Buildings	144,400	144,400
Infrastructure	7,827	7,827
Improvements other than buildings	5,840	5,840
Machinery and equipment	<u>38,517</u>	<u>40,686</u>
Total capital assets	196,584	198,753
Less accumulated depreciation	<u>148,747</u>	<u>143,733</u>
Net capital assets	<u>47,837</u>	<u>55,020</u>
Total assets	<u>138,731</u>	<u>173,536</u>
LIABILITIES		
Current liabilities		
Accounts payable	4,647	4,025
Accrued expenses	9,954	8,539
Due to other funds	112	1
Accrued compensated absences	<u>11,771</u>	<u>11,234</u>
Total liabilities	<u>26,484</u>	<u>23,799</u>
NET POSITION		
Net investment in capital assets	47,837	55,020
Unrestricted	<u>64,410</u>	<u>94,717</u>
Total net position	<u>\$ 112,247</u>	<u>\$ 149,737</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, 2016

With comparative totals for the year ended September 30, 2015

	<u>2016</u>	<u>2015</u>
OPERATING REVENUES		
Charges for services	\$ 200,042	\$ 200,009
Miscellaneous	<u>8,093</u>	<u>10,620</u>
Total operating revenues	<u>208,135</u>	<u>210,629</u>
OPERATING EXPENSES		
Personnel	194,119	186,916
Materials and supplies	3,416	3,190
Maintenance	1,141	959
Heat, lights, and power	4,019	4,365
Miscellaneous services	19,151	17,529
Computer services	16,651	16,651
Depreciation	<u>7,183</u>	<u>6,839</u>
Total operating expenses	<u>245,680</u>	<u>236,449</u>
Operating income (loss) before nonoperating revenues (expenses)	(37,545)	(25,820)
NONOPERATING REVENUES (EXPENSES)		
Gain on disposition of capital assets	<u>55</u>	<u>11</u>
Net nonoperating revenues (expenses)	<u>55</u>	<u>11</u>
Change in net position	(37,490)	(25,809)
Total net position at beginning of year	<u>149,737</u>	<u>175,546</u>
Total net position at end of year	<u>\$ 112,247</u>	<u>\$ 149,737</u>

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

PURCHASING FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2016

With comparative totals for the year ended September 30, 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from other funds	\$ 208,255	\$ 210,742
Cash paid to suppliers for goods and services	(39,288)	(45,830)
Cash paid to employees for services	<u>(192,167)</u>	<u>(185,921)</u>
Net cash provided (used) by operating activities	<u>(23,200)</u>	<u>(21,009)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	-	(6,921)
Proceeds from sale of capital assets	<u>55</u>	<u>11</u>
Net cash provided (used) by capital and related financing activities	<u>55</u>	<u>(6,910)</u>
Net increase (decrease) in cash and cash equivalents	(23,145)	(27,919)
Cash and cash equivalents at beginning of year	<u>33,742</u>	<u>61,661</u>
Cash and cash equivalents at end of year	<u><u>\$ 10,597</u></u>	<u><u>\$ 33,742</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (37,545)	\$ (25,820)
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	7,183	6,839
Changes in assets and liabilities		
(Increase) decrease in other receivables	9	113
(Increase) decrease in inventory	4,468	(3,755)
Increase (decrease) in accounts payable	622	618
Increase (decrease) in accrued expenses	1,415	863
Increase (decrease) in due to other funds	111	1
Increase (decrease) in compensated absences	<u>537</u>	<u>132</u>
Total adjustments	<u>14,345</u>	<u>4,811</u>
Net cash provided (used) by operating activities	<u><u>\$ (23,200)</u></u>	<u><u>\$ (21,009)</u></u>

SAFETY MANAGEMENT FUND

CITY OF VICTORIA, TEXAS
INTERNAL SERVICE FUND
SAFETY MANAGEMENT FUND
BALANCE SHEET
September 30, 2016
With comparative totals for September 30, 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 65,905	\$ 109,461
Receivables		
Other	<u>-</u>	<u>1,117</u>
Total current assets	<u>65,905</u>	<u>110,578</u>
Noncurrent assets		
Capital assets		
Buildings	973	973
Machinery and equipment	<u>5,577</u>	<u>14,431</u>
Total capital assets	<u>6,550</u>	<u>15,404</u>
Less accumulated depreciation	<u>5,490</u>	<u>13,761</u>
Net capital assets	<u>1,060</u>	<u>1,643</u>
Total assets	<u>66,965</u>	<u>112,221</u>
LIABILITIES		
Current liabilities		
Accounts payable	8,230	4,130
Accrued expenses	5,705	5,224
Due to other funds	808	-
Accrued compensated absences	<u>-</u>	<u>4,250</u>
Total liabilities	<u>14,743</u>	<u>13,604</u>
NET POSITION		
Net investment in capital assets	1,060	1,643
Unrestricted	<u>51,162</u>	<u>96,974</u>
Total net position	<u>\$ 52,222</u>	<u>\$ 98,617</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, 2016

With comparative totals for the year ended September 30, 2015

	<u>2016</u>	<u>2015</u>
OPERATING REVENUES		
Charges for services	\$ 622,542	\$ 613,901
Miscellaneous	<u>40,639</u>	<u>17,344</u>
Total operating revenues	<u>663,181</u>	<u>631,245</u>
OPERATING EXPENSES		
Personnel	110,718	108,846
Materials and supplies	1,140	1,037
Reinsurance premiums	537,029	463,920
Miscellaneous services	16,662	18,005
Contractual services	11,299	12,195
Computer services	6,445	6,445
Court costs, judgments, and damages	25,699	14,400
Depreciation	<u>584</u>	<u>610</u>
Total operating expenses	<u>709,576</u>	<u>625,458</u>
Operating income (loss) before nonoperating revenues (expenses)	(46,395)	5,787
NONOPERATING REVENUES (EXPENSES)	<u>-</u>	<u>-</u>
Change in net position	(46,395)	5,787
Total net position at beginning of year	<u>98,617</u>	<u>92,830</u>
Total net position at end of year	<u>\$ 52,222</u>	<u>\$ 98,617</u>

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

SAFETY MANAGEMENT FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2016

With comparative totals for the year ended September 30, 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from other funds	\$ 665,105	\$ 630,154
Cash paid to suppliers for goods and services	(594,174)	(514,164)
Cash paid to employees for services	<u>(114,487)</u>	<u>(107,917)</u>
Net cash provided (used) by operating activities	<u>(43,556)</u>	<u>8,073</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	<u>-</u>	<u>(1,081)</u>
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(1,081)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(43,556)	6,992
Cash and cash equivalents at beginning of year	<u>109,461</u>	<u>102,469</u>
Cash and cash equivalents at end of year	<u>\$ 65,905</u>	<u>\$ 109,461</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (46,395)	\$ 5,787
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	584	610
Changes in assets and liabilities		
(Increase) decrease in other receivables	1,116	(1,091)
Increase (decrease) in accounts payable	4,100	1,838
Increase (decrease) in accrued expenses	481	519
Increase (decrease) in due to other funds	808	-
Increase (decrease) in compensated absences	<u>(4,250)</u>	<u>410</u>
Total adjustments	<u>2,839</u>	<u>2,286</u>
Net cash provided (used) by operating activities	<u>\$ (43,556)</u>	<u>\$ 8,073</u>

WORKERS' COMPENSATION FUND

CITY OF VICTORIA, TEXAS
INTERNAL SERVICE FUND
WORKERS' COMPENSATION FUND
BALANCE SHEET
September 30, 2016
With comparative totals for September 30, 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 250,027	\$ 396,441
Restricted assets		
Cash and cash equivalents	<u>28,000</u>	<u>35,000</u>
Total assets	<u>278,027</u>	<u>431,441</u>
LIABILITIES		
Current liabilities		
Accounts payable	58,704	20,672
Claims payable	<u>274,363</u>	<u>263,609</u>
Total liabilities	<u>333,067</u>	<u>284,281</u>
NET POSITION		
Unrestricted	<u>(55,040)</u>	<u>147,160</u>
Total net position	<u>\$ (55,040)</u>	<u>\$ 147,160</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, 2016

With comparative totals for the year ended September 30, 2015

	<u>2016</u>	<u>2015</u>
OPERATING REVENUES		
Charges for services	\$ 195,006	\$ 195,301
Miscellaneous	<u>12,088</u>	<u>-</u>
Total operating revenues	<u>207,094</u>	<u>195,301</u>
OPERATING EXPENSES		
Claims expense	<u>410,121</u>	<u>263,460</u>
Total operating expenses	<u>410,121</u>	<u>263,460</u>
Operating income (loss) before nonoperating revenues (expenses)	(203,027)	(68,159)
NONOPERATING REVENUES (EXPENSES)		
Investment income	<u>827</u>	<u>318</u>
Change in net position	(202,200)	(67,841)
Total net position at beginning of year	<u>147,160</u>	<u>215,001</u>
Total net position at end of year	<u>\$ (55,040)</u>	<u>\$ 147,160</u>

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

WORKERS' COMPENSATION FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2016

With comparative totals for the year ended September 30, 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from other funds	\$ 207,094	\$ 195,301
Cash paid to suppliers for goods and services	<u>(361,335)</u>	<u>(210,168)</u>
Net cash provided (used) by operating activities	<u>(154,241)</u>	<u>(14,867)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	-	100,030
Investment income	<u>827</u>	<u>318</u>
Net cash provided (used) by investing activities	<u>827</u>	<u>100,348</u>
Net increase (decrease) in cash and cash equivalents	(153,414)	85,481
Cash and cash equivalents at beginning of year	<u>431,441</u>	<u>345,960</u>
Cash and cash equivalents at end of year	<u><u>\$ 278,027</u></u>	<u><u>\$ 431,441</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (203,027)	\$ (68,159)
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Changes in assets and liabilities		
Increase (decrease) in accounts payable	38,032	8,320
Increase (decrease) in claims payable	<u>10,754</u>	<u>44,972</u>
Total adjustments	<u>48,786</u>	<u>53,292</u>
Net cash provided (used) by operating activities	<u><u>\$ (154,241)</u></u>	<u><u>\$ (14,867)</u></u>

PRINT SHOP FUND

CITY OF VICTORIA, TEXAS
INTERNAL SERVICE FUND
PRINT SHOP FUND
BALANCE SHEET
September 30, 2016
With comparative totals for September 30, 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 68,884	\$ 81,919
Receivables		
Other	3,187	958
Inventory	<u>19,371</u>	<u>20,173</u>
Total current assets	<u>91,442</u>	<u>103,050</u>
Noncurrent assets		
Capital assets		
Machinery and equipment	95,005	93,887
Less accumulated depreciation	<u>66,965</u>	<u>73,861</u>
Net capital assets	<u>28,040</u>	<u>20,026</u>
Total assets	<u>119,482</u>	<u>123,076</u>
LIABILITIES		
Current liabilities		
Accounts payable	4,884	1,883
Accrued expenses	5,180	4,519
Due to other funds	4,369	1
Accrued compensated absences	<u>1,273</u>	<u>1,723</u>
Total liabilities	<u>15,706</u>	<u>8,126</u>
NET POSITION		
Net investment in capital assets	28,040	20,026
Unrestricted	<u>75,736</u>	<u>94,924</u>
Total net position	<u>\$ 103,776</u>	<u>\$ 114,950</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, 2016

With comparative totals for the year ended September 30, 2015

	<u>2016</u>	<u>2015</u>
OPERATING REVENUES		
Charges for services	\$ 146,920	\$ 140,060
Miscellaneous	<u>129</u>	<u>1,443</u>
Total operating revenues	<u>147,049</u>	<u>141,503</u>
OPERATING EXPENSES		
Personnel	102,772	102,190
Materials and supplies	6,568	2,921
Maintenance	17,783	10,437
Miscellaneous services	15,319	15,325
Computer services	6,445	6,445
Depreciation	<u>9,143</u>	<u>6,875</u>
Total operating expenses	<u>158,030</u>	<u>144,193</u>
Operating income (loss) before nonoperating revenues (expenses)	(10,981)	(2,690)
NONOPERATING REVENUES (EXPENSES)		
Gain (loss) on disposition of capital assets	<u>(193)</u>	<u>16</u>
Net nonoperating revenues (expenses)	<u>(193)</u>	<u>16</u>
Change in net position	(11,174)	(2,674)
Total net position at beginning of year	<u>114,950</u>	<u>117,624</u>
Total net position at end of year	<u>\$ 103,776</u>	<u>\$ 114,950</u>

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

PRINT SHOP FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2016

With comparative totals for the year ended September 30, 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from other funds	\$ 149,188	\$ 142,781
Cash paid to suppliers for goods and services	(42,312)	(40,342)
Cash paid to employees for services	<u>(102,561)</u>	<u>(104,532)</u>
Net cash provided (used) by operating activities	<u>4,315</u>	<u>(2,093)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(17,350)	(18,423)
Proceeds from sale of capital assets	<u>-</u>	<u>16</u>
Net cash provided (used) by capital and related financing activities	<u>(17,350)</u>	<u>(18,407)</u>
Net increase (decrease) in cash and cash equivalents	(13,035)	(20,500)
Cash and cash equivalents at beginning of year	<u>81,919</u>	<u>102,419</u>
Cash and cash equivalents at end of year	<u>\$ 68,884</u>	<u>\$ 81,919</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (10,981)	\$ (2,690)
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	9,143	6,875
Changes in assets and liabilities		
(Increase) decrease in other receivables	(2,229)	1,278
(Increase) decrease in inventory	802	(198)
Increase (decrease) in accounts payable	3,001	(3,515)
Increase (decrease) in accrued expenses	661	380
Increase (decrease) in due to other funds	4,368	(1,501)
Increase (decrease) in compensated absences	<u>(450)</u>	<u>(2,722)</u>
Total adjustments	<u>15,296</u>	<u>597</u>
Net cash provided (used) by operating activities	<u>\$ 4,315</u>	<u>\$ (2,093)</u>

EMPLOYEE HEALTH PLAN FUND

CITY OF VICTORIA, TEXAS
INTERNAL SERVICE FUND
EMPLOYEE HEALTH PLAN FUND
BALANCE SHEET
September 30, 2016
With comparative totals for September 30, 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,072,186	\$ 2,670,776
Investments	2,232,258	2,608,409
Receivables		
Other	23,021	57,117
Due from other funds	434,983	472,642
Prepaid items	<u>65,762</u>	<u>69,119</u>
Total assets	<u>4,828,210</u>	<u>5,878,063</u>
LIABILITIES		
Current liabilities		
Accounts payable	17,733	4,372
Claims payable	<u>730,123</u>	<u>446,330</u>
Total liabilities	<u>747,856</u>	<u>450,702</u>
NET POSITION		
Unrestricted	<u>4,080,354</u>	<u>5,427,361</u>
Total net position	<u>\$ 4,080,354</u>	<u>\$ 5,427,361</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, 2016

With comparative totals for year ended September 30, 2015

	<u>2016</u>	<u>2015</u>
OPERATING REVENUES		
Charges for services	\$ 6,219,234	\$ 6,175,449
Miscellaneous	<u>10,729</u>	<u>6,884</u>
Total operating revenues	<u>6,229,963</u>	<u>6,182,333</u>
OPERATING EXPENSES		
Reinsurance premiums	545,992	555,138
Contractual services	416,296	414,585
Claims expense	5,619,836	6,013,558
Wellness program	<u>17,602</u>	<u>18,343</u>
Total operating expenses	<u>6,599,726</u>	<u>7,001,624</u>
Operating income (loss) before nonoperating revenues (expenses), transfers and special item	(369,763)	(819,291)
NONOPERATING REVENUES (EXPENSES)		
Investment income	<u>22,756</u>	<u>18,394</u>
Net nonoperating revenues (expenses)	<u>22,756</u>	<u>18,394</u>
Income (loss) before transfers and special item	(347,007)	(800,897)
Transfers		
Transfers in	<u>200,000</u>	<u>-</u>
Special item - other post employment benefits trust payment	<u>(1,200,000)</u>	<u>-</u>
Change in net position	(1,347,007)	(800,897)
Total net position at beginning of year	<u>5,427,361</u>	<u>6,228,258</u>
Total net position at end of year	<u>\$ 4,080,354</u>	<u>\$ 5,427,361</u>

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

EMPLOYEE HEALTH PLAN FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2016

With comparative totals for the year ended September 30, 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from other funds	\$ 6,301,718	\$ 6,332,552
Cash paid to suppliers for goods and services	<u>(6,299,215)</u>	<u>(7,004,986)</u>
Net cash provided (used) by operating activities	<u>2,503</u>	<u>(672,434)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Other post employment benefits trust payment	(1,200,000)	-
Transfers in from other funds	<u>200,000</u>	<u>-</u>
Net cash provided (used) by noncapital financing activities	<u>(1,000,000)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(1,936,000)	(2,468,696)
Proceeds from sales and maturities of investments	2,312,151	4,005,642
Investment income	<u>22,756</u>	<u>18,394</u>
Net cash provided (used) by investing activities	<u>398,907</u>	<u>1,555,340</u>
Net increase (decrease) in cash and cash equivalents	(598,590)	882,906
Cash and cash equivalents at beginning of year	<u>2,670,776</u>	<u>1,787,870</u>
Cash and cash equivalents at end of year	<u>\$ 2,072,186</u>	<u>\$ 2,670,776</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (369,763)	\$ (819,291)
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Changes in assets and liabilities		
(Increase) decrease in other receivables	34,096	(56,961)
(Increase) decrease in due from other funds	37,659	207,180
(Increase) decrease in prepaid items	3,357	(69,119)
Increase (decrease) in accounts payable	13,361	62
Increase (decrease) in claims payable	<u>283,793</u>	<u>65,695</u>
Total adjustments	<u>372,266</u>	<u>146,857</u>
Net cash provided (used) by operating activities	<u>\$ 2,503</u>	<u>\$ (672,434)</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, 2016*

	<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	\$ 129,200	\$ 123,069	\$ 161,630	\$ 90,639
Receivables (net)	-	800	800	-
Prepaid items	-	720	-	720
Total assets	<u>\$ 129,200</u>	<u>\$ 124,589</u>	<u>\$ 162,430</u>	<u>\$ 91,359</u>
Liabilities				
Accounts payable	\$ 864	\$ 138,079	\$ 136,509	\$ 2,434
Due to other agencies	128,336	74,009	113,420	88,925
Total liabilities	<u>\$ 129,200</u>	<u>\$ 212,088</u>	<u>\$ 249,929</u>	<u>\$ 91,359</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			
	2007	2008	2009	2010
Governmental activities				
Net investment in capital assets	\$ 81,674,543	\$ 90,954,312	\$ 103,076,382	\$ 101,134,927
Restricted	1,696,525	1,838,427	1,699,737	3,582,920
Unrestricted	<u>22,718,779</u>	<u>24,267,168</u>	<u>25,988,151</u>	<u>26,775,847</u>
Total governmental activities net position	<u>\$ 106,089,847</u>	<u>\$ 117,059,907</u>	<u>\$ 130,764,270</u>	<u>\$ 131,493,694</u>
Business-type activities				
Net investment in capital assets	\$ 33,129,491	\$ 37,957,306	\$ 37,535,371	\$ 38,241,963
Unrestricted	<u>12,929,543</u>	<u>12,557,448</u>	<u>16,284,572</u>	<u>14,932,212</u>
Total business-type activities net position	<u>\$ 46,059,034</u>	<u>\$ 50,514,754</u>	<u>\$ 53,819,943</u>	<u>\$ 53,174,175</u>
Primary Government				
Net investment in capital assets	\$ 114,804,034	\$ 128,911,618	\$ 140,611,753	\$ 139,376,890
Restricted	1,696,525	1,838,427	1,699,737	3,582,920
Unrestricted	<u>35,648,322</u>	<u>36,824,616</u>	<u>42,272,723</u>	<u>41,708,059</u>
Total primary government activities net position	<u>\$ 152,148,881</u>	<u>\$ 167,574,661</u>	<u>\$ 184,584,213</u>	<u>\$ 184,667,869</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					
2011	2012	2013	2014	2015	2016
\$ 96,662,568	\$ 92,513,084	\$ 94,905,320	\$ 88,654,073	\$ 83,609,268	\$ 84,007,457
4,685,266	2,919,609	3,500,017	3,524,554	3,547,378	2,985,524
<u>19,134,765</u>	<u>21,378,976</u>	<u>18,196,626</u>	<u>21,472,040</u>	<u>(794,827)</u>	<u>(2,351,962)</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>	<u>\$ 84,641,019</u>
\$ 42,657,025	\$ 47,433,497	\$ 53,705,125	\$ 60,853,934	\$ 65,123,880	\$ 71,351,401
<u>17,370,233</u>	<u>18,648,788</u>	<u>17,552,820</u>	<u>14,140,873</u>	<u>9,021,633</u>	<u>9,468,882</u>
<u>\$ 60,027,258</u>	<u>\$ 66,082,285</u>	<u>\$ 71,257,945</u>	<u>\$ 74,994,807</u>	<u>\$ 74,145,513</u>	<u>\$ 80,820,283</u>
\$ 139,319,593	\$ 139,946,581	\$ 148,610,445	\$ 149,508,007	\$ 148,733,148	\$ 155,358,858
4,685,266	2,919,609	3,500,017	3,524,554	3,547,378	2,985,524
<u>36,504,998</u>	<u>40,027,764</u>	<u>35,749,446</u>	<u>35,612,913</u>	<u>8,226,806</u>	<u>7,116,920</u>
<u>\$ 180,509,857</u>	<u>\$ 182,893,954</u>	<u>\$ 187,859,908</u>	<u>\$ 188,645,474</u>	<u>\$ 160,507,332</u>	<u>\$ 165,461,302</u>

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

	Fiscal Year			
	2007	2008	2009	2010
Governmental activities				
Expenses				
General government	\$ 6,309,381	\$ 6,931,856	\$ 7,644,809	\$ 7,634,811
Public safety	21,011,764	21,735,079	23,007,338	24,156,480
Development	6,536,201	7,823,283	7,914,392	14,827,929
Building services	-	-	-	-
Recreation	4,567,261	5,103,708	5,127,406	5,358,952
Interest on long-term debt	3,045,176	3,292,118	3,200,423	4,562,764
Total expenses	<u>41,469,783</u>	<u>44,886,044</u>	<u>46,894,368</u>	<u>56,540,936</u>
Program revenues				
Charges for services				
General government	1,500,177	1,984,766	2,559,383	2,411,387
Public safety	3,462,799	5,061,946	3,830,282	3,549,406
Development	1,764	-	-	-
Recreation	1,291,701	199,493	300,970	311,471
Operating grants and contributions	1,483,014	1,782,897	1,802,260	2,868,795
Capital grants and contributions	205,606	4,000,000	10,424,447	3,834,982
Total program revenues	<u>7,945,061</u>	<u>13,029,102</u>	<u>18,917,342</u>	<u>12,976,041</u>
Total governmental activities net program (expense) revenue	(33,524,722)	(31,856,942)	(27,977,026)	(43,564,895)
General revenues and other changes in net position				
Taxes				
Property taxes	17,365,758	18,731,119	19,676,691	20,178,350
Sales taxes	13,028,689	13,545,220	13,046,352	11,978,185
Franchise taxes	4,887,453	4,678,027	4,657,347	4,665,101
Other taxes	1,127,701	1,306,496	1,127,564	1,196,969
Unrestricted investment earnings	2,333,774	2,062,275	792,410	305,323
Gain (loss) on disposition of capital assets	(153,537)	-	-	-
Miscellaneous	987,575	577,458	715,111	1,084,532
Transfers	6,290,847	1,674,251	1,665,914	4,885,859
Total general revenues and other changes in net position	<u>45,868,260</u>	<u>42,574,846</u>	<u>41,681,389</u>	<u>44,294,319</u>
Total governmental activities change in net position	<u>\$ 12,343,538</u>	<u>\$ 10,717,904</u>	<u>\$ 13,704,363</u>	<u>\$ 729,424</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					
2011	2012	2013	2014	2015	2016
\$ 8,885,981	\$ 7,882,287	\$ 5,709,668	\$ 6,094,985	\$ 5,630,383	\$ 5,702,892
24,668,502	26,018,770	25,215,002	25,286,282	27,620,120	29,460,858
26,226,457	17,974,898	19,282,345	20,425,736	19,636,633	20,668,698
-	-	622,921	608,534	673,904	707,411
5,579,848	6,366,709	7,025,377	7,602,241	7,611,173	8,463,045
4,187,138	4,465,314	3,971,377	4,282,847	4,402,538	4,042,068
<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>	<u>69,044,972</u>
2,571,837	3,086,126	2,216,473	2,088,907	1,979,444	1,923,867
3,720,774	4,055,811	4,009,925	4,573,392	5,075,992	4,990,585
-	-	-	10,440	-	-
375,573	422,205	575,059	451,590	515,531	526,245
3,961,041	2,419,230	2,580,598	3,255,156	3,961,463	4,066,404
2,598,637	1,307,549	4,749,721	-	407,335	4,711,910
<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>	<u>16,219,011</u>
(56,320,064)	(51,417,057)	(47,694,914)	(53,921,140)	(53,634,986)	(52,825,961)
20,330,192	20,855,303	20,848,132	22,403,124	23,339,865	23,811,469
14,768,729	17,533,000	17,516,177	17,692,397	17,937,136	16,555,680
4,761,009	4,981,674	5,136,247	5,308,414	5,410,432	5,175,796
1,661,740	2,116,093	1,993,357	2,037,318	1,933,140	1,460,082
128,013	98,042	92,079	130,688	115,633	219,846
-	-	-	-	-	-
1,113,342	742,520	829,767	809,043	972,716	1,124,591
2,545,944	2,481,540	2,561,760	2,588,860	2,694,491	2,757,697
<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>51,105,161</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>	<u>\$ (1,720,800)</u>

(continued)

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

	Fiscal Year			
	2007	2008	2009	2010
Business-type activities				
Expenses				
Water/wastewater	\$ 17,796,972	\$ 18,715,248	\$ 19,175,705	\$ 18,589,868
Environmental services	3,910,749	5,024,014	3,790,348	3,182,201
Other	644,320	884,680	790,005	848,161
Total expenses	<u>22,352,041</u>	<u>24,623,942</u>	<u>23,756,058</u>	<u>22,620,230</u>
Program revenues				
Charges for services				
Water/wastewater	19,097,742	20,997,411	22,889,967	21,973,303
Environmental services	4,319,074	6,726,226	4,245,528	4,128,139
Other	346,655	480,797	564,531	425,929
Operating grants and contributions	-	-	54,826	-
Capital grants and contributions	774,028	1,800,876	705,899	284,490
Total program revenues	<u>24,537,499</u>	<u>30,005,310</u>	<u>28,460,751</u>	<u>26,811,861</u>
Total business-type activities net program (expense) revenue	2,185,458	5,381,368	4,704,693	4,191,631
General revenues and other changes in net position				
Unrestricted investment earnings	812,815	748,603	266,410	48,460
Gain (loss) on disposition of capital assets	(194,343)	-	-	-
Miscellaneous	136,395	-	-	-
Transfers	(6,290,847)	(1,674,251)	(1,665,914)	(4,885,859)
Total general revenues and other changes in net position	<u>(5,535,980)</u>	<u>(925,648)</u>	<u>(1,399,504)</u>	<u>(4,837,399)</u>
Total business-type activities change in net position	<u>\$ (3,350,522)</u>	<u>\$ 4,455,720</u>	<u>\$ 3,305,189</u>	<u>\$ (645,768)</u>
Total primary government change in net position	<u>\$ 8,993,016</u>	<u>\$ 15,173,624</u>	<u>\$ 17,009,552</u>	<u>\$ 83,656</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					
2011	2012	2013	2014	2015	2016
\$ 18,628,230	\$ 18,694,233	\$ 19,313,776	\$ 20,553,362	\$ 20,960,979	\$ 20,894,040
3,219,898	3,849,208	4,135,237	4,212,510	3,743,052	5,376,450
813,330	848,712	926,599	923,786	1,000,683	945,557
<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>	<u>27,216,047</u>
24,086,400	24,029,096	24,816,749	25,151,264	26,180,265	25,893,148
4,462,994	4,799,682	4,996,129	5,043,783	5,096,308	5,354,136
339,623	397,531	397,968	395,088	365,058	408,127
-	-	-	-	-	-
<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>4,741,062</u>
<u>32,016,771</u>	<u>32,101,604</u>	<u>36,310,401</u>	<u>31,964,446</u>	<u>33,272,616</u>	<u>36,396,473</u>
9,355,313	8,709,451	11,934,789	6,274,788	7,567,902	9,180,426
43,714	60,423	57,555	50,934	78,774	114,836
-	-	-	-	-	-
-	-	629,420	-	-	137,205
<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>(2,757,697)</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>(2,505,656)</u>
<u>\$ 6,853,083</u>	<u>\$ 6,288,334</u>	<u>\$ 10,060,004</u>	<u>\$ 3,736,862</u>	<u>\$ 4,952,185</u>	<u>\$ 6,674,770</u>
<u>\$ (4,158,012)</u>	<u>\$ 3,679,449</u>	<u>\$ 11,342,609</u>	<u>\$ 785,566</u>	<u>\$ 3,720,612</u>	<u>\$ 4,953,970</u>

(concluded)

CITY OF VICTORIA, TEXAS

PROGRAM REVENUES BY FUNCTION/PROGRAM (1)

Last ten fiscal years

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

(1) Accrual basis of accounting

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 4,165,588	\$ 4,061,019	\$ 3,390,820	\$ 3,346,359	\$ 3,205,473	\$ 3,469,295
1,104,800	1,110,570	1,608,173	1,912,010	1,675,433	1,635,613
1,673,163	1,649,689	1,400,000	1,400,000	1,500,000	3,409,358
2,022,130	1,960,248	1,530,652	1,511,622	2,081,337	1,924,875
173,514	81,830	47,314	57,182	214,987	151,495
3,297,208	1,381,185	5,392,128	1,645,959	2,681,860	5,010,613
639,063	655,488	257,374	76,836	93,088	84,456
87,526	74,431	75,429	88,191	83,410	103,093
64,870	316,461	429,886	341,326	404,177	430,213
<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>	<u>16,219,011</u>
27,214,154	26,904,391	30,916,304	26,525,575	27,964,535	30,634,210
4,462,994	4,799,682	4,996,129	5,043,783	5,124,448	5,354,136
240,429	245,895	246,453	243,548	211,541	256,542
99,194	151,636	151,515	151,540	153,517	151,585
-	-	-	-	-	-
<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>36,396,473</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>	<u>\$ 52,615,484</u>

CITY OF VICTORIA, TEXAS

FUND BALANCES, GOVERNMENTAL FUNDS (1)

Last ten fiscal years

	Fiscal Year			
	2007	2008	2009	2010
General Fund				
Nonspendable				
Inventory	\$ -	\$ -	\$ -	\$ -
Committed	-	-	-	-
Unassigned	-	-	-	-
Reserved				
Encumbrances	2,841,648	3,790,753	2,007,737	2,009,003
Inventory	-	252,156	280,174	205,798
Unreserved	<u>12,041,754</u>	<u>11,055,775</u>	<u>12,913,370</u>	<u>11,937,105</u>
Total general fund	<u>\$ 14,883,402</u>	<u>\$ 15,098,684</u>	<u>\$ 15,201,281</u>	<u>\$ 14,151,906</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	22,936,937	10,449,047	1,869,318	29,200,456
Unreserved, reported in				
Special revenue funds	782,553	786,064	753,475	654,310
Debt service fund	933,505	1,185,901	1,197,665	1,024,126
Capital project funds	<u>2,858,366</u>	<u>11,722,400</u>	<u>12,370,240</u>	<u>6,088,406</u>
Total all other governmental funds	<u>\$ 27,511,361</u>	<u>\$ 24,143,412</u>	<u>\$ 16,190,698</u>	<u>\$ 36,967,298</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					
2011	2012	2013	2014	2015	2016
\$ 315,614	\$ 314,846	\$ 240,214	\$ 268,964	\$ 271,491	\$ 245,932
1,570,456	1,961,362	2,331,578	2,689,089	950,019	1,052,259
14,342,229	16,846,702	15,289,711	15,330,199	16,650,305	15,483,910
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<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>	<u>\$ 16,782,101</u>
\$ 953,394	\$ 977,452	\$ 1,222,778	\$ 1,091,077	\$ 1,102,779	\$ 1,093,523
16,102,523	4,323,282	2,729,133	8,566,369	12,456,055	8,306,325
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	1,124,613
135,328	226,919	257,161	225,488	207,063	239,608
96,783	66,220	53,884	94,264	96,496	89,620
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<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>	<u>\$ 10,853,689</u>

CITY OF VICTORIA, TEXAS

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (1)

Last ten fiscal years

	Fiscal Year			
	2007	2008	2009	2010
Revenues				
Taxes	\$ 36,551,459	\$ 38,384,785	\$ 38,607,055	\$ 38,100,542
Licenses and permits	727,532	787,190	654,842	662,792
Intergovernmental	3,325,215	4,411,652	4,127,236	6,923,780
Charges for services	1,697,048	1,764,291	2,020,751	1,957,973
Fines and forfeitures	1,413,887	1,254,294	1,025,175	913,478
Investment income	2,436,372	1,852,377	654,772	156,822
Miscellaneous	757,739	4,559,666	10,580,086	1,628,730
Total revenues	<u>46,909,252</u>	<u>53,014,255</u>	<u>57,669,917</u>	<u>50,344,117</u>
Expenditures				
Current				
General government	5,634,109	6,162,416	7,079,966	6,842,991
Public safety	21,705,108	25,752,199	25,516,863	26,475,134
Development	4,882,077	4,961,785	6,319,245	4,533,558
Building services	-	-	-	-
Recreation	4,825,620	5,952,544	5,758,754	5,787,081
Capital outlay	11,154,436	18,826,980	16,355,509	10,862,646
Debt service				
Principal retirement	3,150,000	3,325,000	3,805,000	3,390,000
Interest and fiscal charges	2,824,445	3,117,121	3,057,924	4,103,879
Paying agents' fees and issue costs	23,900	185,803	32,687	681,114
Total expenditures	<u>54,199,695</u>	<u>68,283,848</u>	<u>67,925,948</u>	<u>62,676,403</u>
Excess (deficiency) of revenues over expenditures	<u>(7,290,443)</u>	<u>(15,269,593)</u>	<u>(10,256,031)</u>	<u>(12,332,286)</u>
Other financing sources (uses)				
Bonds issued	-	9,995,000	-	35,045,000
Premium on issuance of bonds	-	195,519	-	515,234
Payment to escrow	-	-	-	(8,985,582)
Transfers in	6,902,090	2,641,257	5,691,053	7,275,415
Transfers out	(611,243)	(967,006)	(3,285,139)	(1,790,556)
Total other financing sources (uses)	<u>6,290,847</u>	<u>11,864,770</u>	<u>2,405,914</u>	<u>32,059,511</u>
Change in fund balances	<u>\$ (999,596)</u>	<u>\$ (3,404,823)</u>	<u>\$ (7,850,117)</u>	<u>\$ 19,727,225</u>
Debt service as a percentage of noncapital expenditures	<u>15.07%</u>	<u>14.43%</u>	<u>14.76%</u>	<u>14.98%</u>

(1) Modified accrual basis of accounting

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 41,747,689	\$ 45,781,292	\$ 45,431,594	\$ 47,356,786	\$ 48,542,609	\$ 46,935,424
654,829	842,050	962,217	1,134,453	959,596	993,929
5,568,731	4,740,048	4,312,719	3,721,314	5,607,497	5,884,971
2,108,045	2,261,037	2,066,070	2,162,871	2,259,027	2,310,974
871,159	1,216,786	906,199	1,600,630	1,432,225	1,382,718
113,446	78,076	76,251	112,300	95,883	193,779
<u>3,512,629</u>	<u>1,470,793</u>	<u>5,688,203</u>	<u>2,003,817</u>	<u>1,107,333</u>	<u>3,951,250</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>	<u>61,653,045</u>
7,691,966	6,600,564	4,741,811	5,309,532	4,565,527	4,978,458
25,970,544	26,151,196	25,097,350	25,206,138	27,001,802	27,679,581
17,378,572	9,134,802	10,209,543	10,704,794	8,058,818	9,469,796
-	-	751,312	606,761	621,326	675,935
5,473,792	6,564,863	7,586,352	7,632,206	7,147,774	7,855,287
18,889,663	13,249,019	7,707,932	4,516,213	6,397,159	11,042,655
3,715,000	3,990,000	4,665,000	5,410,000	7,505,000	7,020,000
4,037,313	4,340,073	3,567,975	4,103,190	3,993,868	3,908,294
<u>203,809</u>	<u>205,798</u>	<u>393,724</u>	<u>162,207</u>	<u>316,999</u>	<u>91,745</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>	<u>72,721,751</u>
(28,784,131)	(13,846,233)	(5,277,746)	(5,558,870)	(5,604,103)	(11,068,706)
9,740,000	7,720,000	25,015,000	9,095,000	17,715,000	2,445,000
97,204	71,752	2,163,159	50,222	1,400,250	137,545
-	(3,867,191)	(26,781,924)	-	(12,812,888)	-
10,568,226	5,207,042	5,540,057	5,984,682	11,012,236	8,654,033
<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>(6,096,336)</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>5,140,242</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>\$ (5,928,464)</u>
<u>12.85%</u>	<u>16.05%</u>	<u>15.98%</u>	<u>17.46%</u>	<u>20.46%</u>	<u>18.42%</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>
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
2016	23,551,572	217,294	5,175,796	16,555,680	1,365,952
Change 2007-2016	35.94%	4.66%	5.90%	27.07%	33.59%

(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 and 2016 saw a decrease mainly due to the slowdown of Eagle Ford Shale activity in the area and economic downturn.

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 2015, the City experienced an average annual growth rate of 5.3%, due to an expansion of normal economic growth and Eagle Ford Shale activity. In FY2016, due to lower oil/gas prices, Victoria's oil and natural gas industry growth contracted, which resulted in a decrease in sales tax revenue.

<u>Other</u>	<u>Total</u>
\$ 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
69,130	46,935,424
-13.78%	28.41%

CITY OF VICTORIA, TEXAS

ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

Last ten fiscal years

Fiscal Year	Tax Roll	Real Property			Personal Property	
		Residential Property	Commercial and Industrial Property	Rural-Underdeveloped Property	Business	Other
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
2016	2015	2,650,912,234	1,010,440,545	40,375,739	1,246,748,493	12,411,010

(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
\$ 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%
782,065,651	4,178,822,370	0.5711	4,178,822,370	100.00%

CITY OF VICTORIA, TEXAS

DIRECT AND OVERLAPPING PROPERTY TAX RATES

PER \$100 OF ASSESSED VALUE

Last ten fiscal years

<u>Fiscal Year</u>	<u>City Direct Rates</u>			<u>Overlapping Rates</u>		
	<u>Debt Service</u>	<u>General Fund</u>	<u>Total</u>	<u>School District</u>	<u>Junior College</u>	<u>Navigation District</u>
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
2016	0.2446	0.3265	0.5711	1.2663	0.1925	0.0240

SOURCE: Victoria County Appraisal District

Overlapping Rates				
Victoria County	Road and Bridge	Ground Water District	Total	
\$ 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	
0.3309	0.0650	0.0088	1.8875	

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

2016		
Taxpayer	Taxable Assessed Valuation	Percentage of Total City Taxable Assessed Valuation
Victoria WLE, L.P.	\$ 40,604,260	0.97%
AEP Texas Central Co.	36,907,580	0.88%
Victoria Texas Apartments, LLC	18,383,270	0.44%
Victoria Hospital, L.L.C.	16,904,390	0.40%
Halliburton Energy Services	16,900,510	0.40%
H.E.B. Grocery	16,285,400	0.39%
James A. Wayne	16,222,880	0.39%
Performance Food Group	15,461,700	0.37%
Wal-Mart Stores Texas LP	14,019,970	0.34%
Berry Plastics Corporation	13,816,590	0.33%
	<u>\$ 205,506,550</u>	<u>4.91%</u>

2007		
Taxpayer	Taxable Assessed Valuation	Percentage of Total City Taxable Assessed Valuation
AEP Central Power & Light Co.	\$ 31,611,300	1.26%
Tyco Plastics, L.P.	25,908,630	1.03%
Victoria Hospital, L.L.C.	19,537,060	0.78%
HS Victoria, L.P.	18,929,670	0.76%
H.E.B. Grocery	14,643,110	0.58%
Southwestern Bell Telephone Co.	14,073,380	0.56%
Schlumberger Well Services	13,390,860	0.53%
James A. Wayne	12,433,010	0.50%
First Victoria National Bank	11,605,690	0.46%
DeTar Hospital, Inc.	11,388,190	0.45%
	<u>\$ 173,520,900</u>	<u>6.91%</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>
2007	\$ 17,294,507	\$ 83,442	\$ 17,377,949	\$ 17,050,006	98.11%
2008	18,725,721	(2,538)	18,723,183	18,369,725	98.11%
2009	19,693,268	-	19,693,268	19,271,874	97.86%
2010	20,228,599	-	20,228,599	19,755,429	97.66%
2011	20,327,879	13	20,327,892	19,938,819	98.09%
2012	20,693,808	(14,095)	20,679,713	20,470,591	98.99%
2013	20,792,135	(20,264)	20,771,871	20,338,256	97.91%
2014	22,402,390	(2,092)	22,400,298	21,877,717	97.67%
2015	23,242,354	(6,332)	23,236,022	22,715,220	97.76%
2016	23,865,255	(29,965)	23,835,290	23,314,997	97.82%

SOURCE: City of Victoria
Victoria County Tax Assessor/Collector

Collections in Subsequent Years	Total Collections to Date	
	Amount	Percentage of Levy
\$ 283,901	\$ 17,333,907	99.75%
299,124	18,668,849	99.71%
365,222	19,637,096	99.71%
405,575	20,161,005	99.67%
326,087	20,264,905	99.69%
140,076	20,610,667	99.67%
105,696	20,443,951	98.42%
173,169	22,050,885	98.44%
96,957	22,812,177	98.18%
-	23,314,997	97.82%

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>
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
2016	3,291,962,000	3,130,351,428	161,610,572	4.91%	2,600,269,000

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
\$ 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
18.21	1.92	22.68	2.47

CITY OF VICTORIA, TEXAS

WATER AND SEWER RATES

Last ten fiscal years

	Fiscal Year			
	2007	2008	2009	2010
Water Rates (per 2,000 gallons)				
Base Rate (meter size)				
¾"	\$ 15.01	\$ 16.73	\$ 17.09	\$ 17.49
1"	37.53	41.84	42.73	43.73
1½"	75.05	83.66	85.45	87.45
2"	120.08	133.86	136.73	139.93
3"	240.17	267.73	273.45	279.85
4"	375.25	418.31	427.26	437.26
6"	750.50	836.62	854.51	874.51
8"	2,401.60	2,677.17	2,734.43	2,798.43
10"	3,752.50	4,183.08	4,272.55	4,372.55
Water usage rate (1,000 gallons increments)				
3-7	1.52	1.57	1.67	1.67
8-18	1.68	1.73	1.83	1.83
19-50	2.00	2.05	2.15	2.15
51-75	2.25	2.30	2.40	2.40
>51	-	-	-	-
76-100	2.40	2.45	2.55	2.55
>100	2.55	2.60	2.70	2.70
Sewer Rates (per 2,000 gallons)				
¾"	19.16	21.03	21.41	21.85
1"	47.90	52.57	53.54	54.64
1½"	95.80	105.14	107.10	109.30
2"	153.28	168.22	171.34	174.86
3"	306.56	336.44	342.69	349.73
4"	479.00	525.69	535.45	546.45
6"	958.00	1,051.37	1,070.89	1,092.89
8"	3,065.60	3,364.39	3,426.86	3,497.26
10"	4,790.00	5,256.86	5,354.47	5,464.47
Sewer usage rate (1,000 gallons increments)				
>2	-	-	-	-
3-7	2.07	2.12	2.22	2.22
8-18	2.12	2.17	2.27	2.27
19-50	2.17	2.22	2.32	2.32
51-75	2.22	2.27	2.37	2.37
76-100	2.37	2.42	2.52	2.52
>100,000	2.52	2.57	2.67	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					
2011	2012	2013	2014	2015	2016
\$ 17.49	\$ 17.96	\$ 17.96	\$ 17.96	\$ 18.21	\$ 18.21
43.73	44.92	44.92	44.92	45.55	45.55
87.45	89.82	89.82	89.82	91.07	91.07
139.93	143.72	143.72	143.72	145.72	145.72
279.85	287.44	287.44	287.44	291.44	291.44
437.26	449.12	449.12	449.12	455.37	455.37
874.51	898.23	898.23	898.23	910.73	910.73
2,798.43	2,874.33	2,874.33	2,874.33	2,913.33	2,913.33
4,372.55	4,491.14	4,491.14	4,491.14	4,553.64	4,553.64
1.67	1.67	1.67	1.67	1.92	1.92
1.83	1.83	1.83	1.83	2.08	2.08
2.15	2.15	2.15	2.15	2.40	2.40
2.40	2.40	2.40	2.40	2.65	2.65
-	-	-	-	-	-
2.55	2.55	2.55	2.55	2.80	2.80
2.70	2.70	2.70	2.70	2.95	2.95
21.85	22.43	22.43	22.43	22.68	22.68
54.64	56.08	56.08	56.08	56.71	56.71
109.30	112.19	112.19	112.19	113.44	113.44
174.86	179.48	179.48	179.48	181.48	181.48
349.73	358.97	358.97	358.97	362.97	362.97
546.45	560.88	560.88	560.88	567.13	567.13
1,092.89	1,121.75	1,121.75	1,121.75	1,134.25	1,134.25
3,497.26	3,589.61	3,589.61	3,589.61	3,629.61	3,629.61
5,464.47	5,608.77	5,608.77	5,608.77	5,670.27	5,670.27
-	-	-	-	-	-
2.22	2.22	2.22	2.22	2.47	2.47
2.27	2.27	2.27	2.27	2.52	2.52
2.32	2.32	2.32	2.32	2.57	2.57
2.37	2.37	2.37	2.37	2.62	2.62
2.52	2.52	2.52	2.52	2.77	2.77
2.67	2.67	2.67	2.67	2.92	2.92

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

2016			
<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	39,064	1.11%
Caterpillar	Factory	31,263	0.89%
Detar Hospital	Hospital	28,663	0.82%
VISD - Memorial	School	26,809	0.76%
Autumn Park Apartments	Apartments	21,297	0.61%
Victoria County Jail	County Jail	18,699	0.53%
Creekstone Apartments	Apartments	17,998	0.51%
Pinnacle Pointe Apartments	Apartments	17,179	0.49%
Twin Pines	Assisted Living	16,662	0.47%
Victoria Tx Apartments	Apartments	14,660	0.42%

2007			
<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	49,241	1.57%
Victoria County Jail	County Jail	19,290	0.61%
Detar Hospital	Hospital	18,369	0.58%
Creekstone Ranch	Apartment Complex	14,793	0.47%
Sage Creek Apartments	Apartment Complex	14,180	0.45%
Fox Run Apartments	Apartment Complex	13,765	0.44%
Cintas	Laundry/Cleaners	11,539	0.37%
VISD - Memorial	School	11,514	0.37%
Detar Regional	Hospital	10,805	0.34%
Mockingbird Apartments	Apartment Complex	10,708	0.34%

SOURCE: City of Victoria Utility Billing Office



CITY OF VICTORIA, TEXAS

RATIOS OF OUTSTANDING DEBT BY TYPE

Last ten fiscal years

Fiscal Year	Governmental Activities			Business-type Activities		Total Primary Government
	Certificates of Obligation	General Obligation Bonds	Plus: Issuance Premiums	Revenue Bonds	Plus: Issuance Premiums	
2007	\$ 30,880,000	\$ 35,050,000	\$ 113,426	\$ 70,360,000	\$ 1,527,699	\$ 137,931,125
2008	38,880,000	33,720,000	293,498	66,975,000	1,428,723	141,297,221
2009	62,900,000	32,225,000	278,051	70,130,000	1,329,747	166,862,798
2010	61,375,000	30,475,000	764,623	73,040,000	2,722,750	168,377,373
2011	59,740,000 **	38,135,000	800,703 *	69,125,000	2,516,601	170,317,304
2012	57,835,000 **	39,975,000	797,298 *	73,950,000	2,376,581	174,933,879
2013	47,385,000 **	46,370,000	2,741,198 *	69,035,000	2,167,055	167,698,253
2014	54,080,000 **	43,360,000	2,492,041 *	83,290,000	4,272,165	187,494,206
2015	45,280,000 **	50,480,000	3,401,983 *	77,260,000	4,316,780	180,738,763
2016	44,605,000 **	46,580,000	3,195,727 *	70,830,000	3,960,228	169,170,955

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 2012.

**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>Percentage of Personal Income</u>	<u>Per Capita</u>
6.20%	\$ 2,219
5.90%	2,260
7.45%	2,669
7.16%	2,685
6.68%	2,721
6.30%	2,771
5.82%	2,617
6.09%	2,888
5.81%	2,735
N/A	2,503

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	
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
2016	44,605,000 **	46,580,000 *	3,195,727	94,380,727	1,093,523

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 2012.

**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>
\$ 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
93,287,204	2.23%	1,381

CITY OF VICTORIA, TEXAS*DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**(UNAUDITED)**September 30, 2016*

	<u>Gross Debt Outstanding</u>		<u>Percentage</u>	<u>Amount</u>
	<u>Date</u>	<u>Amount</u>	<u>Applicable</u>	<u>Applicable</u>
			<u>To City</u>	<u>To City</u>
Direct Debt:				
City of Victoria	9/30/2016	\$ <u>94,380,727</u> *	100.00%	\$ <u>94,380,727</u>
Overlapping Debt:				
Victoria County	9/30/2016	12,985,000	62.15%	8,070,178
Victoria County Junior College District	9/30/2016	28,010,000	62.15%	17,408,215
Victoria Independent School District	9/30/2016	<u>149,660,000</u>	67.85%	<u>101,544,310</u>
Total Overlapping Debt		<u>190,655,000</u>		<u>127,022,703</u>
Total		<u>\$ 285,035,727</u>		<u>\$ 221,403,430</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 2012.

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>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Debt limit	\$ 125,322,513	\$ 138,709,044	\$ 151,486,678	\$ 156,810,850
Total net debt applicable to limit	<u>64,996,495</u>	<u>71,414,099</u>	<u>67,597,335</u>	<u>90,825,874</u>
Legal debt margin	<u>\$ 60,326,018</u>	<u>\$ 67,294,945</u>	<u>\$ 83,889,343</u>	<u>\$ 65,984,976</u>
Total net debt applicable to the limit as a percentage of debt limit	51.86%	51.48%	44.62%	57.92%

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>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ 156,368,302	\$ 160,417,119	\$ 171,665,577	\$ 186,811,127	\$ 198,992,755	\$ 208,941,119
<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>90,091,477</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>	<u>\$ 118,849,642</u>
61.98%	60.36%	53.90%	51.58%	47.57%	43.12%

Legal Debt Margin Calculation for Fiscal Year 2016

Assessed value	\$ 4,178,822,370
Debt limit	208,941,119
Debt applicable to limit	
General obligation bonds	91,185,000
Less: Debt Service Fund Balance	<u>1,093,523</u>
Total amount of debt applicable to debt limit	<u>90,091,477</u>
Legal debt margin	<u>\$ 118,849,642</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
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	26,241,590	11,550,206	14,691,384	5,259,343
2016	25,969,629	11,580,908	14,388,721	5,017,867

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		Priority Bonds	Subordinate Bonds
Service		Coverage	Coverage
Requirements			
\$	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
	-	2.79	N/A
	-	2.87	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	3,113,107	47,101	14,427	3.8%
2016	67,574	N/A	N/A	14,339	4.9%

NOTES: The unemployment rates are a twelve - month average from October through September.

N/A denotes information not available

SOURCE: (1) Population figures for the years are estimates provided by the Planning Department
 (2) U.S. Department of Commerce, Bureau of Economic Analysis - Estimates based on Victoria County Area statistical data. Data for 2016 is not yet available.
 (3) Victoria Independent School District as of September 6, 2016
 (4) U.S. Department of Labor

CITY OF VICTORIA, TEXAS

PRINCIPAL EMPLOYERS

(UNAUDITED)

Current Year and Nine Years Ago

2016

Employer	Employees	Percentage of Total Area Employment
Formosa Plastics	2,935	6.56%
The Inteplast Group	2,343	5.24%
Victoria Independent School District	2,209	4.94%
DOW - Seadrift Operations	1,200	2.68%
Citizens Medical Center	1,067	2.38%
DeTar Healthcare System	871	1.95%
Regency Post Acute Healthcare System	650	1.45%
City of Victoria	621	1.39%
Invista	600	1.34%
Caterpillar - NAHEX Victoria	575	1.29%
	13,071	29.22%

2007

Employer	Employees	Percentage of Total Area Employment
Victoria Independent School District	2,114	4.85%
The Inteplast Group	1,700	3.90%
Formosa Plastics	1,500	3.44%
Citizens Medical Center	1,400	3.21%
DeTar Healthcare System	1,000	2.29%
Dow-Seadrift Operations	660	1.51%
Alcoa	630	1.44%
Victoria County	616	1.41%
Calhoun Independent School District	613	1.41%
Invista	610	1.40%
	10,843	24.86%

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			
	2007	2008	2009	2010
General government				
City manager	11	11	12	10
Legal	5.5	5.5	5.5	4.5
Financial	7	7	7	6
Municipal court	5.5	5.5	5.5	5.5
Human resources	5	5	5	5
Planning	10	10	10	4
Development services administration	-	-	-	2
Geographic information system (GIS)	-	-	-	3
Building services	12	12	12	12
City secretary	4	4	4	4
Public information office	-	-	-	2
Public safety				
Police	146	146	147	149
Fire	107	118	118	118
Inspections	11	11	11	12
Code enforcement	5	7	7	5
Traffic control	9	10	11	10
Highways and streets				
Engineering	14	13	12	12
Streets and drainage	34	34	34	34
Culture and recreation				
Parks and recreation	37	41	41	43
Public library	28	28	28	28
Water/wastewater	80	80	80	82
Community center	6	7	7	7
Environmental services	48	43	43	26
Vehicle and equipment services	2	2	2	2
Information technology	10	10	10	10
Communications	2	2	1	1
Purchasing	4	4	4	3
Safety management	2	2	2	2
Print shop	2	2	2	2
Convention and visitors bureau	-	-	-	-
Total	607	620	621	604

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					
2011	2012	2013	2014	2015	2016
10	10	10	10	10	10
4	4	4	4	4	4
6	6	6	6	6	6
5	5	5	5	5	5
4	4	4	4	4	4
4	4	5	5	5	5
2	2	2	2	2	2
3	3	4	4	4	4
10	10	10	10	10	10
3	3	3	3	3	3
2	2	2	3	3	3
154	154	155	158	156	159
118	118	117	117	129	130
10	11	10	10	10	10
4	4	5	5	5	5
9	9	9	9	9	9
11	11	10	9	9	9
31	31	31	31	28	27
41	43	41	41	40	39
27	27	27	27	27	27
96	96	96	95	95	95
7	7	7	7	6	7
24	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	4
<u>605</u>	<u>611</u>	<u>610</u>	<u>613</u>	<u>618</u>	<u>621</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.

* Fiscal Year 2016 includes the addition of 1 Asst. Fire Chief; an increase of 4 certified Police; a decrease of 1 non-certified Police staff; decrease of 1 Street and 1 Park staff; and an increase of 1 Community Center staff.

CITY OF VICTORIA, TEXAS

OPERATING INDICATORS BY FUNCTION/PROGRAM

Last ten fiscal years

Function/Program	Fiscal Year			
	2007	2008	2009	2010
General government				
Building permits issued	1,147	1,345	1,433	1,627
Building inspections conducted	11,062	9,883	6,138	6,066
Birth certificates registered	2,374	2,376	1,998	2,146
Death certificates registered	1,003	984	795	885
Birth certificates issued	7,246	7,251	6,569	6,043
Death certificates issued	6,863	6,767	5,698	5,295
Public safety				
Police				
Physical arrests	4,427	4,461	4,044	3,152
Parking violations	1,080	641	472	368
Traffic violations	14,303	14,482	12,143	7,303
Warrants issued	4,583	5,520	1,812	1,879
Fire				
Total Incidents	7,355	8,152	8,551	8,455
Fires	381	557	621	349
Rescue/Emergency Medical	5,706	6,166	7,930	6,568
Inspections	874	1,210	1,279	1,555
Streets and highways				
Street resurfacing (linear feet)	29,756	31,178	12,907	16,250
Culture and recreation				
Community center admissions (event contracts)				
Dome	120	116	120	98
Annex	136	120	133	102
Arena	29	23	27	14
Library				
Number of items	148,764	138,804	140,599	141,887
Circulation	276,357	284,919	313,099	271,281
Gate count	228,114	242,388	263,730	336,580
Water and wastewater				
Water				
Active water connections	21,962	22,041	22,129	22,071
Active sewer connections	20,435	20,532	20,461	20,587
Active garbage accounts	18,131	19,233	19,018	19,014
Average daily consumption (pumped) (in 000's)	8,615	9,584	10,718	8,617
Peak monthly consumption (in 000's)	233,143	372,618	354,264	319,293
Wastewater				
Average daily sewage treatment	8,812,263	6,837,775	6,038,356	7,370,000
Environmental services				
Refuse collection				
Refuse collected (tons per month)	2,473	2,139	1,723	1,936
Landfill tonnage accepted	160,048	140,508	140,791	102,657
Recyclables collected (tons per year)	691.52	479.13	269.56	196.31

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.

Increase in linear feet of street surfacing from Fiscal Year 2015 to Fiscal Year 2016 is due to projects planned for Fiscal Year 2015 being completed in Fiscal Year 2016.

N/A denotes information not available

SOURCE: Various City departments

Fiscal Year					
2011	2012	2013	2014	2015	2016
1,484	1,884	2,342	2,376	2,029	1,565
5,874	7,044	8,698	10,380	8,438	6,799
2,009	2,112	1,719	2,142	2,386	2,181
924	930	754	968	1,046	1,002
5,645	5,980	5,946	5,475	6,035	6,104
5,269	1,601	1,249	981	945	878
3,387	3,427	3,552	4,095	3,948	3,257
223	334	187	409	129	202
8,756	8,876	13,181	13,061	9,391	8,255
1,960	2,139	N/A	3,608	2,717	2,364
9,072	8,797	8,669	9,042	9,796	9,773
554	271	202	204	166	163
6,832	8,526	8,467	8,838	9,630	9,610
1,351	2,187	1,513	1,906	1,917	2,747
7,000	12,000	14,000	66,000	42,155	107,000
89	88	92	118	112	104
85	81	75	96	94	90
22	22	27	58	43	57
146,455	137,548	140,976	148,232	154,109	143,551
340,204	340,320	353,122	373,153	363,927	375,587
245,844	249,672	243,192	232,196	225,689	245,477
22,312	22,456	22,660	22,923	23,136	22,802
20,720	20,845	21,068	21,230	21,395	21,254
19,105	19,322	19,508	19,490	19,674	19,630
11,292	10,283	9,950	9,629	8,972	8,972
407,616	374,666	374,690	434,515	382,831	403,289
5,800,000	6,180,000	5,469,000	5,842,333	7,100,000	7,130,000
1,669	1,685	N/A	N/A	N/A	N/A
202,723	149,137	154,291	140,102	143,081	148,578
389.90	2,235.98	3,227.66	3,191.00	3,141.00	2,796.00

CITY OF VICTORIA, TEXAS

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

Last ten fiscal years

Function/Program	Fiscal Year			
	2007	2008	2009	2010
General government				
Buildings	3	3	3	3
Public safety				
Police				
Stations	1	1	1	1
Patrol units	34	36	36	36
Fire stations	4	4	5	5
Highways and streets				
Streets (miles)	310.60	310.82	312.00	314.50
Streetlights	6,475	4,359	4,380	4,429
Traffic signals	76		78	78
School zone flashers	58	58	61	61
Culture and recreation				
Acreage	748.0	748.0	748.0	748.0
Playgrounds	14	15	15	15
Baseball/softball diamonds	27	27	21	19
Community centers	1	1	1	1
Libraries	1	1	1	1
Water and wastewater				
Water				
Water mains (miles)	361.5	361.5	363	365.8
Wastewater				
Sanitary sewers (miles)	337.6	337.6	337	342
Storm sewers (miles)	451.2	451.2	450	452
Environmental services				
Refuse collection				
Garbage collection trucks	17	17	11	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					
2011	2012	2013	2014	2015	2016
3	3	3	3	3	3
1	1	1	1	1	1
35	37	36	36	33	32
5	5	5	5	6	6
312.60	313.23	314.51	314.51	321.81	322.35
4,473	4,444	4,550	4,550	4,676	4,763
81	81	84	86	88	89
61	61	61	61	61	61
876.0	876.0	866.7	888.0	888.0	888.0
16	16	16	16	16	16
19	19	19	19	19	19
1	1	1	1	1	1
1	1	1	1	1	1
366.8	366.8	373	373	380	386.2
342	342	342	349.2	349.2	349.2
452	452	452	452	452	452
7	7	7	8	9	9
5	5	5	4	4	4
4	4	6	4	4	4
1	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, 2016, 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 17, 2017. 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, LLP

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

March 17, 2017



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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) 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, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance, 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, 2016.

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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



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

March 17, 2017

CITY OF VICTORIA, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

For the year ended September 30, 2016

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Other Award Number</u>
FEDERAL EXPENDITURES		
U. S. Department of Housing and Urban Development		
Community Development Block Grant	14.218	B-14-MC-480510
<i>Passed Through the Texas Department of Housing and Community Affairs</i>		
Home Investment Partnerships Program	14.239	M-13-SG-48-0100
Total U.S. Department of Housing and Urban Development		
U. S. Department of Transportation		
<i>Passed Through the Texas Department of Transportation</i>		
Highway Planning and Construction	20.205	50-15XF0023
Total U.S. Department of Transportation		
U. S. Department of Homeland Security		
<i>Passed Through the Texas Department of Public Safety's Division of Emergency Management</i>		
Disaster Grants - Public Assistance	97.036	PA-06-TX-4223-PW-00098
Total U.S. Department of Homeland Security		
U. S. Department of Justice		
<i>Passed Through the Office of the Attorney General</i>		
Recovery Act - Internet Crimes Against Children Task Force Program	16.800	2015-MC-FX-K049
Total U.S. Department of Justice		
TOTAL FEDERAL EXPENDITURES		

See accompanying notes to schedule of expenditures of federal and state awards.

Expenditures			Passed through to Subrecipients	Name of Cluster (if applicable)	Note
From Pass-Through Awards	From Direct Awards	Total			
\$ -	\$ 705,990	\$ 705,990	\$ -	CDBG-Entitlement Grants Cluster	
346,928	-	346,928	-		
346,928	705,990	1,052,918	-		
155,650	-	155,650	-	Highway Planning and Construction Cluster	
155,650	-	155,650	-		
61,782	-	61,782	-		
61,782	-	61,782	-		
5,800	-	5,800	-		
5,800	-	5,800	-		
\$ 570,160	\$ 705,990	\$ 1,276,150	\$ -		

(continued)

CITY OF VICTORIA, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

For the year ended September 30, 2016

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Other Award Number</u>
STATE EXPENDITURES		
Law Enforcement Officers Standards and Education		
Training Grant	N/A	N/A
Texas Department of Motor Vehicles		
<i>Passed Through the Texas Automobile Theft Prevention Authority</i>		
Automobile Theft Grant	N/A	608-16-2350100
Automobile Theft Grant	N/A	608-17-2350100
Total Texas Department of Motor Vehicles		
Texas Commission on Environmental Quality		
Rider 8 Local Air Quality Planning Grant	N/A	582-14-40054
Rider 8 Local Air Quality Planning Grant	N/A	582-16-60188
Total Texas Department of Motor Vehicles		
TOTAL STATE EXPENDITURES		
TOTAL FEDERAL AND STATE EXPENDITURES		

See accompanying notes to schedule of expenditures of federal and state awards.

Expenditures			Passed through to Subrecipients	Name of Cluster (if applicable)	Note
From Pass-Through Awards	From Direct Awards	Total			
\$ -	\$ 1,483	\$ 1,483	\$ -		
134,570	-	134,570	-		
17,590	-	17,590	-		
152,160	-	152,160	-		
-	52,947	52,947	-		
-	113,384	113,384	-		
-	166,331	166,331	-		
152,160	167,814	319,974	-		
\$ 722,320	\$ 873,804	\$ 1,596,124	\$ -		

(concluded)

CITY OF VICTORIA, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

For the year ended September 30, 2016

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards includes the federal and state award activity of the City, under programs of the federal government for the year ended September 30, 2016 in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The modified accrual basis of accounting is used for these funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e. both measurable and available, and expenditures in the accounting period in which the liability is incurred, if measurable; except for certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal and state grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and accordingly, when such funds are received, they are recorded as unearned revenues until earned. Generally unused balances are returned to the grantor at the close of specified project periods.

NOTE 3: INDIRECT COST RATE

The City has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

CITY OF VICTORIA, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended September 30, 2016

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 2 CFR section 200.516(a)?

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: \$ 750,000

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, 2016

None were reported.

