



Comprehensive Annual Financial Report

Year Ended September 30, 2017
City of Victoria, Texas

CITY OF VICTORIA, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the year ended September 30, 2017

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 26, 2018

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, 2017, 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, golf course 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.

2017 Economic Condition and Outlook

Texas:

The Federal Reserve Bank of Dallas reports, as of March 2018, Texas economic growth remained strong in January. The state posted solid job gains, and unemployment remained low. Texas employment increased at a solid pace in 2017 but slower than estimated prior to the benchmark revision. The Dallas Fed's Texas Business Outlook Surveys indicated expansion in manufacturing and service sector activity as well as mounting wage and price pressures in January and February. Oil prices and the state's rig count are above their 2017 averages, although the price of natural gas is below its 2017 average. Texas exports remained elevated in January, and existing-home sales dipped.

Texas employment expanded an annualized 2.5 percent in January. The Dallas Fed's Texas Employment Forecast suggests 3.3 percent job growth in 2018 (December/December). The state's employment expanded a solid 2.1 percent last year, revised down from the previous estimate of 2.4 percent.

Payrolls in Austin posted a robust 7.1 percent expansion in the month, accelerating from the 4.7 percent December growth rate. Houston and Dallas also added jobs, while employment in Fort Worth and San Antonio dipped.

January employment growth was widespread across industries. Payrolls expanded 3.9 percent in the goods-producing sector and 2.3 percent in the service-providing sector. Employment in the energy sector soared at 24.2 percent.

The Texas unemployment rate held steady at 4.0 percent in January—just above the lowest point in the history of the series. Unemployment ticked up in all the major metros. Austin's 3.0 percent unemployment rate was the lowest among the major metros, while Houston's was the highest at 4.7 percent.

The headline indexes of the Dallas Fed's Texas Business Outlook Surveys indicated continued expansion in the manufacturing and service sectors in February. The three-month moving average of the Texas Manufacturing Outlook Survey (TMOS) production index reached an 11-year high, and the three-month moving average of the Texas Service Sector Outlook Survey (TSSOS) revenue index remained near its 2017 average.

Firms responding to the surveys reported growing upward pressure on input and selling prices. The three-month moving average of the TMOS prices paid for raw materials index ticked up in February to its highest point since July 2011. The three-month moving average of the TMOS prices received for finished goods index rose for the seventh consecutive month in February, rising to its highest point since September 2008. The three-month moving average of the TSSOS input prices index also increased for the seventh straight month, reaching its highest point since June 2011. The three-month moving average of the TSSOS selling prices index in February rose to its highest point in the history of the series. All four indexes are well above their 2017 averages.

The wages and benefits indexes indicate mounting wage pressures in the manufacturing and service sectors. The three-month moving average of the TMOS wages and benefits index surged in February to its highest point since March 2007. The three-month moving average of the TSSOS wages and benefits index ticked up in the month and was above its 2017 average.

The price of West Texas Intermediate crude oil inched down to \$61.65 per barrel the week of March 9 but is 22.1 percent above year-ago levels. The price had risen to \$65.32 in early February after remaining under \$60 throughout 2016 and 2017.

The price of natural gas ticked up the week of March 9 to \$2.71 per million Btu, but remained below its 2017 average of \$2.96. It had spiked above \$5 for a brief period in early January due to unusually cold weather.

The Texas rig count edged up to 490 the week of March 9, above the 2017 average of 431 rigs and up 2.3 percent from the week of Feb. 9 to the week of March 9.

Texas exports edged down in December and January after reaching their highest point in the history of the series, which begins in January 1994, in November. U.S. exports ticked down 1.3 percent in January after expanding in December. In 2017, Texas exports expanded 10.8 percent, and U.S. exports rose 3.9 percent.

In fourth quarter 2017, Texas exports climbed 13.3 percent. Exports of petroleum and coal products—Texas' largest export sector—advanced 17.6 percent in the quarter, and exports of computers and electronics—the state's second-largest export sector—rose 4.0 percent. Mining exports—the state's third-largest export sector—soared 45.2 percent.

Exports to Mexico—the destination of 35.2 percent of the state's exports—expanded 4.5 percent, and exports to other large trading partners grew at a faster pace.

Texas' existing-home sales declined 6.2 percent in January, but the five-month moving average inched up 1.9 percent in the month, after posting 4.6 percent growth in 2017. Over a quarter of the state's January existing-home sales were in Houston, where sales declined 2.0 percent in January, but the five-month moving average rose 5.3 percent. Existing-home sales expanded by more than 3.0 percent in 2017 in all the major metros.

The median existing-home sales price in Texas ticked up 0.7 percent and was 4.4 percent above year-ago levels in January. Home inventories in the state ticked down to 3.4 months, remaining well below the six months of inventory considered balanced. Permits for single-family housing expanded 3.2 percent in the month, and housing starts rose 14.0 percent.

Victoria:

Unlike the Texas economy, Victoria's economy is not experiencing the same recovery and/or growth, due to the downturn in oil and gas industry/market; however, Victoria's economy is resilient; and, the City remains optimistic that its economy will continue to grow, but at a much slower pace, compared to previous years (i.e. Eagle Ford Shale's economic activity).

Victoria's oil and natural gas industry growth (i.e. mainly the Eagle Ford Shale) has declined/contracted over 2017, due to lower oil/gas prices. Victoria's rig count for May was 39, an increase of 95 percent from May 2016; and, a decrease of 64.55 percent from May 2012. 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 has had an impact on our property values and sales tax receipts over the past fiscal years, developments continue to occur at the Port of Victoria. Future expansion is planned by the University of Houston-Victoria and Formosa Plastics Corporation has plans to build three new units, a \$1 billion investment cost in Jackson County, adjacent to Victoria County;

Victoria's unemployment rate for March 2017 was 5.6 percent, higher than the States by 0.6 percent; however, Victoria's unemployment rate dropped to 5.1 percent in April.

The total building permit value (i.e. new construction for commercial, multi-family units and single-family units) decreased by 69.2 percent or \$27.1 million, comparing June 2017 to June 2016 values; the decrease is due to decline in commercial and single-family unit permit values. As of June 2017, total commercial permit value is \$6.6 million, a decrease of 76.4 percent or \$21.5 million from last year's values. As of June 2017, Victoria's multi-family permit value was zero, same as last years; and, single-family permit value is \$5.4 million, a decrease of 51 percent or \$5.6 million from last year's values.

Victoria's construction activity has slowed in recent years, which is expected due to the prior economic trends; however, with current property values and sales tax receipts starting to "bottom out", Victoria is optimistic about its future economic growth. 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.

Of significant impact to the Victoria community in 2017 was Hurricane Harvey, which slammed into the Texas coast south of Victoria on August 25, 2017 and began a slow roll across the Victoria area and into Southeast Texas. A mandatory evacuation had been ordered for the City, and with hours of sustained winds in excess of 80 miles an hour, wind gusts over 100 miles an hour and over 20 inches of rainfall in parts of our community, the effect from Hurricane Harvey was substantial.

The hurricane knocked out 100% of electrical power to Victoria, which was restored to most of the area within one week. With no electric power, the City's water system was unable to produce potable water for approximately a day and a half. While there was no major City infrastructure damage, the tree debris from Harvey totaled more than 300,000 cubic yards. The Guadalupe River rose to the second highest level on record as a result of the rains from Hurricane Harvey. Repairs throughout the City are well underway and the City is moving ahead.

Conservatively, storm-related damages and recovery costs for the City of Victoria are estimated at \$8.5 million, with debris making up \$7 million of that amount and emergency protective measures \$300,000, which are both 100% reimbursable by FEMA. The remaining amount would be reimbursed at 90%.

Out of the Hurricane response, a long-term recovery organization formed to aid those whose lives have been negatively impacted by the storm and to prepare a response to assist in the recovery of future disasters. The Victoria County Long Term Recovery Group (LTRG) includes non-profit organizations, local governmental agencies, churches, and national charities working in a partnership to recover, rebuild, and strengthen.

Major Initiatives

For Fiscal Year 2017 and Into the Future:

At this point in the year, a lot has been accomplished and fiscal year 2017 budgetary priorities are being met. For example, employment turnover rate is slightly-down; the Residential Street Construction Program, Preventive Street Maintenance Program, Thoroughfare Street Program, and Street Sweeping Program are being implemented or will be awarded by year-end. The Public Safety Building Feasibility Study Request for Qualification process has been implemented; and, it is estimated that the Building Feasibility Study Report will be presented to Council sometime in the third quarter of fiscal year 2018. The \$1.48 million Public Safety Radio Equipment Replacement Program has been implemented. Major park improvements have been implemented, for example, fiscal year 2017 Park Structure Improvement Programs have been implemented or will be completed by year-end; the \$1.5 million Park Administration and Maintenance Building Project is complete; Park's mowing equipment has been replaced; and, City's parks and right-of-way property appearances are looking great. The YMCA/City Pool Project was completed in late Spring and was open for the public in May 2017. The Drainage Mowing Program has been implemented. The Mallette and Loop 463 Traffic Signal Design Project has been awarded. Various Drainage Maintenance Programs (Ben Jordan Outfall and Twin 90) has been awarded and will be completed by year-end. City is on track with implementing its 2018 Capital Expenditure Replacement Program; and, the City's Five-Year Capital Improvement Program has been updated. The City met its 2017 OPEB Trust Fund, i.e. post-employment health care benefit liability, funding requirements.

The previous mentioned accomplishments are just some of the fiscal year 2017 initiatives and accomplishments; and, we look forward toward implementing the fiscal year 2018 budgetary priorities. 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 2018 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; golf course; 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 2018 budget, with a slight increase of 0.60¢ to the property tax rate; from 58.92¢ to 59.52¢. Since fiscal year 2004, the tax rate has been reduced by 10.48¢).

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. In order to dramatically improve the conditions of our residential and major thoroughfare streets over the next decade, the following \$13.53 million street programs have been incorporated into the fiscal year 2018 Budget, an increase of \$1.95 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 and do not require extensive utility replacement. The fiscal year 2018 Budget includes approximately \$3.02 million for the Residential Street Construction Program, which consists of North Heights Phase IV Subdivision and Springwood Subdivision (Springwood Project is contingent on the sale of Navarro del Norte). The 2018 Residential Street Construction Program will be funded with \$3.02 million from the General Fund Budget. The 2018 Residential Street Construction Program was included in the City's Fiscal Year 2018 Capital Improvement Program.
- b. ***Residential Preventive Street Maintenance Program*** – Currently, the City has a backlog of residential streets requiring regular maintenance. The fiscal year 2018 General Fund Budget includes approximately \$2.1 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 2018 Budget includes approximately \$7.73 million for the Thoroughfare Street Program, which consists of reconstructing Red River Street (Laurent to Main Street), Crestwood Drive (Ben Jordan Street to Laurent), and Nursery Road (Tropical Drive to City Limits).

The City's Sales Tax Development Corporation will fund the 2018 Thoroughfare Street Program. The 2018 Thoroughfare Street Program was included in the City's Fiscal Year 2018 Capital Improvement Program.

- d. *Street Point-Repair Program* – The fiscal year 2018 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 pollutants from our streets, thus improving the quality of stormwater runoff and keeping our waterways healthy; and, reducing the likelihood of flooding during heavy rain. The fiscal year 2018 Budget includes \$382,600 for the Street Sweeping Program, which will be split between the General Fund (20%) and Water/Wastewater Fund (80%), \$47,400 less than last year, due to a shortfall in sales tax.
- 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 2018 Sales Tax Revenue Budget, the fiscal year 2018 General Fund Budget does not include any funding for the Street Striping Program; fiscal year 2017 Budget did not include any funding for the Street Striping Program, due to a reduction in sales tax revenue.

Public Safety

Public Safety is a top priority in our community. The City's Public Safety is made up of the Police Department, Fire Department and Municipal Court, with combined funding of \$27,692,361. The Police and Fire Departments are the two largest departments in the City. Some of the Public Safety budgetary priorities consist of the following items:

- a. In order to retain and recruit qualified police officers and firefighters, the fiscal year 2018 General Fund Budget includes a \$465,956 Step Pay Program for non-supervisory certified employees and \$1,000 stipend for other employees;
- b. Add two new police officer positions and related vehicle and equipment at a cost of \$177,457, which required a tax rate increase of \$.0049;
- c. Continue providing computer and software needs in the amount of \$419,593, an increase of \$64,686 over last year's amount;
- d. During fiscal year 2017, the City contracted with Motorola Solutions, Inc. to replace its public safety radio equipment, which has reached its end of life, in the amount of \$1.48 million. Payments for the new radio equipment will be done over two fiscal years starting in fiscal year 2019, at a zero-interest rate;
- e. The fiscal year 2018 Public Safety Budget includes \$373,050 for vehicle replacements;
- f. The fiscal year 2018 Public Safety Budget includes \$174,215 in various building improvement projects.
- g. Replace various equipment in the amount of \$134,098; and
- h. Provide adequate funding for education and training in the amount of \$243,650.

Park and Recreational Services Improvement Programs

The fiscal year 2018 Park & Recreation Budget of \$3 million includes funding for parks ground maintenance, various recreational programs, right-of-way mowing, tree trimming maintenance, curbs and gutter maintenance, litter removal program, and operating and maintenance of the Youth Sports Complex and Adult Softball Complex. In addition, the Parks Department maintenance program was increased by \$100,000, which required a tax rate increase of \$0.0028.

The Motel Tax Fund includes \$112K for various sport tournaments and scoreboards. Another major Park and Recreational Service priority would be to develop and implement a Park Splash Pad Facility at Ethel Lee Tracy Park, once the funding has been identified (Grant Funding and Victoria Sales Tax Development Corporation).

Located within Riverside Park, the Riverside Park Golf Course is the only public municipal golf course located in Victoria County. After managing Riverside Park Golf Course for over 60 years, the Victoria Park Improvement Association terminated its operation of the course effective June 30, 2017. So that the City could continue to provide this recreational activity to our citizens and visitors, the City decided to manage the course in-house, having capable City staff to manage the golf course operations.

The City closed the course temporarily so that it could improve the course grass; implement various maintenance/repair projects throughout the course and club-house; acquire golf-consultant services (agronomic support, technical expertise, best management practice, and develop a business plan); acquire/lease mowing and golf-cart equipment; develop/implement a point-of-sale system; hire temporary staff which includes a Golf Pro / General Manager; and, get the club-house ready for operations. City of Victoria invested \$582,300 to implement various golf course and club house maintenance projects, prior to opening, and to establish a minimum five-month operating working capital budget reserve. The initial start-up funding, \$582,300, was provided by the General Fund and other City Funds of which \$442,000 was transferred to the Riverside Park Golf Course Fund in July 2017 (fiscal year 2016-2017) and \$140,300 transferred in December 2017 (fiscal year 2017-2018). Originally scheduled to resume operations in September 2017, damages from Hurricane Harvey delayed the opening until January 2018.

Traffic Signal Maintenance Program

The fiscal year 2018 Budget includes \$209K in funding to replace various controllers and signal heads; stock and repair parts for school flasher wireless beacon control units; replace sixteen LED name sign units; and replace signal cabinet units.

Drainage Maintenance Program

The fiscal year 2018 Budget includes \$288K for the Drainage Mowing Program.

Water and Wastewater Operations and Programs

In order to ensure Victoria's economy continues to grow and remain strong, Victoria has an aggressive policy to ensure it has adequate water supply for its current and future customers. The City uses surface water from the Guadalupe River as its primary source of potable water. The City has a permit issued by the Texas Commission on Environmental Quality that allows the City to withdraw up to 20,000 acre/feet per year from the Guadalupe River. This equates to approximately two times the City's average annual pumping rate. Additionally, the City has approximately four months of surface water and shallow alluvial groundwater supply stored in a system of off-channel reservoirs. This water source provides a back-up supply to the City's primary Guadalupe River water source. All of this water is treated at the City's 25.2 million gallon per day surface water treatment plant.

As an emergency supply, the City also maintains 10 of its original 15 water wells that can supply ground water from the Gulf Coast Aquifer. The aquifer is within the corporate limits of the City and varies in thickness from approximately 400 feet to approximately 900 feet. Another option available to the City is a contractual arrangement with the Guadalupe-Blanco River Authority, which allows access to a five-year

rolling annual average of 1,240 acre/feet of surface water stored in Canyon Reservoir, with no more than 3,600 acre/feet to be used in any given year.

Over the last several fiscal years, the City has purchased a total of 7,006.7 acre feet/year of additional water rights, which has added to the City's water supply options and allows for improved flexibility.

In 2017, 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 2020, 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 will continue to explore other possibilities for additional future water supplies for its citizens.

The fiscal year 2018 Water/Wastewater Fund Budget includes the following utility programs:

- a. *North Heights Utility Replacement Phase V Program* – The project consists of replacing water and sanitary sewer lines in Guadalupe Street between Navarro and Laurent and portion of Depot, Cameron, East, Goldman, Jecker, Levi, and Louis Street, at an estimated cost of \$1.2 million (*there are seven phases with this program*).
- b. *Water Tower #6 Rehab Program* – The project, the construction of which has been postponed due to TxDOT projects, consists of designing, constructing, inspecting, cleaning, metal restoration, and painting Water Tower #6, at an estimated cost of \$1 million.
- c. *Emergency Pipe Replacement* – Due to weather conditions and age of the utility infrastructure, the City can experience 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 2018 Budget includes \$6.41 million in capital expenditures, an increase of 2.69 percent. The increase is mainly due to decrease in building and other structure improvement projects and a decrease in street capital accounts. The \$6.41 million capital expenditure budget will be funded with \$3.54 million of recurring revenue and \$2.87 million of one-time use of fund balance/working capital balance (*\$274K General Fund; \$1.97M Water/Wastewater Fund; \$587K Environmental Services Fund; \$35K Information Technology Fund*).

The following table recaps the \$6.41 million capital expenditures for fiscal year 2018, compared to fiscal year 2017.

<i>Type of Fund</i>	<i>FY 2018 Original Budget</i>	<i>FY 2017 Original Budget</i>	<i>Increase / (Decrease)</i>	<i>% Change</i>
<i>Governmental Funds</i>	\$ 859,933	\$1,180,808	(\$320,875)	-27.17%
<i>Enterprise Funds</i>	4,157,928	4,100,655	57,273	1.40%
<i>Internal Service Funds</i>	1,393,447	962,019	431,428	44.85%
<i>Total Capital Replacement</i>	\$6,411,308	\$6,243,482	\$167,826	2.69%

Capital Improvement Program

As a city that was founded over 190 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 expenditures, 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 2018 Budget is proactive in supporting the City's Capital Improvement Program. The fiscal year 2018 Budget includes approximately \$18.5 million in new capital improvement projects. \$12.8 million is budgeted in the Governmental Capital Construction Fund; \$2.5 million is budgeted in the Utility Capital Construction Fund; and, \$3.2 million is budgeted in the Water/Wastewater Fund.

Fiscal Year 2018 Capital Improvement Program is as follows:

Type of Fund	FY 2018 Original Budget	FY 2017 Original Budget	Increase / (Decrease)	% Change
Capital Project Funds				
Governmental Capital Project Fund	\$ 12,799,044	\$ 4,077,706	\$ 8,721,338	213.88%
Utility Capital Project Fund	2,496,910	2,191,670	305,240	13.93%
Total Capital Project Funds	\$15,295,954	\$ 6,269,376	\$ 9,026,578	143.98%
General Fund	-	50,000	(50,000)	-100.00%
Water/Wastewater Fund	3,230,502	2,450,000	780,502	31.86%
Victoria Sales Tax Development Corp.	-	7,546,812	(7,546,812)	-100.00%
Total Capital Improvement Program	\$18,526,456	\$16,316,188	\$ 2,210,268	13.55%

Bond Debt Program

The fiscal year 2018 Budget includes \$20.7 million in debt service payment (*General Governmental and Utility Revenue Bonds*), an increase of \$946,067. The net increase in payments is due to the following:

- a. *General Governmental Bonds* increased by \$1 million, mainly due to an \$383K increase in regular GO/CO bond principal payments and redeeming (*pay bond off early*) FY 2027 TxDOT Overpass Bond principal payment of \$625K in FY 2018.
- b. *Utility Revenue Bonds* decreased by \$51K, mainly due to refinancing certain utility revenue bonds, at a lower interest rate, in fiscal year 2017.

Tax Rate

The 2018 budget is built around a property tax rate of 59.52¢, an increase of 0.60¢ from last year's tax rate. The tax rate is allocated at 34.26¢ for General Fund maintenance and operating costs, an increase of 0.41¢, and 25.26¢ for debt service payments, an increase of 0.0.19¢. The State's mandated effective tax rate calculation produces an effective tax rate for fiscal year 2018 of 58.52¢. This budget adds 1¢ above the calculated effective tax rate for two additional police officers, vehicle and equipment (\$0.0049), parks maintenance (\$0.0028) and to provide funding to the 2018 debt service payments (\$0.0023). (*Since fiscal year 2004, the tax rate has been reduced by 10.48¢*).

Sales Tax

Fiscal year 2017 sales tax revenue came in approximately \$1.46 million under budget, compared to the original budget amount of \$16,200,000.

Due to the local, state, and national economy trend and not anticipating any growth in retail or disposable personal income (i.e. per capita income growth) in the near term, the fiscal year 2018 Budget assumes a 1.38 percent increase in revenue, compared to the fiscal year 2017 Projected Budget of \$14,455,000.

Utility Rates

The fiscal year 2018 budget did not include a utility rate increase for Environmental Services Fund or Water/Wastewater Fund operations.

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 2018 budget includes \$158,000 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. For fiscal year 2018, management is proposing a \$466K Step Pay Program for non-supervisory Certified Police Officers and Firefighters; and, a Stipend Pay Program (*onetime expense*) for the remaining City staff.

The total budgeted positions for fiscal year 2018 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 2018 is 16.72%, compared to 2017 rate 16.66%. 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*).

Due to the rising costs of health care and an increase in medical and dental claims, for fiscal year 2018 management updated its current health and dental insurance premiums, as well as adjusted the deductibles of only the high deductible health plan (HDHP). The only plan design change for fiscal year 2018 is to the deductible for the high deductible health plan (HDHP). To be in compliance with federally required minimum HDHP deductibles, the individual HDHP deductible was increased by \$100. The family HDHP deductible was also increased.

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 \$99.54/month to \$445.97/month. The City's total fiscal year 2018 health and dental plan contribution is \$3,475,016, an increase of 0.05 percent or \$1,863 from last year's budget.

For fiscal year 2017, health and dental premiums were not changed, however plan design changes were implemented for the Medical Health plan, to include increases to co-pays, annual deductibles and coinsurance levels. There were no plan design changes to the Dental plan.

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

Over the past years, sales tax rebates have decreased; and, the City has found itself more dependent upon property tax base than sales tax rebates. Sales tax rebate revenues can be volatile in any given year, as we have experienced in prior years. 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, 2016, and 2017, the General Fund minimum fund balance was set at 25 percent of budgeted expenditures, to create an adequate reserve to address future economic uncertainties.

The fiscal year 2018 Budget set the General Fund minimum fund balance reserve at 25 percent of budgeted expenditures. The minimum fund balance (*25% of \$48,581,971 budgeted expenditures*) is projected to be \$12,145,493, which represents approximately 3 months of fund balance reserve.

The estimated ending fund balance for fiscal year 2018 is \$12,461,664, which is approximately \$316,171 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.

In October 2018, a \$6,000,000 budget amendment was approved by City Council (*\$2,000,000 General Fund; \$1,500,000 Water/Wastewater Fund; \$2,500,000 Environmental Services Fund*) to provide funding for the relief and recovery efforts resulting from Hurricane Harvey. The City is responsible for upfronting the costs related to damages caused by Hurricane Harvey, and then will seek reimbursement from FEMA and insurance.

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 2018 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 the final year of 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 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. Of the 55-lots in the subdivision, 38 of the lots were sold to income-qualified homebuyers. Income-qualified homebuyers will receive the lot value (*estimated at \$15,000*) through a 5-year deferred, forgivable loan

and up to \$5,000 assistance is available through Community Development Block Grant to help with principal buy-down and closing cost. Thirty-seven (37) homes have been constructed through this housing initiative, and Habitat for Humanity has built homes on 17 donated lots. The subdivision only has one (1) lot that remains available, which is currently under contract. Swan Crossing is achieving its desired result of providing affordable housing within the City of Victoria.

Community Development - The City of Victoria 2017-2018 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, 2017 to September 30, 2018, the City of Victoria will utilize CDBG funds totaling \$525,015 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	\$ 48,283	9.20%
2. Public Services Programs	79,028	15.05%
3. Public Facilities	120,000	22.86%
4. Affordable Housing	15,116	2.88%
5. Public Improvements	170,000	32.38%
6. Program Administration	<u>92,588</u>	17.63%
Total:	<u>\$525,015</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.

In December 2017, thirty-two Victoria Transit buses were heavily damaged or destroyed during a fire. By utilizing the twenty-one vehicles not damaged by the fire and borrowing buses from other various transit systems, Victoria Transit was able to quickly get its fixed routes back on schedule.

The Victoria Metropolitan Planning Organization (MPO) approved the Unified Planning Work Program, which details the MPO's budget for planning funds. 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 <http://www.victoriatx.org/home/showdocument?id=11764>.

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, 2017.

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 current contract began in August 2017, and is for an initial period of three years, with the option of two one-year extensions after the conclusion of the initial term.

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 2017, 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 2017, the City had most of its liability risks covered by insurance. These coverages are summarized below:

General Liability, including	\$2,000,000 occurrence
EMS Errors & Omissions	\$4,000,000 aggregate
	\$1,000 deductible per occurrence

Police Professional Liability	\$1,000,000 occurrence \$3,000,000 aggregate \$5,000 deductible per occurrence
Public Officials' Liability	\$5,000,000 occurrence \$10,000,000 aggregate \$25,000 deductible per claim
Fleet Liability	\$2,000,000 occurrence \$1,000,000 uninsured/underinsured motorist \$25,000 medical payment per person \$0 deductible on liability \$500 deductible each vehicle on auto physical damage \$10,000 deductible each occurrence on auto physical damage \$25,000 deductible catastrophe
Contractors' Equipment	\$3,828,130 (per scheduled equipment) \$1,000,000 newly purchased equipment \$5,000 deductible per occurrence
Comprehensive Property Damage	\$148,826,422 combined building and contents \$500,000 blanket extra expense \$148,826,422 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	\$6,055,720 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	\$712,649 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. For the period January 1, 2016 through December 31, 2017, the City used Benefit Administrative Services, LLC (BAS) as its health plan administrator. Beginning January 1, 2018, the City began using Aetna Life Insurance Company. 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, 2016. This was the thirty-fourth 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

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for Excellence
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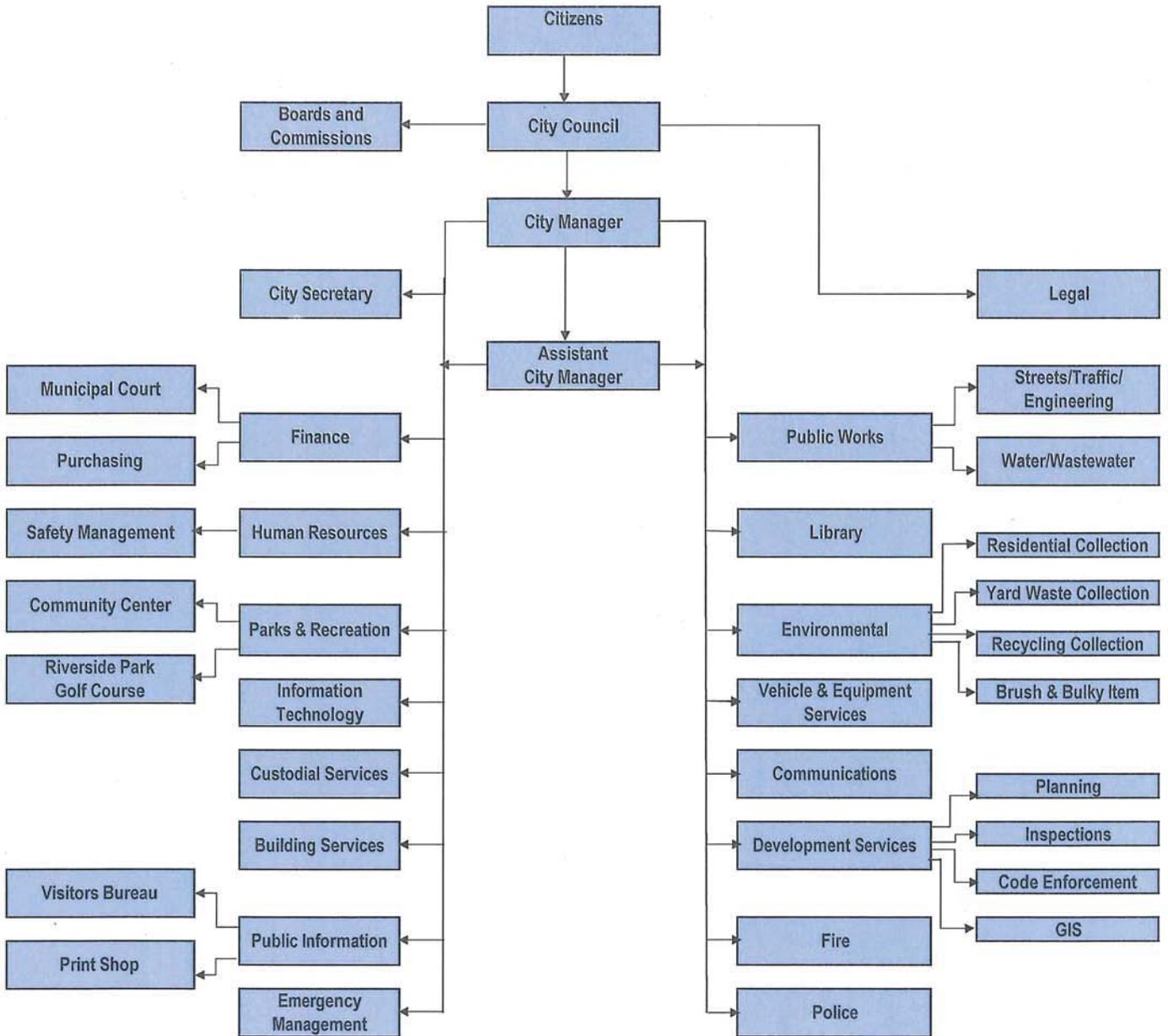
**City of Victoria
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2016

Christopher P. Morill

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	5	May, 2018
Paul Polasek	Mayor	11	May, 2019
Jan Scott	Council Member, District 4	2	May, 2018
<i>Back Row</i>			
Tom Halepaska	Council Member, Super District 6	13	May, 2019
Dr. Andrew Young	Council Member, District 5	4	May, 2019
Jeff Bauknight	Mayor Pro-Term, District 3	4	May, 2018
Rafael DeLaGarza, III	Council Member, District 1	1	May, 2018

ADMINISTRATIVE OFFICIALS

Name	Position	Years of Service	
		Current With City	Position
Charmelle Garrett	City Manager	27	6
John Kaminski	Assistant City Manager	29	5
Gilbert P. Reyna, Jr.	Director of Finance	22	22
Thomas Gwosdz	City Attorney	8	8
Cheryl Marthiljohni	Director of Human Resources	7	7
James Foote	Director of Information Technology	10	5
Julie Fulgham	Director of Development Services	3	0
Jeffrey Craig	Police Chief	6	6
Taner Drake	Fire Chief	6	6
Colby VanGundy	Director of Parks and Recreation	4	4
Dayna Williams-Capone	Director of Public Library	10	8
Donald Reese	Director of Public Works	18	0
Darryl Lesak	Director of Environmental Services	9	5
O.C. Garza	Director of Communications	16	8



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

STEPHEN W. VAN MANEN, CPA
DENNIS C. CIHAL, 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, 2017, 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, 2017, 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 16, 2018, 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 16, 2018

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, 2017. 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.

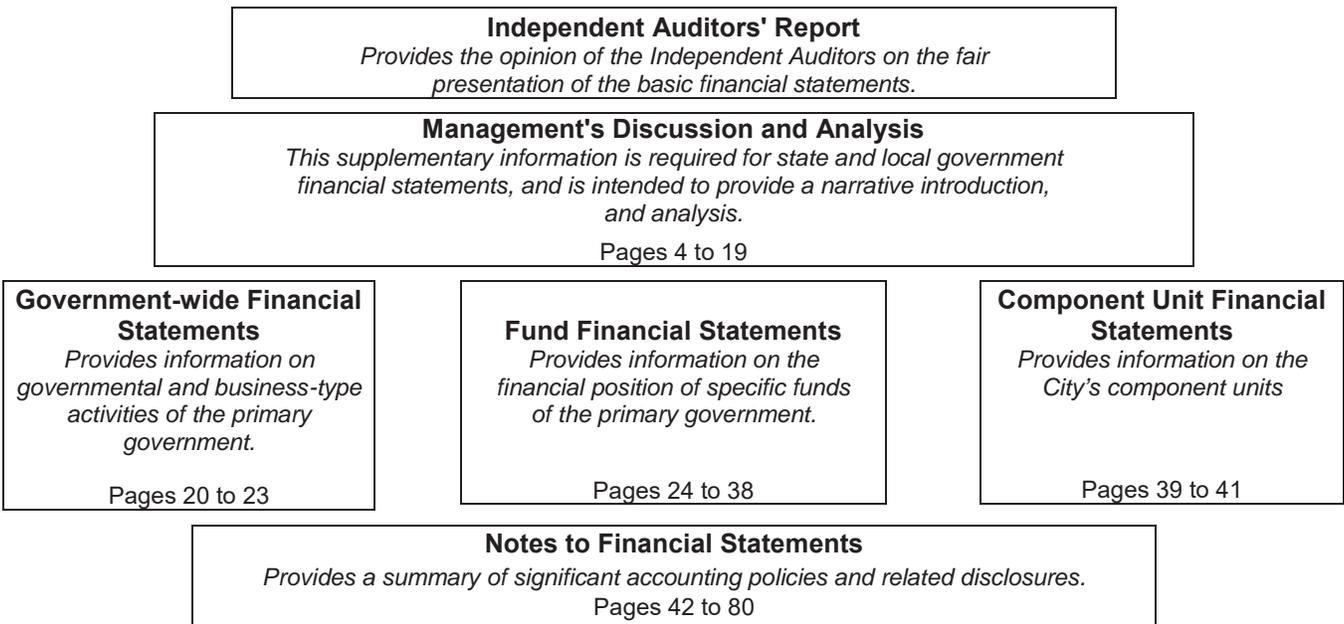
FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City exceeded its liabilities at the close of the fiscal year ended September 30, 2017, by \$167,706,398. Of this amount, \$5,962,166 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, 2017, the City's governmental funds reported combined ending fund balances of \$21,538,487, a decrease of \$6,097,303 (22%) in comparison with prior year. The unassigned fund balance is \$13,521,563 (see page 11 for further detail).
- At September 30, 2017, unassigned fund balance for the General Fund was \$15,150,384 or 34% of total General Fund expenditures.
- The total cost of all City activities was \$99,303,383 for the fiscal year. Net cost of all activities was \$45,566,262.
- During the year, the City's general revenues exceeded net expenses of the primary government by \$2,245,096. This represents a 1% increase in net position from the previous fiscal year.
- The City's outstanding long-term debt had a net decrease of \$12,919,818. The main reason for the net decrease is due to the fact that during the fiscal year 2017, the City paid \$15,540,000 in principal payments (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 2017. 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 and Debt Service Fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining and individual statements and schedules following the required supplementary information.

The City adopts annual appropriated budgets for its General Fund, Debt Service Fund, and Capital Project Funds. Budgetary comparison schedules have been provided for these funds to demonstrate compliance.

The basic governmental fund financial statements may be found immediately following the government-wide financial statements.

Proprietary Funds

The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the fiscal activities relating to water/wastewater utilities, environmental service operations, and other enterprise activities (700 Main Center, Community Center, and Golf Course). Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its vehicle and equipment services, information technology services, communication services, purchasing services, safety management services, workers compensation services, print shop services, and health plan services. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water/wastewater utilities and environmental service operations, which are both considered to be major funds for the City, and other (700 Main Center, Community Center, and Golf Course).

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 \$167,706,398 at the close of the fiscal year ended September 30, 2017.

At the end of fiscal year 2017, 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	
	2017	2016	2017	2016	2017	2016
Current assets	\$ 41,372,502	\$ 45,775,454	\$ 27,907,196	\$ 26,834,858	\$ 69,279,698	\$ 72,610,312
Capital assets (net)	156,484,806	164,869,058	145,513,012	142,970,833	301,997,818	307,839,891
Other noncurrent assets	<u>599,061</u>	<u>839,129</u>	<u>112,028</u>	<u>177,642</u>	<u>711,089</u>	<u>1,016,771</u>
Total assets	<u>198,456,369</u>	<u>211,483,641</u>	<u>173,532,236</u>	<u>169,983,333</u>	<u>371,988,605</u>	<u>381,466,974</u>
Deferred outflows of resources	<u>11,204,810</u>	<u>13,185,122</u>	<u>3,075,366</u>	<u>2,844,682</u>	<u>14,280,176</u>	<u>16,029,804</u>
Current and other liabilities	16,355,360	14,604,977	10,380,191	10,908,477	26,735,551	25,513,454
Noncurrent liabilities	<u>116,925,384</u>	<u>124,442,908</u>	<u>74,242,674</u>	<u>80,880,437</u>	<u>191,168,058</u>	<u>205,323,345</u>
Total liabilities	<u>133,280,744</u>	<u>139,047,885</u>	<u>84,622,865</u>	<u>91,788,914</u>	<u>217,903,609</u>	<u>230,836,799</u>
Deferred inflows of resources	<u>540,864</u>	<u>979,859</u>	<u>117,910</u>	<u>218,818</u>	<u>658,774</u>	<u>1,198,677</u>
Net position:						
Net investment in capital assets	79,038,575	84,007,457	79,039,267	71,351,401	158,077,842	155,358,858
Restricted	3,666,390	2,985,524	-	-	3,666,390	2,985,524
Unrestricted	<u>(6,865,394)</u>	<u>(2,351,962)</u>	<u>12,827,560</u>	<u>9,468,882</u>	<u>5,962,166</u>	<u>7,116,920</u>
Total net position	<u>\$ 75,839,571</u>	<u>\$ 84,641,019</u>	<u>\$ 91,866,827</u>	<u>\$ 80,820,283</u>	<u>\$ 167,706,398</u>	<u>\$ 165,461,302</u>

The largest portion of the City's fiscal year 2017 net position (94% or \$158,077,842) consists of investment in capital assets (e.g., land, buildings, streets, and equipment); less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)

The City has restricted net position of \$3,666,390 consisting of \$1,696,171 for debt service, \$1,392,546 for special programs related to recreation, and \$577,673 for public safety programs. The remaining balance of \$5,962,166 may be used to meet the government’s ongoing obligations to citizens and creditors; over all, the City’s net position increased by \$2,245,096, which consists of a decrease of \$8,801,448 in governmental net position and an increase of \$11,046,544 in business-type net position.

**City of Victoria, Texas
Changes in Net Position**

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
REVENUES						
Program revenues:						
Charges for services	\$ 7,307,508	\$ 7,440,697	\$ 31,570,653	\$ 31,655,411	\$38,878,161	\$39,096,108
Operating grants and contributions	6,829,229	4,066,404	-	-	6,829,229	4,066,404
Capital grants and contributions	437,611	4,711,910	7,592,120	4,741,062	8,029,731	9,452,972
General revenues:						
Property taxes	24,399,108	23,811,469	-	-	24,399,108	23,811,469
Other taxes	21,795,723	23,191,558	-	-	21,795,723	23,191,558
Other	<u>1,387,438</u>	<u>1,344,437</u>	<u>229,089</u>	<u>252,041</u>	<u>1,616,527</u>	<u>1,596,478</u>
Total revenues	<u>62,156,617</u>	<u>64,566,475</u>	<u>39,391,862</u>	<u>36,648,514</u>	<u>101,548,479</u>	<u>101,214,989</u>
EXPENSES						
General government	5,632,467	5,702,892	-	-	5,632,467	5,702,892
Public safety	35,228,278	29,460,858	-	-	35,228,278	29,460,858
Development	20,187,191	20,668,698	-	-	20,187,191	20,668,698
Building services	727,816	707,411	-	-	727,816	707,411
Recreation	7,765,906	8,463,045	-	-	7,795,906	8,463,045
Interest on long-term debt	3,751,404	4,042,068	-	-	3,751,404	4,042,068
Water/wastewater	-	-	20,860,229	20,894,040	20,860,229	20,894,040
Environmental services	-	-	4,003,842	5,376,450	4,003,842	5,376,450
Other	-	-	<u>1,146,250</u>	<u>945,557</u>	<u>1,146,250</u>	<u>945,557</u>
Total expenses	<u>73,293,062</u>	<u>69,044,972</u>	<u>26,010,321</u>	<u>27,216,047</u>	<u>99,303,383</u>	<u>96,261,019</u>
Change in net position before transfers	(11,136,445)	(4,478,497)	13,381,541	9,432,467	2,245,096	4,953,970
Transfers	<u>2,334,997</u>	<u>2,757,697</u>	<u>(2,334,997)</u>	<u>(2,757,697)</u>	-	-
Change in net position	(8,801,448)	(1,720,800)	11,046,544	6,674,770	2,245,096	4,953,970
Net position - October 1	<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>
Net position - September 30	<u>\$ 75,839,571</u>	<u>\$ 84,641,019</u>	<u>\$ 91,866,827</u>	<u>\$ 80,820,283</u>	<u>\$ 167,706,398</u>	<u>\$ 165,461,302</u>

GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)

The over-all increase in net position is \$2,245,096, which consists of a decrease of \$8,801,448 in governmental activities and an increase of \$11,046,544 in business-type activities. The decrease in the governmental activities is mainly due to a decrease in sales tax revenue of approximately \$1.8 million and various one-time expenditures. The increase in the business-type activities is mainly due to Sales Tax Development Corporation \$6.5 million capital contributions, a discretely presented component unit; and water and wastewater operations generating \$11 million in net earnings, which is within the normal earning rate for this operation.

Governmental Activities

**City of Victoria, Texas
2017 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	\$ 5,632,467	7.68%	\$ 3,169,811	21.75%	(\$ 2,462,656)
Public safety	35,228,278	48.07%	8,416,711	57.75%	(26,811,567)
Development	20,187,191	27.54%	2,544,567	17.46%	(17,642,624)
Building services	727,816	0.99%	-	0.00%	(727,816)
Recreation	7,765,906	10.60%	443,259	3.04%	(7,322,647)
Interest on long-term debt	3,751,404	5.12%	-	0.00%	(3,751,404)
	<u>\$ 73,293,062</u>		<u>\$ 14,574,348</u>		<u>(\$ 58,718,714)</u>

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

<u>Description</u>	<u>Revenues 2017</u>	<u>% of Total</u>	<u>Revenues 2016</u>	<u>% of Total</u>
Charges for services	\$ 7,307,508	11.33%	\$ 7,440,697	11.05%
Operating grants and contributions	6,829,229	10.59%	4,066,404	6.04%
Capital grants and contributions	437,611	0.68%	4,711,910	7.00%
Property taxes	24,399,108	37.83%	23,811,469	35.37%
Sales taxes	14,710,140	22.81%	16,555,680	24.59%
Franchise taxes	5,467,551	8.48%	5,175,796	7.69%
Other taxes	1,618,032	2.51%	1,460,082	2.17%
Unrestricted investment earnings	340,450	0.53%	219,846	0.33%
Miscellaneous	1,046,988	1.62%	1,124,591	1.67%
Transfers	2,334,997	3.62%	2,757,697	4.09%
Total	<u>\$ 64,491,614</u>		<u>\$ 67,324,172</u>	

GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)

Business-type Activities

Fiscal year 2017 business-type activities increased the City's net position by \$11,046,544. The net position increase is due mainly to:

- 1) Water and Wastewater Fund received capital grant contributions from the Victoria Sales Tax Development Corporation in the amount of \$6.5 million; and,
- 2) Water and Wastewater Fund generated approximately \$2.3 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
2017 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	\$20,860,229	80.20%	\$32,079,626	81.91%	\$11,219,397
Environmental services	4,003,842	15.39%	5,520,698	14.10%	1,516,856
Other	<u>1,146,250</u>	4.41%	<u>1,562,449</u>	3.99%	<u>416,199</u>
	<u>\$26,010,321</u>		<u>\$39,162,773</u>		<u>\$13,152,452</u>

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

<u>Description</u>	<u>Revenues</u> <u>2017</u>	<u>% of Total</u>	<u>Revenues</u> <u>2016</u>	<u>% of Total</u>
Charges for services	\$31,570,653	85.19%	\$31,655,411	93.40%
Capital grants and contributions	7,592,120	20.49%	4,741,062	13.99%
Unrestricted investment earnings	229,089	0.62%	114,836	0.34%
Miscellaneous	-	0.00%	137,205	0.41%
Transfers	(<u>2,334,997</u>)	(6.30%)	(<u>2,757,697</u>)	(8.14%)
Total	<u>\$37,056,865</u>		<u>\$33,890,817</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 2017, the City's governmental funds reported combined ending fund balances of \$21,538,487, a decrease of \$6,097,303. 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 \$1.8 million less than last year's receipts; and, drawing down Capital Construction Fund fund balances 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 \$21,538,487 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 2017, unassigned fund balance of the General Fund was \$15,150,384 while total General Fund fund balance was \$16,424,535. 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 \$357,566, which was mainly due to a \$1.8 million decrease in sales tax revenue, compared to last year's amount.

2. *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 2017, fund balance of the Debt Service Fund was \$1,146,765. The main reason for the \$53,242 increase in the Debt Service Fund fund balance is due to an increase in collection of delinquent taxes.

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

Proprietary Funds

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

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

<u>Fund</u>	<u>2017 Unrestricted Net Position</u>	<u>2016 Unrestricted Net Position</u>
Water and Wastewater	\$ 8,245,615	\$6,244,820
Environmental Services	3,143,977	2,075,059
Other	<u>1,437,968</u>	<u>1,149,003</u>
Total	<u>\$ 12,827,560</u>	<u>\$ 9,468,882</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 2017 General Fund original budget and fiscal year 2017 General Fund final amended budget for expenditures (including transfers) was \$1,540,822. \$1,087,563 represents fiscal year 2017 carryover encumbrances and a fiscal year 2017 budget amendment in the amount of \$453,260, of which \$422,000 was transferred to the Riverside Park Golf Course Fund and \$11,260 was an increase to Code Enforcement Department demolition expense budget.
- The original fiscal year 2017 budget included approximately \$1,946,406 of "one-time" expenditures mainly consisting of capital acquisition and improvement projects.
- For fiscal year 2017, the General Fund revenues came in \$231,527 less than the General Fund amended 2017 budget, mainly due to sales tax revenue coming in \$1.49 million under budget.
- For fiscal year 2017, the General Fund actual expenditures, including encumbrances, came in approximately \$2.85 million lower than the General Fund amended fiscal year 2017 budget or \$155K lower than the General Fund projected 2017 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, 2017, amounts to \$301,997,818 (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 decrease in the City's investment in capital assets for the current fiscal year was \$5,842,073 or 2% (a \$8,384,252 or 5% decrease for governmental activities and \$2,542,179 or 2% 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	\$ -	\$ -	\$ 1,143,492	\$ -	\$ 1,143,492
Buildings	35,084	9,722	560,714	286,282	299,794
Other structure improvements	185,048	456,444	991,747	-	720,351
Infrastructure - streets, drainage, traffic, and sidewalks, etc.	9,349,353	-	-	-	9,349,353
Construction in progress	6,391,655	9,803,541	5,511,672	7,361,155	(5,261,369)
Machinery, equipment, and vehicles	2,589,966	2,711,599	351,129	272,105	(42,609)
Water and wastewater distribution system	-	-	<u>9,575,580</u>	-	<u>9,575,580</u>
Total	<u>\$ 18,551,106</u>	<u>\$ 12,981,306</u>	<u>\$ 18,134,334</u>	<u>\$ 7,919,542</u>	15,784,592
					FY 2017 depreciation expense (24,672,140)
					FY 2017 accumulated depreciation deletions 3,045,475
					Primary government beginning capital assets balance <u>307,839,891</u>
					Primary government ending capital assets balance <u>\$301,997,818</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, 2017:

City of Victoria, Texas						
Capital Assets						
(Net of Depreciation)						
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 4,389,837	\$ 4,389,837	\$ 5,569,177	\$ 4,425,685	\$ 9,959,014	\$ 8,815,522
Construction in progress	8,104,183	11,516,069	29,294,915	31,144,398	37,399,098	42,660,467
Machinery and equipment	13,268,848	14,979,584	1,293,151	1,489,796	14,561,999	16,469,380
Buildings	9,520,045	10,750,658	25,418,292	26,962,699	34,938,337	37,713,357
Improvements other than buildings	2,765,162	3,247,266	1,333,321	690,665	4,098,483	3,937,931
Infrastructure	118,436,731	119,985,644	690,674	823,548	119,127,405	120,809,192
Water and wastewater distribution system	-	-	81,913,482	77,434,042	81,913,482	77,434,042
Total	<u>\$156,484,806</u>	<u>\$164,869,058</u>	<u>\$145,513,012</u>	<u>\$142,970,833</u>	<u>\$301,997,818</u>	<u>\$307,839,891</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 2017, the City had total bonded debt outstanding of \$148,340,000. Of this amount, \$83,900,000 comprises debt backed by the full faith and credit of the government and \$64,440,000 secured solely by specific revenue sources (i.e., revenue bonds). In addition, the City had outstanding \$1,609,951 in compensated absences, (\$711,089) in other post employment benefits payable (asset), \$44,393,574 in net pension liability, \$4,036,498 in estimated landfill closure and post-closure care cost; and \$6,959,379 in net bond premium (discount) as of September 30, 2017.

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

	Governmental Activities		Business-type Activities		Total	
	2017	2016*	2017	2016	2017	2016
General obligation bonds	\$ 42,070,000	\$ 46,580,000	\$ -	\$ -	\$ 42,070,000	\$ 46,580,000
Certificates of obligation	41,830,000	44,605,000	-	-	41,830,000	44,605,000
Revenue bonds	-	-	64,440,000	70,830,000	64,440,000	70,830,000
Compensated absences	1,353,620	1,348,336	256,331	272,067	1,609,951	1,620,403
OPEB payable (asset)	(599,061)	(839,129)	(112,028)	(177,642)	(711,089)	(1,016,771)
Net pension liability	36,096,415	35,404,226	8,297,159	8,197,038	44,393,574	43,601,264
Estimated landfill closure and post-closure care cost	-	-	4,036,498	4,172,280	4,036,498	4,172,280
Net bond premium (discount)	<u>2,851,926</u>	<u>3,195,727</u>	<u>4,107,453</u>	<u>3,960,228</u>	<u>6,959,379</u>	<u>7,155,955</u>
Total	<u>\$123,602,900</u>	<u>\$130,294,160</u>	<u>\$ 81,025,413</u>	<u>\$ 87,253,971</u>	<u>\$ 204,628,313</u>	<u>\$ 217,548,131</u>

The City's debt had a net decrease of \$12,919,818 or 6%. The key factors to this net decrease are the following:

- Debt payments of \$7,285,000 in governmental activities bonds and \$15,540,000 in business-type activities bonds were made during fiscal year 2017,
- The City issued the 2016 Utility System Revenue Refunding Bonds in the amount of \$9,150,000 during fiscal year 2017,
- Net pension liability increased by \$792,310,
- Payment of \$200,000 to an irrevocable trust for future funding of the OPEB liability resulted in an OPEB asset of \$711,089,
- Landfill closure/post-closure care cost had a net decrease of \$135,782, and
- Bond premium had a net decrease of \$196,576.

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 has improved considerably from a year ago; and, has shifted itself into “second gear.” As of the first-quarter of 2017, recent data signals moderate growth in Texas economic activity.

While payroll employment growth in the first quarter decelerated slightly from the third and fourth quarter of 2016, Texas continues to exceed the U.S. rate. The state unemployment rate edged up to 5 percent in March but remained below its 5.4 percent natural rate (rate compatible with stable inflation in the long run) – the state’s labor market remains healthy as strong labor force growth has driven recent increase in the unemployment rate. The energy, manufacturing and construction sectors saw strong job gains in the first quarter as activity in the oil and gas sector improved, while job gains in the service sector decelerated; and, energy sector has made significant job gains since fourth quarter 2016. Over all, the Texas labor market remains tight.

The oil and gas business activity continued to rise in the first quarter, according to the Dallas Fed Energy Survey. The oil and gas business activity index (the survey’s broadest measure of conditions facing various energy firms) remains robust at 41.8, similar to last quarter’s 40.1 reading. For a second consecutive quarter, nearly all survey measures reflected expansion on a quarterly basis. The six-month outlooks, per Federal Reserve Bank of Dallas, continued to improve “quarter-over-quarter”.

The Texas Business Outlook Survey (TBOS) three-month moving averages headline indexes reveal a strengthening recovery in manufacturing during recent months but some slowing in the service sector growth. Perceptions of “broader business conditions” among TBOS respondents improved further in April but to a lesser extent than in March; the retail sector was less upbeat than the manufacturing and service sector. The recent improvements in the outlook among manufacturing sector responders are particularly indicative of the manufacturing sector’s close linkages with a rebounding energy sector. The growth rate of orders and new orders indexes from the manufacturing sector survey ticked up in April and their three-month moving average were positive, confirming that manufacturing demand continued to improve.

Most of the residential construction indicators (i.e. number of housing started, number of permits, and contract values) are showing a return to positive growth in March. House prices continued to rise in Texas, and an examination of the data suggest that homes may be overvalued relative to key economic fundamentals, per Federal Reserve Bank of Dallas. With overall single-family construction still below prerecession levels, the supply of homes remains tight in most metros. Existing home inventory in Texas held steady at 3.7 months in March; below the six-month of supply considered balanced.

Despite unexceptional activity for all of 2016, the Texas economy accelerated moderately in the second half of the year. This momentum is likely to continue in 2017, shifting the state economy into second gear. Texas jobs are expected to increase between 1.5 and 2.5 percent, as the energy sector improves and the service sector grows at a moderate pace. The largest risk to the outlook is a sharp change in oil prices; and, a continued appreciation of the U.S. dollar, making Texas goods more expensive abroad, also poses a significant risk to Texas exporters. The above information is from the Federal Reserve Bank of Dallas.

Victoria Economy

Industry, Commercial, and Housing

Unlike the Texas economy, Victoria’s economy is not experiencing the same recovery and/or growth, due to the downturn in oil and gas industry/market; however, Victoria’s economy is resilient; and, the City remains optimistic that its economy will continue to grow, but at a much slower pace, compared to previous years (i.e. Eagle Ford Shale’s economic activity).

Victoria’s oil and natural gas industry growth (*i.e. mainly the Eagle Ford Shale*) has declined/contracted over recent years, due to lower oil/gas prices. Victoria’s rig count for May was 39, an increase of 95 percent from May 2016; and, a decrease of 64.55 percent from May 2012. 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

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

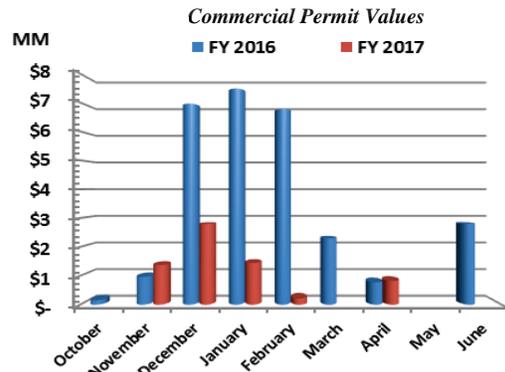
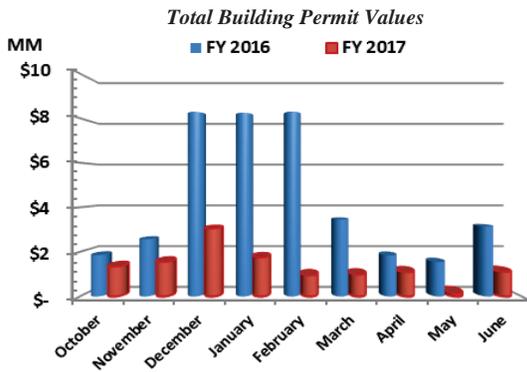
able to stay the course and gain strength by reducing cost associated with drilling through greater efficiencies and supplier reductions.

Despite the sluggish economy, which has had an impact on our property values and sales tax receipts over the past fiscal years, developments continue to occur at the Port of Victoria. Future expansion is planned by the University of Houston-Victoria and

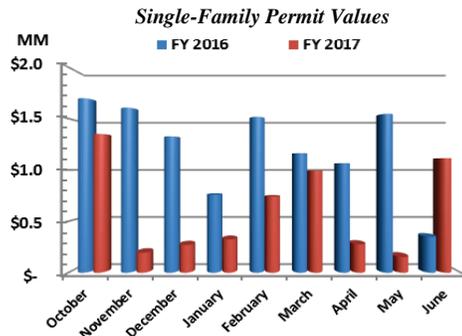
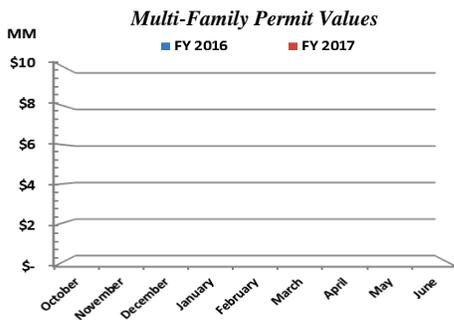
Formosa Plastics Corporation has plans to build three new units, a \$1 billion investment cost in Jackson County, adjacent to Victoria County;

Victoria's unemployment rate for March was 5.6 percent, higher than the State's by 0.6 percent; however, Victoria's unemployment rate dropped to 5.1 percent in April.

The total building permit value (*i.e. new construction for commercial, multi-family units and single-family units*) decreased by 69.2 percent or \$27.1 million, comparing June 2017 to June 2016 values; the decrease is due to decline in commercial and single-family unit permit values. As of June 2017, total commercial permit value is \$6.6 million, a decrease of 76.4 percent or \$21.5 million from last year's values.



As of June 2017, Victoria's multi-family permit value was zero, same as last years; and, single-family permit value is \$5.4 million, a decrease of 51 percent or \$5.6 million from last year's values.



Victoria's construction activity has slowed in recent years, which is expected due to the prior economic trends; however, with current property values and sales tax receipts starting to "bottom out", Victoria is optimistic about its future economic growth. 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.

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

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. 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 2017, 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 2020, 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 will continue to explore other possibilities for additional future water supplies for its citizens.

Other Economic Factors

- 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 67,670 and encompassing an area of approximately 36.89 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 93.9% of national level; and, per capita market value of \$61,795.

Over the past fifteen years (2002 thru 2016), City's population has grown approximately 11%. The population is projected to grow by 9.6% over the next ten years or 0.96% per year.

- As of the first five months of fiscal year 2018, actual sales tax revenues are exceeding the fiscal year 2018 budget by \$973,920 or 16%.

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

- 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, 2017. The fiscal year 2017-2018 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 \$4,227,487,841; an increase of 1.61% or \$66.9 million from last year's tax roll (adjusted for frozen taxable appraised values) of \$4,160,573,521.
- The ad valorem tax rate for fiscal year 2018 was set at 59.52¢, an increase of 0.60¢ from last year's tax rate of 58.92¢. The tax rate is allocated at 34.26¢ for General Fund maintenance and operating costs (an increase of 0.41¢), and 25.26¢ for Debt Service Fund (an increase of 0.19¢).
- The General Fund unassigned fund balance at September 30, 2017, came in \$3,401,476 above the fiscal year 2017 minimum required unassigned fund balance of \$12,164,092, including carryover encumbrances. 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 2018 on one-time/non-reoccurring expenditures, capital improvement projects, or at Council's discretion.
- The fiscal year 2018 Budget includes \$2,472,326 of General Fund one-time expenditures and \$3,619,296 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 2018.
- The City's Capital Improvement Program Projects through 2022 consist of approximately \$171.2 million: in progress - \$73.6 million, FY 2018 - \$15 million, FY 2019 - \$11.3 million, FY 2020 - \$17.9 million, FY 2021 - \$27.7 million, and FY 2022 - \$25.7 million (more detailed information on this subject can be found in the City's Fiscal Year 2018 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.



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CITY OF VICTORIA, TEXAS
STATEMENT OF NET POSITION
September 30, 2017

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 13,711,455	\$ 12,583,036	\$ 26,294,491	\$ 4,795,580
Investments	15,511,744	6,666,769	22,178,513	12,970,230
Receivables (net)	11,534,546	2,519,305	14,053,851	565,395
Internal balances	(71,688)	71,688	-	-
Due from primary government	-	-	-	26,478
Inventory	553,881	172,595	726,476	-
Returned checks	24,431	1,520	25,951	-
Prepaid items	74,133	-	74,133	-
Restricted assets				
Cash and cash equivalents	34,000	5,644,283	5,678,283	-
Investments	-	248,000	248,000	-
Total current assets	41,372,502	27,907,196	69,279,698	18,357,683
Noncurrent assets				
Capital assets				
Land and other assets not being depreciated	12,494,020	34,864,092	47,358,112	5,133,876
Buildings, improvements, and equipment (net)	143,990,786	110,648,920	254,639,706	3,614,248
Net capital assets	156,484,806	145,513,012	301,997,818	8,748,124
Other post employment benefits asset	599,061	112,028	711,089	-
Total noncurrent assets	157,083,867	145,625,040	302,708,907	8,748,124
Total assets	198,456,369	173,532,236	371,988,605	27,105,807
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amount on refunding	2,660,068	1,109,220	3,769,288	-
Deferred outflow related to TMRS	8,544,742	1,966,146	10,510,888	-
Total deferred outflows of resources	11,204,810	3,075,366	14,280,176	-

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
LIABILITIES				
Current liabilities				
Accounts payable	\$ 4,461,971	\$ 960,384	\$ 5,422,355	\$ 443,099
Accounts payable (payable from restricted assets)	-	1,221,330	1,221,330	-
Accrued expenses	2,460,968	364,469	2,825,437	-
Due to other governments	119,149	47,092	166,241	-
Due to component unit	-	26,478	26,478	-
Customer deposits	-	31,430	31,430	-
Claims payable	1,492,426	-	1,492,426	-
Unearned revenue	105,268	-	105,268	-
Accrued compensated absences	51,577	9,767	61,344	-
Accrued interest payable	439,001	834,241	1,273,242	-
Current portion of long-term obligations	<u>7,225,000</u>	<u>6,885,000</u>	<u>14,110,000</u>	<u>-</u>
Total current liabilities	<u>16,355,360</u>	<u>10,380,191</u>	<u>26,735,551</u>	<u>443,099</u>
Noncurrent liabilities				
Noncurrent portion of long-term obligations	79,526,926	61,662,453	141,189,379	-
Accrued compensated absences	1,302,043	246,564	1,548,607	-
Net pension liability	36,096,415	8,297,159	44,393,574	-
Estimated landfill closure and postclosure care cost	<u>-</u>	<u>4,036,498</u>	<u>4,036,498</u>	<u>-</u>
Total noncurrent liabilities	<u>116,925,384</u>	<u>74,242,674</u>	<u>191,168,058</u>	<u>-</u>
Total liabilities	<u>133,280,744</u>	<u>84,622,865</u>	<u>217,903,609</u>	<u>443,099</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflow related to TMRS	<u>540,864</u>	<u>117,910</u>	<u>658,774</u>	<u>-</u>
Total deferred inflows of resources	<u>540,864</u>	<u>117,910</u>	<u>658,774</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	79,038,575	79,039,267	158,077,842	8,748,124
Restricted for:				
Debt service	1,696,171	-	1,696,171	-
Public safety	577,673	-	577,673	-
Recreation	1,392,546	-	1,392,546	-
Unrestricted	<u>(6,865,394)</u>	<u>12,827,560</u>	<u>5,962,166</u>	<u>17,914,584</u>
Total net position	<u>\$ 75,839,571</u>	<u>\$ 91,866,827</u>	<u>\$ 167,706,398</u>	<u>\$ 26,662,708</u>

The accompanying notes are an integral part of this statement.

CITY OF VICTORIA, TEXAS
STATEMENT OF ACTIVITIES
For the year ended September 30, 2017

Function/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government	\$ 5,632,467	\$ 1,968,473	\$ 1,201,338	\$ -
Public safety	35,228,278	4,960,530	3,456,181	-
Development	20,187,191	-	2,106,956	437,611
Building services	727,816	-	-	-
Recreation	7,765,906	378,505	64,754	-
Interest on long-term debt	3,751,404	-	-	-
Total governmental activities	<u>73,293,062</u>	<u>7,307,508</u>	<u>6,829,229</u>	<u>437,611</u>
Business-type activities				
Water/wastewater	20,860,229	25,630,998	-	6,448,628
Environmental services	4,003,842	5,520,698	-	-
Other	1,146,250	418,957	-	1,143,492
Total business-type activities	<u>26,010,321</u>	<u>31,570,653</u>	<u>-</u>	<u>7,592,120</u>
Total primary government	<u>\$ 99,303,383</u>	<u>\$ 38,878,161</u>	<u>\$ 6,829,229</u>	<u>\$ 8,029,731</u>
Component Units	<u>\$ 8,261,752</u>	<u>\$ 12,000</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

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
\$ (2,462,656)	\$ -	\$ (2,462,656)	\$ -
(26,811,567)	-	(26,811,567)	-
(17,642,624)	-	(17,642,624)	-
(727,816)	-	(727,816)	-
(7,322,647)	-	(7,322,647)	-
(3,751,404)	-	(3,751,404)	-
<u>(58,718,714)</u>	<u>-</u>	<u>(58,718,714)</u>	<u>-</u>
-	11,219,397	11,219,397	-
-	1,516,856	1,516,856	-
-	416,199	416,199	-
-	<u>13,152,452</u>	<u>13,152,452</u>	<u>-</u>
<u>(58,718,714)</u>	<u>13,152,452</u>	<u>(45,566,262)</u>	<u>-</u>
-	-	-	<u>(8,249,752)</u>
15,046,718	-	15,046,718	-
9,352,390	-	9,352,390	-
14,710,140	-	14,710,140	7,381,548
5,467,551	-	5,467,551	-
1,618,032	-	1,618,032	-
340,450	229,089	569,539	163,976
1,046,988	-	1,046,988	-
2,334,997	(2,334,997)	-	-
<u>49,917,266</u>	<u>(2,105,908)</u>	<u>47,811,358</u>	<u>7,545,524</u>
(8,801,448)	11,046,544	2,245,096	(704,228)
<u>84,641,019</u>	<u>80,820,283</u>	<u>165,461,302</u>	<u>27,366,936</u>
<u>\$ 75,839,571</u>	<u>\$ 91,866,827</u>	<u>\$ 167,706,398</u>	<u>\$ 26,662,708</u>

CITY OF VICTORIA, TEXAS*BALANCE SHEET**GOVERNMENTAL FUNDS**September 30, 2017*

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 4,649,027	\$ 152,167	\$ 6,078,637
Investments	12,033,755	994,598	-
Receivables (net)	6,583,930	988,407	3,532,786
Due from other funds	192,553	-	230,418
Inventory	406,945	-	-
Returned checks	24,431	-	-
Total assets	<u>\$ 23,890,641</u>	<u>\$ 2,135,172</u>	<u>\$ 9,841,841</u>
LIABILITIES			
Accounts payable	\$ 700,751	\$ -	\$ 3,438,533
Accrued expenditures	2,379,055	-	12,545
Accrued compensated absences	8,239	-	-
Due to other governments	119,149	-	-
Due to other funds	393,486	-	485,840
Unearned revenue	-	-	105,268
Total liabilities	<u>3,600,680</u>	<u>-</u>	<u>4,042,186</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	<u>3,865,426</u>	<u>988,407</u>	<u>1,832,468</u>
Total deferred inflows of resources	<u>3,865,426</u>	<u>988,407</u>	<u>1,832,468</u>
FUND BALANCES			
Nonspendable			
Inventory	406,945	-	-
Restricted	-	1,146,765	5,596,008
Committed	867,206	-	-
Unassigned	<u>15,150,384</u>	<u>-</u>	<u>(1,628,821)</u>
Total fund balances	<u>16,424,535</u>	<u>1,146,765</u>	<u>3,967,187</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 23,890,641</u>	<u>\$ 2,135,172</u>	<u>\$ 9,841,841</u>

The accompanying notes are an integral part of this statement.

Total
Governmental
Funds

\$ 10,879,831
13,028,353
11,105,123
422,971
406,945
24,431
\$ 35,867,654

\$ 4,139,284
2,391,600
8,239
119,149
879,326
105,268
7,642,866

6,686,301
6,686,301

406,945
6,742,773
867,206
13,521,563
21,538,487
\$ 35,867,654

CITY OF VICTORIA, TEXAS

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

September 30, 2017

Total governmental fund balances		\$ 21,538,487
<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.		13,294,770
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.		3,056,146
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.		3,630,155
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	\$ 344,602,161	
Accumulated depreciation of governmental capital assets	<u>(196,968,670)</u>	147,633,491
Other post employment benefits asset is not a current financial resource and therefore is not reported in the governmental funds balance sheet.		599,061
Deferred outflows of resources are not reported in the governmental funds:		
Deferred amount on refunding	2,660,068	
Deferred amount on pension	<u>8,544,742</u>	11,204,810
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	(83,900,000)	
Premiums on bonds payable	(2,851,926)	
Accrued interest on the bonds	(439,001)	
Compensated absences	(1,289,143)	
Net pension liability	<u>(36,096,415)</u>	(124,576,485)
Deferred inflows of resources are not reported in the governmental funds:		
Deferred amount on pension		<u>(540,864)</u>
Net position of governmental activities		<u>\$ 75,839,571</u>

The accompanying notes are an integral part of this statement.



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CITY OF VICTORIA, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the year ended September 30, 2017

	General	Debt Service	Other Governmental Funds
REVENUES			
Taxes	\$ 35,429,238	\$ 9,261,108	\$ 1,490,041
Licenses and permits	962,162	-	-
Intergovernmental	2,070,878	422,582	4,222,282
Charges for services	2,858,658	-	-
Fines and forfeitures	1,149,982	-	160,491
Investment income	185,800	56,551	59,248
Miscellaneous	903,682	-	960,107
Total revenues	<u>43,560,400</u>	<u>9,740,241</u>	<u>6,892,169</u>
EXPENDITURES			
Current			
General government	3,431,126	-	1,108,365
Public safety	27,015,807	-	3,553,673
Development	7,812,905	-	-
Building services	612,441	-	-
Recreation	5,266,474	-	1,847,689
Capital outlay	-	-	6,770,342
Debt service			
Principal retirement	-	7,285,000	-
Interest and fiscal charges	-	3,709,168	-
Paying agents' fees, issue costs, and arbitrage rebate premiums	-	12,120	-
Total expenditures	<u>44,138,753</u>	<u>11,006,288</u>	<u>13,280,069</u>
Excess (deficiency) of revenues over expenditures	(578,353)	(1,266,047)	(6,387,900)
OTHER FINANCING SOURCES (USES)			
Transfers in	3,725,544	1,319,289	3,946,766
Transfers out	(3,504,757)	-	(3,351,845)
Total other financing sources (uses)	<u>220,787</u>	<u>1,319,289</u>	<u>594,921</u>
Change in fund balances	(357,566)	53,242	(5,792,979)
Fund balances at beginning of year	<u>16,782,101</u>	<u>1,093,523</u>	<u>9,760,166</u>
Fund balances at end of year	<u>\$ 16,424,535</u>	<u>\$ 1,146,765</u>	<u>\$ 3,967,187</u>

The accompanying notes are an integral part of this statement.

Total
Governmental
Funds

\$ 46,180,387
962,162
6,715,742
2,858,658
1,310,473
301,599
1,863,789
60,192,810

4,539,491
30,569,480
7,812,905
612,441
7,114,163
6,770,342

7,285,000
3,709,168

12,120
68,425,110

(8,232,300)

8,991,599
(6,856,602)

2,134,997

(6,097,303)

27,635,790

\$ 21,538,487

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, 2017*

Total net change in fund balances - governmental funds		\$ (6,097,303)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Internal service funds are used by the City to charge the costs of certain activities, such as insurance and vehicle and equipment services, to individual funds. The net activity of the internal service funds are reported with governmental activities.		(2,650,873)
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	\$ 7,525,525	
Depreciation expense	<u>(13,992,934)</u>	(6,467,409)
The net effect of various transactions involving capital assets (i.e., transfers, contributions, adjustments and dispositions) is to increase (decrease) net position.		(335,711)
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		7,285,000
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	268,900	
Other revenues	<u>1,301,331</u>	1,570,231
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	(1,358)	
Decrease in accrued interest	25,747	
Decrease in loss on bond refunding	(399,664)	
Decrease in bond premium	343,801	
Net pension costs	(1,833,841)	
Decrease in other post employment benefits asset	<u>(240,068)</u>	<u>(2,105,383)</u>
Change in net position of governmental activities		\$ (8,801,448)

The accompanying notes are an integral part of this statement.



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CITY OF VICTORIA, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2017

	Business-type Activities			Total	Governmental Activities Internal Service Funds
	Water and Wastewater	Environmental Services	Other Enterprise Funds		
ASSETS					
Current assets					
Cash and cash equivalents	\$ 6,875,663	\$ 4,597,387	\$ 1,109,986	\$ 12,583,036	\$ 2,831,624
Investments	5,666,769	1,000,000	-	6,666,769	2,483,391
Receivables (net)	2,188,309	327,609	3,387	2,519,305	429,423
Due from other funds	-	256,473	120,000	376,473	403,896
Inventory	172,595	-	-	172,595	146,936
Returned checks	-	-	1,520	1,520	-
Prepaid items	-	-	-	-	74,133
Restricted assets					
Cash and cash equivalents	3,168,567	2,112,622	363,094	5,644,283	34,000
Investments	-	248,000	-	248,000	-
Total current assets	18,071,903	8,542,091	1,597,987	28,211,981	6,403,403
Noncurrent assets					
Capital assets					
Land and other assets not being depreciated	32,485,861	834,981	1,543,250	34,864,092	173,175
Buildings, improvements, and equipment (net)	105,057,554	1,526,102	4,065,264	110,648,920	8,678,140
Net capital assets	137,543,415	2,361,083	5,608,514	145,513,012	8,851,315
Other post employment benefits asset	89,478	22,550	-	112,028	-
Total noncurrent assets	137,632,893	2,383,633	5,608,514	145,625,040	8,851,315
Total assets	155,704,796	10,925,724	7,206,501	173,837,021	15,254,718
DEFERRED OUTFLOWS OF RESOURCES					
Deferred amount on refunding	1,109,220	-	-	1,109,220	-
Deferred outflow related to TMRS	1,637,251	328,895	-	1,966,146	-
Total deferred outflows of resources	2,746,471	328,895	-	3,075,366	-

	Business-type Activities			Total	Governmental Activities Internal Service Funds
	Water and Wastewater	Environmental Services	Other Enterprise Funds		
LIABILITIES					
Current liabilities					
Accounts payable	\$ 745,951	\$ 111,187	\$ 103,246	\$ 960,384	\$ 322,687
Accounts payable (payable from restricted assets)	1,221,330	-	-	1,221,330	-
Accrued expenses	280,405	70,668	13,396	364,469	69,368
Accrued compensated absences	7,884	1,671	212	9,767	2,143
Due to other governments	-	47,092	-	47,092	-
Due to other funds	291,041	7,368	6,376	304,785	19,229
Due to component unit	-	26,478	-	26,478	-
Customer deposits	-	-	31,430	31,430	-
Claims payable	-	-	-	-	1,492,426
Accrued interest payable	834,241	-	-	834,241	-
Current portion of revenue bonds	6,885,000	-	-	6,885,000	-
Total current liabilities	10,265,852	264,464	154,660	10,684,976	1,905,853
Noncurrent liabilities					
Revenue bonds (net of unamortized deferred amounts)	61,662,453	-	-	61,662,453	-
Accrued compensated absences	199,017	42,188	5,359	246,564	54,095
Net pension liability	6,912,079	1,385,080	-	8,297,159	-
Estimated landfill closure and postclosure care cost	-	4,036,498	-	4,036,498	-
Total noncurrent liabilities	68,773,549	5,463,766	5,359	74,242,674	54,095
Total liabilities	79,039,401	5,728,230	160,019	84,927,650	1,959,948
DEFERRED INFLOWS OF RESOURCES					
Deferred inflow related to TMRS	96,581	21,329	-	117,910	-
Total deferred inflows of resources	96,581	21,329	-	117,910	-
NET POSITION					
Net investment in capital assets	71,069,670	2,361,083	5,608,514	79,039,267	8,851,315
Unrestricted net position	8,245,615	3,143,977	1,437,968	12,827,560	4,443,455
Total net position	\$ 79,315,285	\$ 5,505,060	\$ 7,046,482	\$ 91,866,827	\$ 13,294,770

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, 2017

	Business-type Activities		
	Water and Wastewater	Environmental Services	Other Enterprise Funds
OPERATING REVENUES			
Charges for services	\$ 25,583,540	\$ 4,555,040	\$ 418,957
Miscellaneous	47,458	965,658	-
Total operating revenues	<u>25,630,998</u>	<u>5,520,698</u>	<u>418,957</u>
OPERATING EXPENSES			
Personnel	6,220,217	1,396,125	283,763
Materials and supplies	1,317,964	187,535	60,379
Maintenance	1,111,877	20,424	64,158
Heat, lights and power	1,382,467	18,878	153,117
Reinsurance premiums	-	-	-
Miscellaneous services	1,103,665	607,116	63,612
Contractual services	612,781	182,180	70,977
Computer services	128,203	50,639	15,237
Court costs, judgments and damages	-	-	-
Claims expense	-	-	-
Wellness program	-	-	-
Tipping fees	-	1,036,071	-
Landfill closure and postclosure care cost	-	125,666	-
Depreciation	6,675,556	377,552	424,598
Total operating expenses	<u>18,552,730</u>	<u>4,002,186</u>	<u>1,135,841</u>
Operating income (loss) before nonoperating revenues (expenses), contributions, transfers and special item	7,078,268	1,518,512	(716,884)
NONOPERATING REVENUES (EXPENSES)			
Investment income	148,612	73,290	7,187
Interest and fiscal charges	(2,306,721)	-	-
Gain (loss) on disposition of capital assets	(778)	(1,656)	(10,409)
Net nonoperating revenues (expenses)	<u>(2,158,887)</u>	<u>71,634</u>	<u>(3,222)</u>
Income before contributions, transfers and special item	4,919,381	1,590,146	(720,106)
Contributions and transfers			
Capital contributions	6,448,628	-	1,143,492
Transfers in	-	-	922,000
Transfers out	(2,624,900)	(595,167)	(36,930)
Total contributions and transfers	<u>3,823,728</u>	<u>(595,167)</u>	<u>2,028,562</u>
Special item - other post employment benefits trust payment	-	-	-
Change in net position	8,743,109	994,979	1,308,456
Total net position at beginning of year, as restated	<u>70,572,176</u>	<u>4,510,081</u>	<u>5,738,026</u>
Total net position at end of year	<u>\$ 79,315,285</u>	<u>\$ 5,505,060</u>	<u>\$ 7,046,482</u>

The accompanying notes are an integral part of this statement.

<u>Total</u>	<u>Governmental Activities Internal Service Funds</u>
\$ 30,557,537	\$ 13,674,528
1,013,116	86,107
<u>31,570,653</u>	<u>13,760,635</u>
7,900,105	1,226,532
1,565,878	1,162,241
1,196,459	735,340
1,554,462	28,133
-	1,131,787
1,774,393	778,428
865,938	1,590,732
194,079	51,223
-	11,881
-	6,941,877
-	15,506
1,036,071	-
125,666	-
7,477,706	2,702,515
<u>23,690,757</u>	<u>16,376,195</u>
7,879,896	(2,615,560)
229,089	38,851
(2,306,721)	-
(12,843)	(74,164)
<u>(2,090,475)</u>	<u>(35,313)</u>
5,789,421	(2,650,873)
7,592,120	-
922,000	200,000
<u>(3,256,997)</u>	<u>-</u>
<u>5,257,123</u>	<u>200,000</u>
-	(200,000)
11,046,544	(2,650,873)
80,820,283	15,945,643
<u>\$ 91,866,827</u>	<u>\$ 13,294,770</u>

CITY OF VICTORIA, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended September 30, 2017

	Business-type Activities		
	Water and Wastewater	Environmental Services	Other Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers/other funds	\$ 25,709,792	\$ 5,549,240	\$ 418,987
Cash paid to suppliers for goods and services	(5,573,621)	(2,130,131)	(409,132)
Cash paid to employees for services	(5,906,966)	(1,317,531)	(283,944)
Net cash provided (used) by operating activities	<u>14,229,205</u>	<u>2,101,578</u>	<u>(274,089)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Increase (decrease) in customer deposits	-	-	(32,394)
Other post employment benefits trust payment	-	-	-
Borrowings from (to) other funds	272,119	(256,473)	129,808
Borrowings from (to) component unit	-	(598)	-
Transfers in from other funds	-	-	922,000
Transfers out to other funds	(2,624,900)	(595,167)	(36,930)
Net cash provided (used) by noncapital financing activities	<u>(2,352,781)</u>	<u>(852,238)</u>	<u>982,484</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(7,792,368)	(542,096)	(315,613)
Proceeds from capital grants and contributions	5,194,864	-	-
Proceeds from sale of capital assets	29	-	4,607
Principal paid on revenue bonds	(6,715,000)	-	-
Interest paid on revenue bonds	(2,575,002)	-	-
Net cash provided (used) by capital and related financing activities	<u>(11,887,477)</u>	<u>(542,096)</u>	<u>(311,006)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	(12,013,380)	(8,871,747)	-
Proceeds from sales and maturities of investments	15,375,000	10,874,223	-
Investment income	148,612	73,290	7,187
Net cash provided (used) by investing activities	<u>3,510,232</u>	<u>2,075,766</u>	<u>7,187</u>
Net increase (decrease) in cash and cash equivalents	3,499,179	2,783,010	404,576
Cash and cash equivalents at beginning of year	<u>6,545,051</u>	<u>3,926,999</u>	<u>1,068,504</u>
Cash and cash equivalents at end of year	<u>\$ 10,044,230</u>	<u>\$ 6,710,009</u>	<u>\$ 1,473,080</u>

The accompanying notes are an integral part of this statement.

<u>Total</u>	Governmental Activities Internal Service Funds
\$ 31,678,019	\$ 13,467,379
(8,112,884)	(11,949,437)
<u>(7,508,441)</u>	<u>(1,218,239)</u>
16,056,694	299,703
(32,394)	-
-	(200,000)
145,454	-
(598)	-
922,000	200,000
<u>(3,256,997)</u>	<u>-</u>
(2,222,535)	-
(8,650,077)	(1,222,039)
5,194,864	-
4,636	26,493
(6,715,000)	-
<u>(2,575,002)</u>	<u>-</u>
(12,740,579)	(1,195,546)
(20,885,127)	(1,987,133)
26,249,223	1,736,000
229,089	38,851
<u>5,593,185</u>	<u>(212,282)</u>
6,686,765	(1,108,125)
<u>11,540,554</u>	<u>3,973,749</u>
<u>\$ 18,227,319</u>	<u>\$ 2,865,624</u>

(continued)

CITY OF VICTORIA, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended September 30, 2017

	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)	\$ 7,078,268	\$ 1,518,512	\$ (716,884)
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation	6,675,556	377,552	424,598
Changes in assets and liabilities			
(Increase) decrease in accounts receivable	79,887	(16,480)	-
(Increase) decrease in other receivables	(1,093)	45,022	(720)
(Increase) decrease in inventory	(2,051)	-	-
(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	54,321	11,293	-
(Increase) decrease in deferred outflows related to TMRS	307,431	60,806	-
Increase (decrease) in accounts payable	85,387	(9,003)	18,348
Increase (decrease) in accrued expenses	(23,937)	(958)	(770)
Increase (decrease) in due to other funds	-	-	-
Increase (decrease) in compensated absences	(15,902)	(423)	589
Increase (decrease) in due to other governments	-	6,336	-
Increase (decrease) in claims payable	-	-	-
Increase (decrease) in net pension liability	75,401	24,721	-
Increase (decrease) in landfill closure and postclosure care cost	-	101,045	-
Increase (decrease) in deferred inflows related to TMRS	(84,063)	(16,845)	-
Total adjustments	<u>7,150,937</u>	<u>583,066</u>	<u>442,795</u>
Net cash provided (used) by operating activities	<u>\$ 14,229,205</u>	<u>\$ 2,101,578</u>	<u>\$ (274,089)</u>
Reconciliation of cash and cash equivalents			
Unrestricted			
Cash and cash equivalents	\$ 6,875,663	\$ 4,597,387	\$ 1,109,986
Restricted			
Cash and cash equivalents	<u>3,168,567</u>	<u>2,112,622</u>	<u>363,094</u>
Total	<u>\$ 10,044,230</u>	<u>\$ 6,710,009</u>	<u>\$ 1,473,080</u>
Noncash capital and related financing activities			
Assets acquired from contributions	<u>\$ 1,253,764</u>	<u>\$ -</u>	<u>\$ 1,642,479</u>

The accompanying notes are an integral part of this statement.

<u>Total</u>	<u>Governmental Activities Internal Service Funds</u>
\$ 7,879,896	\$ (2,615,560)
7,477,706	2,702,515
63,407	-
43,209	(338,207)
(2,051)	(5,993)
750	-
-	31,087
-	(8,371)
65,614	-
368,237	-
94,732	24,135
(25,665)	3,729
-	13,864
(15,736)	4,564
6,336	-
-	487,940
100,122	-
101,045	-
(100,908)	-
<u>8,176,798</u>	<u>2,915,263</u>
<u>\$ 16,056,694</u>	<u>\$ 299,703</u>
\$ 12,583,036	\$ 2,831,624
<u>5,644,283</u>	<u>34,000</u>
<u>\$ 18,227,319</u>	<u>\$ 2,865,624</u>
<u>\$ 2,896,243</u>	<u>\$ -</u>

(concluded)

CITY OF VICTORIA, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
September 30, 2017

	<u>Agency</u>
ASSETS	
Cash and cash equivalents	\$ 237,860
Prepaid items	<u>488</u>
Total assets	<u>\$ 238,348</u>
LIABILITIES	
Liabilities	
Accounts payable	\$ 5,983
Due to other agencies	<u>232,365</u>
Total liabilities	<u>\$ 238,348</u>

The accompanying notes are an integral part of this statement.

CITY OF VICTORIA, TEXAS
STATEMENT OF NET POSITION
COMPONENT UNITS
September 30, 2017

	Sales Tax Development Corporation	Victoria Recreation	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 4,794,580	\$ 1,000	\$ 4,795,580
Investments	12,970,230	-	12,970,230
Receivables (net)			
Sales taxes	565,395	-	565,395
Due from primary government	26,478	-	26,478
Total current assets	<u>18,356,683</u>	<u>1,000</u>	<u>18,357,683</u>
Noncurrent assets			
Capital assets			
Land and other assets not being depreciated	5,133,876	-	5,133,876
Buildings, improvements, and equipment (net)	<u>3,530,877</u>	<u>83,371</u>	<u>3,614,248</u>
Total noncurrent assets	<u>8,664,753</u>	<u>83,371</u>	<u>8,748,124</u>
Total assets	<u>27,021,436</u>	<u>84,371</u>	<u>27,105,807</u>
LIABILITIES			
Current liabilities			
Accounts payable	<u>443,099</u>	-	<u>443,099</u>
Total liabilities	<u>443,099</u>	-	<u>443,099</u>
NET POSITION			
Net investment in capital assets	8,664,753	83,371	8,748,124
Unrestricted	<u>17,913,584</u>	<u>1,000</u>	<u>17,914,584</u>
Total net position	<u>\$ 26,578,337</u>	<u>\$ 84,371</u>	<u>\$ 26,662,708</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, 2017

Function/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Component Units				
Sales Tax Development Corporation	\$ 8,227,600	\$ -	\$ -	\$ -
Victoria Recreation	<u>34,152</u>	<u>12,000</u>	<u>-</u>	<u>-</u>
Total component units	<u>\$ 8,261,752</u>	<u>\$ 12,000</u>	<u>\$ -</u>	<u>\$ -</u>

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
\$ (8,227,600)	\$ -	\$ (8,227,600)
-	(22,152)	(22,152)
(8,227,600)	(22,152)	(8,249,752)
7,381,548	-	7,381,548
163,976	-	163,976
7,545,524	-	7,545,524
(682,076)	(22,152)	(704,228)
27,260,413	106,523	27,366,936
\$ 26,578,337	\$ 84,371	\$ 26,662,708

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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.

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 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 proprietary funds are accounted for on a flow of *economic resources measurement focus* and utilize the *accrual basis of accounting*. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Statement of Net Position. The fund equity is segregated into net investment in capital assets, restricted net position, and unrestricted net position.

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

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

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

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

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

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

D. Budgets and Budgetary Accounting

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

1. Prior to September 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted through passage of an ordinance.
4. No funds may be expended or encumbered which will exceed appropriations; however, the City Manager is authorized to transfer budgeted amounts within any department or agency. Any revisions that alter the total expenditures of any department or agency must be approved by the City Council. There were supplemental appropriations made during the year. The effect of budget supplements was to increase appropriations for the General Fund in the amount of \$1,220,264. In addition, the encumbrances outstanding at September 30, 2016 were carried forward to fiscal year 2017 through a supplemental budgetary allocation which amounted to \$1,087,563.
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, 2017, 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 of the General Fund and the Water and Wastewater Fund consists of supplies held for the City's use and are carried at cost. Inventory in the Internal Service Funds is held for resale and is reported at lower of cost for 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 acquisition 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 ACCOUNTABILITY

Budgetary Compliance

Budgetary compliance is monitored at the departmental level in the General Fund and at the fund level in the Debt Service Fund and Capital Project Funds. There were several situations of expenditures exceeding the amount appropriated during the fiscal year 2016-2017.

<u>Fund/Department</u>	<u>Budget</u>	<u>Actual</u>	<u>Negative Variance</u>
General Fund			
Fire	\$ 12,591,396	\$ 12,653,297	\$ 61,901
Debt Service Fund	10,403,484	11,006,288	602,804
Nonmajor Funds			
Capital Const. Fund (3035)			
Transfers out	-	69,766	69,766
Capital Const. Fund (3037)			
Transfers out	317,580	350,547	32,967

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

Encumbrances

Encumbrances are reported in the financial statements as committed in the governmental funds. As of September 30, 2017, encumbrances in the amount of \$867,206 were reported as committed fund balance in the General Fund.

Deficit Fund Equity

As of September 30, 2017, the Hurricane Program Grant Fund (a Special Revenue Fund) had a deficit fund equity balance of \$1,628,821. This deficit will be eliminated in the 2018 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 \$7,939,955.

At September 30, 2017, the carrying amount of the City's deposits was \$7,088,820 and the respective bank balances totaled \$6,348,710. The City's cash on hand totaled \$4,600.

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, 2017, the Reporting Entity had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Municipal/Public Bonds	\$ 5,789,617	\$ -	\$ 5,789,617	\$ -
Negotiable Certificates of Deposits	3,716,000	-	3,716,000	-
Commercial Paper	23,473,984	-	23,473,984	-
U.S. Agencies	2,417,142	-	2,417,142	-
Total	<u>\$ 35,396,743</u>	<u>\$ -</u>	<u>\$ 35,396,743</u>	<u>\$ -</u>

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, 2017, 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	\$ 5,789,617	\$ 2,344,208	\$ 3,445,409	\$ -	\$ -
Negotiable Certificates of Deposits	3,716,000	991,000	2,725,000	-	-
Commercial Paper	23,473,984	23,473,984	-	-	-
U.S. Agencies	2,417,142	1,417,142	1,000,000	-	-
Total	\$ 35,396,743	\$ 28,226,334	\$ 7,170,409	\$ -	\$ -

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, 2017, the Reporting Entity's investments had the following quality ratings:

Investment Type	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
Municipal/Public Bonds	\$ 5,789,617	\$ 255,710	\$ 4,802,374	\$ 330,376	\$ 401,157
Negotiable Certificates of Deposits	3,716,000	-	-	-	3,716,000
Commercial Paper	23,473,984	-	-	23,473,984	-
U.S. Agencies	2,417,142	2,417,142	-	-	-
Total	\$ 35,396,743	\$ 2,672,852	\$ 4,802,374	\$ 23,804,360	\$ 4,117,157

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, 2017, and for the year then ended, the City was not exposed to any custodial credit risk.

NOTE 4: RECEIVABLES

Receivables at September 30, 2017 consist of the following:

	<u>General</u>	<u>Debt Service</u>	<u>Water and Wastewater</u>	<u>Environmental Services</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Gross receivables:						
Accounts	\$ -	\$ -	\$ 2,417,533	\$ 333,134	\$ -	\$ 2,750,667
Ad valorem taxes	2,680,433	1,040,428	-	-	-	3,720,861
Franchise taxes	725,579	-	-	-	-	725,579
Sales taxes	1,130,789	-	-	-	-	1,130,789
Weedy lots	2,475,823	-	-	-	-	2,475,823
Ambulance	1,843,756	-	-	-	-	1,843,756
Fines	1,834,207	-	-	-	-	1,834,207
Other	984,239	-	12,070	49,701	3,965,596	5,011,606
Total gross receivables	11,674,826	1,040,428	2,429,603	382,835	3,965,596	19,493,288
Less: allowances	5,090,896	52,021	241,294	55,226	-	5,439,437
Total net receivables	<u>\$ 6,583,930</u>	<u>\$ 988,407</u>	<u>\$ 2,188,309</u>	<u>\$ 327,609</u>	<u>\$ 3,965,596</u>	<u>\$ 14,053,851</u>

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and payable by the following January 31, which comprises the collection dates for the current tax roll. The Victoria County Tax Assessor bills, collects, and remits daily all ad valorem taxes.

The City is permitted by a local charter to levy taxes up to \$2.00 per \$100 of assessed valuation. The combined tax rate for the year ended September 30, 2017, was \$0.5892 per \$100, which means that the City has a tax margin of \$1.4108 per \$100 and could raise up to \$58,888,901 on \$4,174,149,522 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	\$ 2,067,739	\$ -	\$ 2,067,739
Weedy lots	369,685	-	369,685
Ambulance	804,396	-	804,396
Fines	623,606	-	623,606
Debt Service Fund			
Ad valorem taxes receivable	988,407	-	988,407
Nonmajor Funds			
Grants	<u>1,832,468</u>	<u>105,268</u>	<u>1,937,736</u>
	<u>\$ 6,686,301</u>	<u>\$ 105,268</u>	<u>\$ 6,791,569</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, 2017, total assets were \$536,935, total liabilities were \$37,507, total fund net position was \$499,428, total support and revenues were \$658,019 and total expenses were \$576,056. Excess revenue over expenses resulted in a net income of \$81,963. The amount contributed by the City for years ended September 30, 2017 and 2016, was \$182,643 and \$125,000, 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, 2017, 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	11,516,069	6,391,655	9,803,541	8,104,183
Total capital assets not being depreciated	<u>15,905,906</u>	<u>6,391,655</u>	<u>9,803,541</u>	<u>12,494,020</u>
Capital assets, being depreciated				
Machinery and equipment	58,654,695	2,589,966	2,711,599	58,533,062
Buildings	19,639,196	35,084	9,722	19,664,558
Improvements other than buildings	7,597,851	185,048	456,444	7,326,455
Infrastructure	<u>266,513,275</u>	<u>9,349,353</u>	<u>-</u>	<u>275,862,628</u>
Total capital assets being depreciated	<u>352,405,017</u>	<u>12,159,451</u>	<u>3,177,765</u>	<u>361,386,703</u>
Less accumulated depreciation for				
Machinery and equipment	43,675,111	4,175,077	2,585,974	45,264,214
Buildings	8,888,538	1,265,202	9,227	10,144,513
Improvements other than buildings	4,350,585	356,903	146,195	4,561,293
Infrastructure	<u>146,527,631</u>	<u>10,898,266</u>	<u>-</u>	<u>157,425,897</u>
Total accumulated depreciation	<u>203,441,865</u>	<u>16,695,448</u>	<u>2,741,396</u>	<u>217,395,917</u>
Total capital assets being depreciated, net	<u>148,963,152</u>	<u>(4,535,997)</u>	<u>436,369</u>	<u>143,990,786</u>
Governmental activities capital assets, net	<u>\$164,869,058</u>	<u>\$ 1,855,658</u>	<u>\$10,239,910</u>	<u>\$156,484,806</u>

NOTE 6: CAPITAL ASSETS - (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets, not being depreciated				
Land	\$ 4,425,685	\$ 1,143,492	\$ -	\$ 5,569,177
Construction in progress	31,144,398	5,511,672	7,361,155	29,294,915
Total capital assets not being depreciated	<u>35,570,083</u>	<u>6,655,164</u>	<u>7,361,155</u>	<u>34,864,092</u>
Capital assets, being depreciated				
Machinery and equipment	5,749,322	351,129	272,105	5,828,346
Buildings	46,895,955	560,714	286,282	47,170,387
Improvements other than buildings	2,203,504	991,747	-	3,195,251
Infrastructure	1,793,382	-	-	1,793,382
Water and wastewater distribution system	159,663,859	9,575,580	-	169,239,439
Total capital assets being depreciated	<u>216,306,022</u>	<u>11,479,170</u>	<u>558,387</u>	<u>227,226,805</u>
Less accumulated depreciation for				
Machinery and equipment	4,259,526	542,795	267,126	4,535,195
Buildings	19,933,256	1,855,792	36,953	21,752,095
Improvements other than buildings	1,512,839	349,091	-	1,861,930
Infrastructure	969,834	132,874	-	1,102,708
Water and wastewater distribution system	82,229,817	5,096,140	-	87,325,957
Total accumulated depreciation	<u>108,905,272</u>	<u>7,976,692</u>	<u>304,079</u>	<u>116,577,885</u>
Total capital assets being depreciated, net	<u>107,400,750</u>	<u>3,502,478</u>	<u>254,308</u>	<u>110,648,920</u>
Business-type activities capital assets, net	<u>\$142,970,833</u>	<u>\$ 10,157,642</u>	<u>\$ 7,615,463</u>	<u>\$145,513,012</u>

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

Governmental activities

General government	\$ 110,978
Public safety	1,502,222
Development	11,471,867
Building services	55,702
Recreation	852,165
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>2,702,514</u>
Total depreciation expense - governmental activities	<u>\$ 16,695,448</u>

Business-type activities

Water/wastewater	\$ 6,675,556
Environmental services	377,552
Other	424,598
Total depreciation expense - business-type activities	<u>\$ 7,477,706</u>

The difference in the increase in accumulated depreciation and depreciation expense for the Business-type activities of \$498,986 relates to the contribution of fully depreciated assets in the Golf Course Fund. Refer to Note 23 for additional information.

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	1,032,279	1,427,117	1,253,764	1,205,632
Total capital assets not being depreciated	<u>4,960,523</u>	<u>1,427,117</u>	<u>1,253,764</u>	<u>5,133,876</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	7,019,863	1,077,078	-	8,096,941
Total accumulated depreciation	<u>7,019,863</u>	<u>1,077,078</u>	<u>-</u>	<u>8,096,941</u>
Total capital assets being depreciated, net	<u>4,607,955</u>	<u>(1,077,078)</u>	<u>-</u>	<u>3,530,877</u>
Sales Tax Development Corporation capital assets, net	<u>9,568,478</u>	<u>350,039</u>	<u>1,253,764</u>	<u>8,664,753</u>
Victoria Recreation				
Capital assets, being depreciated				
Machinery and equipment	\$ 38,352	\$ -	\$ 2,199	\$ 36,153
Improvements other than buildings	461,588	-	-	461,588
Total capital assets being depreciated	<u>499,940</u>	<u>-</u>	<u>2,199</u>	<u>497,741</u>
Less accumulated depreciation for				
Machinery and equipment	38,352	-	2,199	36,153
Improvements other than buildings	355,065	23,152	-	378,217
Total accumulated depreciation	<u>393,417</u>	<u>23,152</u>	<u>2,199</u>	<u>414,370</u>
Total capital assets being depreciated, net	<u>106,523</u>	<u>(23,152)</u>	<u>-</u>	<u>83,371</u>
Victoria Recreation capital assets, net	<u>106,523</u>	<u>(23,152)</u>	<u>2,199</u>	<u>83,371</u>
Discretely presented component units capital assets, net	<u>\$ 9,675,001</u>	<u>\$ 326,887</u>	<u>\$ 1,255,963</u>	<u>\$ 8,748,124</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 2017 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, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	436
Inactive employees entitled to but not yet receiving benefits	357
Active employees	<u>585</u>
	<u>1,348</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 16.68% and 16.49% in calendar years 2015 and 2016, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2017 were \$4,959,283, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2016, 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, 2016 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 disabled 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, 2016, 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). The target allocation and best estimates of arithmetic real rates of return for each major asset class in fiscal year 2017 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%	6.35%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	4.15%
Real Return	10.00%	4.15%
Real Estate	10.00%	4.75%
Absolute Return	10.00%	4.00%
Private Equity	<u>5.00%</u>	7.75%
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.

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2015	\$ 180,918,860	\$ 137,317,597	\$ 43,601,263
Changes for the year:			
Service cost	4,135,668	-	4,135,668
Interest	12,066,856	-	12,066,856
Difference between expected and actual experience	600,195	-	600,195
Change of assumptions	-	-	-
Contributions - Employer	-	5,031,579	(5,031,579)
Contributions - Employee	-	1,809,920	(1,809,920)
Net investment income	-	9,279,365	(9,279,365)
Benefit payments, including refunds of employee contributions	(8,436,906)	(8,436,906)	-
Administrative expense	-	(104,808)	104,808
Other changes	-	(5,648)	5,648
Net changes	<u>8,365,813</u>	<u>7,573,502</u>	<u>792,311</u>
Balance at 12/31/2016	<u>\$ 189,284,673</u>	<u>\$ 144,891,099</u>	<u>\$ 44,393,574</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:	\$71,686,305	\$44,393,574	\$22,179,840

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.tmrs.com.

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

For the year ended September 30, 2017 the City recognized pension expense of \$7,160,576.

At September 30, 2017, 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	\$ 448,247	\$ 658,774
Changes in actuarial assumptions	133,122	-
Difference between projected and actual investment earnings	6,374,223	-
Contributions subsequent to the measurement date	3,555,296	-
Total	\$ 10,510,888	\$ 658,774

\$10,510,888 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, 2018. 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
2017	\$ 1,936,512
2018	2,320,132
2019	2,042,260
2020	(2,087)
2021	-
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 2017, 2016, and 2015 were \$17,987, \$20,967, and \$22,374, 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 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Retirees	155	147
Active employees	621	621
Payments to Employee Health Plan Fund	\$ 6,442,001	\$ 6,219,234

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

	<u>2017</u>	<u>2016</u>
Annual required contribution (ARC)	\$ 1,186,919	\$ 610,704
Interest on net OPEB obligation	(45,755)	9,096
Adjustment to ARC	<u>36,302</u>	<u>(8,245)</u>
Annual OPEB cost	1,177,466	611,555
Contributions to a trust	(200,000)	(1,200,000)
Benefit payments	<u>(671,784)</u>	<u>(630,460)</u>
Increase (decrease) in net OPEB obligation	305,682	(1,218,905)
Net obligation (beginning of year)	<u>(1,016,771)</u>	<u>202,134</u>
Net obligation (end of year)	<u>(\$ 711,089)</u>	<u>(\$ 1,016,771)</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 2017 and the three preceding years are as follows:

<u>Year End September 30</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2017	\$ 1,177,466	74.04%	(\$ 711,089)
2016	611,555	299.3%	(1,016,771)
2015	591,106	87.5%	202,134
2014	581,558	109.8%	128,372

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)
9/30/2017	\$ 1,639,115	\$ 11,248,726	\$ 9,609,611	17.06%	\$ 30,284,330	31.73%

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

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

Actuarial Methods and Assumptions

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

	Actuarial Valuation Information	
	9/30/17	9/30/15
Actuarial cost method	projected unit credit	projected unit credit
Amortization method	level percent of payroll	level percent of payroll
Amortization period in years	30 - closed	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	2018 IRS Static	2015 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 \$520,050 and \$545,922 for the fiscal years ended September 30, 2017 and 2016, 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, 2017 and 2016, the City paid health claims of \$6,792,828 and \$5,619,836. The fund incurred a net loss for the year of \$1,199,381 compared to a net loss of \$1,347,007 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 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
Fiscal Year 2017	730,123	6,792,828	6,235,428	1,287,523

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 \$204,903 and \$274,363, for the fiscal years 2016-2017 and 2015-2016, 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 \$264,291 and (\$202,200) in the fiscal years 2017 and 2016, 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 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
Fiscal Year 2017	274,363	149,049	218,509	204,903

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 2017 and 2016, total contributions from the various City funds totaled \$692,409 and \$622,542, respectively. During the fiscal years 2017 and 2016, the City paid \$611,737 and \$537,029 in reinsurance premiums and \$11,881 and \$25,699 in legal fees and claims. In addition to this, the fund incurred a net loss of (\$38,807), compared to a net loss of (\$46,395) for the prior year. Full insurance coverage was in effect for the year ended September 30, 2017. 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 2017. 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, 2017, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Primary government					
Governmental activities					
Bonds and certificates payable					
Certificates of obligation	\$ 44,605,000	\$ -	\$ 2,775,000	\$ 41,830,000	\$ 2,490,000
General obligation bonds	46,580,000	-	4,510,000	42,070,000	4,735,000
Less deferred amounts:					
Issuance premiums	<u>3,195,727</u>	<u>-</u>	<u>343,801</u>	<u>2,851,926</u>	<u>-</u>
Net bonds and certificates payable	94,380,727	-	7,628,801	86,751,926	7,225,000
Other post employment benefits payable (asset)	(839,129)	240,068	-	(599,061)	-
Net pension liability	35,404,226	692,189	-	36,096,415	-
Compensated absences	<u>1,348,336</u>	<u>1,789,020</u>	<u>1,783,736</u>	<u>1,353,620</u>	<u>51,577</u>
Total governmental activity long-term liabilities	<u>\$ 130,294,160</u>	<u>\$ 2,721,277</u>	<u>\$ 9,412,537</u>	<u>\$ 123,602,900</u>	<u>\$ 7,276,577</u>
Business-type activities					
Bonds payable					
Revenue bonds	\$ 70,830,000	\$ 9,150,000	\$ 15,540,000	\$ 64,440,000	\$ 6,885,000
Less deferred amounts:					
Issuance premiums	<u>3,960,228</u>	<u>815,350</u>	<u>668,125</u>	<u>4,107,453</u>	<u>-</u>
Net bonds payable	74,790,228	9,965,350	16,208,125	68,547,453	6,885,000
Estimated landfill closure and postclosure care cost	4,172,280	-	135,782	4,036,498	-
Other post employment benefits payable (asset)	(177,642)	65,614	-	(112,028)	-
Net pension liability	8,197,038	100,121	-	8,297,159	-
Compensated absences	<u>272,067</u>	<u>378,848</u>	<u>394,584</u>	<u>256,331</u>	<u>9,767</u>
Total business-type activity long-term liabilities	<u>\$ 87,253,971</u>	<u>\$ 10,509,933</u>	<u>\$ 16,738,491</u>	<u>\$ 81,025,413</u>	<u>\$ 6,894,767</u>
Discretely presented component units					
Sales Tax Development Corporation					
Bonds payable					
Revenue bonds	\$ 1,025,000	\$ -	\$ 1,025,000	\$ -	\$ -
Less deferred amounts:					
Issuance premiums	<u>5,354</u>	<u>-</u>	<u>5,354</u>	<u>-</u>	<u>-</u>
Net bonds payable	<u>1,030,354</u>	<u>-</u>	<u>1,030,354</u>	<u>-</u>	<u>-</u>
Total discretely presented component units	<u>\$ 1,030,354</u>	<u>\$ -</u>	<u>\$ 1,030,354</u>	<u>\$ -</u>	<u>\$ -</u>

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

Bonds and certificates payable at September 30, 2017, are comprised of the following individual issues:

\$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%.	\$ 555,000
\$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%.	3,725,000
\$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%.	5,305,000
\$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%.	2,220,000
\$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%.	3,045,000
\$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%.	8,060,000
\$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%.	11,080,000
\$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%.	7,745,000
\$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%.	5,210,000
\$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>2,270,000</u>
Total General Obligation Certificates and Bonds	<u>\$ 83,900,000</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
2018	\$ 7,225,000	\$ 3,538,005	\$ 10,763,005
2019	7,435,000	3,281,233	10,716,233
2020	7,560,000	3,006,010	10,566,010
2021	7,850,000	2,719,626	10,569,626
2022	8,115,000	2,424,303	10,539,303
2023-2027	30,670,000	7,760,256	38,430,256
2028-2032	13,100,000	2,116,147	15,216,147
2033-2035	1,945,000	121,598	2,066,598
Total	\$ 83,900,000	\$ 24,967,178	\$ 108,867,178

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, \$56,238 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%.	\$ 5,740,000
\$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%.	995,000
\$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%.	10,010,000
\$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%.	4,120,000
\$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%.	6,850,000
\$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%.	17,505,000
\$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%.	4,445,000
\$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%.	5,800,000
\$9,150,000 2016 Utility System Revenue Refunding Bonds, Series 2015 due in annual installments ranging from \$80,000 to \$2,285,000 through December 1, 2027; interest varying between 2.00% and 4.00%.	<u>8,975,000</u>
Total Revenue Bonds	<u>\$ 64,440,000</u>

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

Year Ending September 30	Business-type Activities		
	Principal	Interest	Total
2018	\$ 6,885,000	\$ 2,408,799	\$ 9,293,799
2019	7,155,000	2,125,859	9,280,859
2020	7,465,000	1,836,997	9,301,997
2021	6,530,000	1,574,901	8,104,901
2022	5,825,000	1,363,076	7,188,076
2023-2027	16,625,000	4,827,589	21,452,589
2028-2032	9,875,000	2,039,884	11,914,884
2033-2035	<u>4,080,000</u>	<u>313,000</u>	<u>4,393,000</u>
Total	<u>\$ 64,440,000</u>	<u>\$ 16,490,105</u>	<u>\$ 80,930,105</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 \$64.4 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 (\$4,748,050) are expected to require approximately 34 percent of net revenues. Principal and interest paid for the current year and total net revenues were \$9,282,847 and \$13,902,436, respectively. The total principal and interest remaining to be paid on the bonds is \$80,930,105.

The revenue bond debt agreements contain certain requirements regarding the establishment and funding of a debt service fund and a reserve fund. The City complied in all respects as of September 30, 2017.

D. 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, 2017.

E. Refunding Bonds

In October 2016, the City issued \$9,150,000 Utility System Revenue Refunding Bonds with interest varying between 2.00% and of 4.00% to advance refund \$3,425,000 of the City's Utility System Revenue Bonds, Series 2008, which were still outstanding in the amount of \$4,725,000 with interest rates ranging from 4.35% to 5.00%, \$3,690,000 of the City's Utility System Revenue Refunding Bonds, Series 2009, which were still outstanding in the amount of \$15,435,000 with interest rates of 4.00%, and \$1,710,000 of the City's Utility System Revenue Bonds, Series 2010, which were still outstanding in the amount of \$6,135,000 with interest rates ranging from 3.50% to 4.00%. The refunding proceeds also provided funding for costs of issuance. As a result, the bonds are considered defeased and the refunded portion of the liability has been removed from the business-type activities column of the statement of net position and also the Water and Wastewater statement of net position in the fund financial statements. The net proceeds available for refunding bonds in the amount of \$9,801,584 was deposited in an irrevocable trust with an escrow agent to provide for all future debt service on the refunded issue. The refunding of the bonds resulted in an economic gain of \$675,473 and an increase in cash flow of \$738,597.

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, 2017, were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor Governmental	\$ 187,765
	Internal Service	4,788
Environmental Services	Water and Wastewater	256,473
Nonmajor Governmental	General	56,526
	Nonmajor Governmental	173,892
Nonmajor Business-type Internal Service	Nonmajor Governmental	120,000
	General	336,960
	Water and Wastewater	34,568
	Environmental Services	7,368
	Nonmajor Governmental	4,183
	Nonmajor Business-type	6,376
	Other	14,441
		<u>\$ 1,203,340</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>Nonmajor Govt.</u>	<u>Nonmajor Bus.- type</u>	<u>Other</u>	
General	\$ -	\$ -	\$ 2,904,757	\$ 442,000	\$ 158,000	\$ 3,504,757
Nonmajor Govt.	508,547	1,319,289	1,042,009	480,000	2,000	3,351,845
Water and Wwater.	2,594,900	-	-	-	30,000	2,624,900
Environmental Srvs.	587,167	-	-	-	8,000	595,167
Nonmajor Bus.-type	34,930	-	-	-	2,000	36,930
	<u>\$ 3,725,544</u>	<u>\$ 1,319,289</u>	<u>\$ 3,946,766</u>	<u>\$ 922,000</u>	<u>\$ 200,000</u>	<u>\$ 10,113,599</u>

NOTE 14: RELATED PARTY TRANSACTIONS

During fiscal year 2017, the Sales Tax Development Corporation, a discretely presented component unit of the City, contributed \$5,769,153 to the City. The contributions consisted of \$5,331,542 to the Water and Wastewater Capital Construction Fund, \$250,000 to the Capital Construction Fund (3035) (a nonmajor capital project fund) for the purchase of land for relocation of Fire Station No. 5 and \$187,611 to the Capital Construction Fund (3037) (a nonmajor capital project fund) for the purchase of a right of way for the Placido Benavides project. In addition to cash transfers, the Sales Tax Development Corporation paid \$1,253,764 towards the rehabilitation of Water Tower #5 and the Salem Crossing oversizing projects.

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, 2017, \$92,275,000 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, 2017, 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, 2017, is 20 years.

As of September 30, 2017, 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, 2017: \$0
 - Post-closure liability, as of September 30, 2017: \$1,712,459
 - 26.1 acres (50%) has approximately 7 years useful life left.
 - Closure cost liability, as of September 30, 2017: \$1,487,017
 - Post-closure liability, as of September 30, 2017: \$837,022
- 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 \$4,036,498, \$4,172,280, and \$3,991,730 as of September 30, 2017, 2016, and 2015 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, 2017:

	Governmental Fund Balances				Total
	Nonspendable	Restricted	Committed	Unassigned	
General					
Inventory	\$ 406,945	\$ -	\$ -	\$ -	\$ 406,945
Outstanding encumbrances					
General government (Finance; HR; City Manager)	-	-	2,731	-	2,731
Public safety (Police; Fire; Mun. Crt.)	-	-	580,048	-	580,048
Development (Streets; Traffic Control; Planning; GIS; Engineering)	-	-	238,730	-	238,730
Parks and recreation (Library; Parks)	-	-	45,697	-	45,697
Unassigned	-	-	-	15,150,384	15,150,384
Debt Service Fund					
Retirement of long-term debt	-	1,146,765	-	-	1,146,765
Nonmajor Governmental					
Arts, tourism and conventions	-	1,392,546	-	-	1,392,546
Police department	-	233,185	-	-	233,185
Emergency management	-	57,201	-	-	57,201
Municipal court security and technology	-	83,640	-	-	83,640
Various capital projects	-	3,829,436	-	-	3,829,436
Unassigned	-	-	-	(1,628,821)	(1,628,821)
	<u>\$ 406,945</u>	<u>\$ 6,742,773</u>	<u>\$ 867,206</u>	<u>\$ 13,521,563</u>	<u>\$ 21,538,487</u>

NOTE 21: SPECIAL ITEM

During fiscal year 2017, the City funded an irrevocable trust by contributing \$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, 2017 financial statements.

NOTE 22: SUBSEQUENT EVENTS

In November 2017, the City issued Utility System Revenue Refunding Bonds, Series 2017 of \$16,760,000. The bonds are due in annual installments ranging from \$235,000 to \$1,665,000 through 2034 with interest varying from 4.00% to 5.00%. The proceeds from the sale of the bonds will be used to refund a portion of the City's outstanding bonds (Utility System Revenue Refunding Bonds, Series 2007; Utility System Revenue Bonds, Series 2010; and Utility System Revenue Bonds, Series 2014) and to pay costs of issuance of the bonds.

In December 2017, the City issued General Obligation Refunding Bonds, Series 2017 of \$21,880,000. The bonds are due in annual installments ranging from \$840,000 to \$2,280,000 through 2030 with interest varying from 4.00% to 5.00%. The proceeds from the sale of the bonds will be used to refund a portion of the City's outstanding bonds (Certificates of Obligation, Taxable Series 2009B) and to pay costs of issuance of the bonds.

NOTE 23: TRANSFER OF OPERATIONS FROM VICTORIA PARK IMPROVEMENT ASSOCIATION

During the 2017 fiscal year, Victoria Park Improvement Association (VPIA) transferred the golf course operations to the City. The transfer of services to the City occurred on July 1, 2017. As a result of the transfer, land (\$1,143,492) and fully depreciated assets including buildings and various improvements (\$498,986) were transferred to the City. The net book value of the transfers amounted to \$1,143,492 and is accounted for in the Golf Course Fund, a nonmajor enterprise fund. The transfer is recorded as a capital contribution in the accompanying government-wide statement of activities for the Business-type activities and the fund statements. VPIA was not considered part of the same reporting entity of the City before or after the transfer.

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, 2017

With comparative totals for the year ended September 30, 2016

	2017			Variance Positive (Negative)	2016 Actual
	Original Budget	Final Budget	Actual		
REVENUES					
Taxes	\$ 36,913,920	\$ 36,913,920	\$ 35,429,238	\$ (1,484,682)	\$ 36,463,182
Licenses and permits	936,815	936,815	962,162	25,347	993,929
Intergovernmental	2,055,000	2,055,000	2,070,878	15,878	2,060,265
Charges for services	2,159,100	2,159,100	2,858,658	699,558	2,310,974
Fines and forfeitures	1,299,040	1,299,040	1,149,982	(149,058)	1,271,562
Investment income	70,000	70,000	185,800	115,800	115,051
Miscellaneous	358,052	358,052	903,682	545,630	524,207
Total revenues	<u>43,791,927</u>	<u>43,791,927</u>	<u>43,560,400</u>	<u>(231,527)</u>	<u>43,739,170</u>
EXPENDITURES					
General government	3,525,244	3,531,276	3,431,126	100,150	3,572,432
Public safety	26,977,828	27,018,184	27,015,807	2,377	27,136,332
Development	8,329,235	9,224,001	7,812,905	1,411,096	9,469,796
Building services	680,250	683,906	612,441	71,465	675,935
Recreation	5,568,085	5,639,639	5,266,474	373,165	5,118,190
Total expenditures	<u>45,080,642</u>	<u>46,097,006</u>	<u>44,138,753</u>	<u>1,958,253</u>	<u>45,972,685</u>
Excess (deficiency) of revenues over expenditures	(1,288,715)	(2,305,079)	(578,353)	1,726,726	(2,233,515)
OTHER FINANCING SOURCES (USES)					
Transfers in	3,216,997	3,216,997	3,725,544	508,547	3,757,142
Transfers out	(3,870,243)	(4,394,701)	(3,504,757)	889,944	(2,613,341)
Total other financing sources (uses)	<u>(653,246)</u>	<u>(1,177,704)</u>	<u>220,787</u>	<u>1,398,491</u>	<u>1,143,801</u>
Change in fund balance	(1,941,961)	(3,482,783)	(357,566)	3,125,217	(1,089,714)
Fund balance at beginning of year	16,782,101	16,782,101	16,782,101	-	17,871,815
Fund balance at end of year	<u>\$ 14,840,140</u>	<u>\$ 13,299,318</u>	<u>\$ 16,424,535</u>	<u>\$ 3,125,217</u>	<u>\$ 16,782,101</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>	<u>2016</u>
Total Pension Liability			
Service cost	\$ 3,340,351	\$ 3,904,588	\$ 4,135,668
Interest (on the total pension liability)	11,630,300	12,002,074	12,066,856
Difference between expected and actual experience	(1,479,799)	(631,245)	600,195
Change of assumptions	-	283,542	-
Benefit payments, including refunds of employee contributions	<u>(8,631,810)</u>	<u>(8,292,008)</u>	<u>(8,436,906)</u>
Net Change in Total Pension Liability	4,859,042	7,266,951	8,365,813
Total Pension Liability - Beginning	<u>168,792,867</u>	<u>173,651,909</u>	<u>180,918,860</u>
Total Pension Liability - Ending (a)	<u>\$ 173,651,909</u>	<u>\$ 180,918,860</u>	<u>\$ 189,284,673</u>
Plan Fiduciary Net Position			
Contributions - Employer	\$ 4,771,378	\$ 5,127,357	\$ 5,031,579
Contributions - Employee	1,621,816	1,772,128	1,809,920
Net investment income	7,626,946	204,564	9,279,365
Benefit payments, including refunds of employee contributions	(8,631,810)	(8,292,008)	(8,436,906)
Administrative expense	(79,635)	(124,601)	(104,808)
Other	<u>(6,547)</u>	<u>(6,154)</u>	<u>(5,648)</u>
Net Change in Plan Fiduciary Net Position	5,302,148	(1,318,714)	7,573,502
Plan Fiduciary Net Position - Beginning	<u>133,334,163</u>	<u>138,636,311</u>	<u>137,317,597</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 138,636,311</u>	<u>\$ 137,317,597</u>	<u>\$ 144,891,099</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 35,015,598</u>	<u>\$ 43,601,263</u>	<u>\$ 44,393,574</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	79.84%	75.90%	76.55%
Covered Employee Payroll	\$ 27,030,262	\$ 29,535,465	\$ 30,165,336
Net Pension Liability as a Percentage of Covered Employee Payroll	129.54%	147.62%	147.17%

NOTE: Information for the prior seven years was not readily available. The City will compile the respective information over the next seven 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>	<u>2017</u>
Actuarially Determined Contribution	\$ 4,874,372	\$ 5,052,004	\$ 4,959,283
Contribution in relation to the actuarially determined contribution	<u>(4,926,182)</u>	<u>(5,106,741)</u>	<u>(5,011,087)</u>
Contribution deficiency (excess)	<u>\$ (51,810)</u>	<u>\$ (54,737)</u>	<u>\$ (51,804)</u>
Covered employee payroll	\$ 27,967,308	\$ 29,953,292	\$ 29,977,506
Contributions as a percentage of covered employee payroll	17.61%	17.05%	16.72%

NOTE: Information for the prior seven fiscal years was not readily available. The City will compile the respective information over the next seven 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, 2017

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)
9/30/2017	\$ 1,639,115	\$ 11,248,726	\$ 9,609,611	17.06%	\$ 30,284,330	31.73%
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

	9/30/17	9/30/15
Actuarial cost method	projected unit credit	projected unit credit
Amortization method	level percent of payroll	level percent of payroll
Amortization period in years	30 - closed	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	2018 IRS Static	2015 IRS Static

CITY OF VICTORIA, TEXAS
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 September 30, 2017

NOTE 1: BUDGETARY BASIS OF ACCOUNTING

The City annually adopts budgets that are prepared using the modified accrual basis of accounting, which is consistent with generally accepted accounting principles.

NOTE 2: BUDGETARY LEGAL COMPLIANCE

Budgetary compliance is monitored at the departmental level in the General Fund. There was one situation of expenditures exceeding the amounts appropriated during the fiscal year 2016-2017.

<u>Fund/Department</u>	<u>Budget</u>	<u>Actual</u>	<u>Negative Variance</u>
General Fund			
Fire	\$ 12,591,396	\$ 12,653,297	\$ 61,901

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	29 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%
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, 2017

	Total Nonmajor Special Revenue Funds	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,972,162	\$ 4,106,475	\$ 6,078,637
Receivables (net)	3,532,786	-	3,532,786
Due from other funds	230,418	-	230,418
Total assets	<u>\$ 5,735,366</u>	<u>\$ 4,106,475</u>	<u>\$ 9,841,841</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 3,161,494	\$ 277,039	\$ 3,438,533
Accrued expenditures	12,545	-	12,545
Due to other funds	485,840	-	485,840
Unearned revenue	105,268	-	105,268
Total liabilities	<u>3,765,147</u>	<u>277,039</u>	<u>4,042,186</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	<u>1,832,468</u>	<u>-</u>	<u>1,832,468</u>
Total deferred inflows of resources	<u>1,832,468</u>	<u>-</u>	<u>1,832,468</u>
Fund balances			
Restricted			
Arts, tourism and conventions	1,392,546	-	1,392,546
Public safety	290,386	-	290,386
Municipal court	83,640	-	83,640
Various capital projects	-	3,829,436	3,829,436
Unassigned	<u>(1,628,821)</u>	<u>-</u>	<u>(1,628,821)</u>
Total fund balances	<u>137,751</u>	<u>3,829,436</u>	<u>3,967,187</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 5,735,366</u>	<u>\$ 4,106,475</u>	<u>\$ 9,841,841</u>

CITY OF VICTORIA, TEXAS

ALL NONMAJOR GOVERNMENTAL FUNDS

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

For the year ended September 30, 2017

	Total Nonmajor Special Revenue Funds	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
REVENUES			
Taxes	\$ 1,490,041	\$ -	\$ 1,490,041
Intergovernmental	2,537,908	1,684,374	4,222,282
Fines and forfeitures	160,491	-	160,491
Investment income	5,145	54,103	59,248
Miscellaneous	522,496	437,611	960,107
Total revenues	<u>4,716,081</u>	<u>2,176,088</u>	<u>6,892,169</u>
EXPENDITURES			
Current			
General government	1,108,365	-	1,108,365
Public safety	3,553,673	-	3,553,673
Recreation	1,065,559	782,130	1,847,689
Capital outlay	-	6,770,342	6,770,342
Total expenditures	<u>5,727,597</u>	<u>7,552,472</u>	<u>13,280,069</u>
Excess (deficiency) of revenues over expenditures	(1,011,516)	(5,376,384)	(6,387,900)
OTHER FINANCING SOURCES (USES)			
Transfers in	899,669	3,047,097	3,946,766
Transfers out	(1,204,243)	(2,147,602)	(3,351,845)
Total other financing sources (uses)	<u>(304,574)</u>	<u>899,495</u>	<u>594,921</u>
Change in fund balances	(1,316,090)	(4,476,889)	(5,792,979)
Fund balances at beginning of year	<u>1,453,841</u>	<u>8,306,325</u>	<u>9,760,166</u>
Fund balances at end of year	<u>\$ 137,751</u>	<u>\$ 3,829,436</u>	<u>\$ 3,967,187</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.

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 2017, \$1,497,767 was budgeted as follows: for payroll and professional services \$56,701; 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 \$695,566; and for other programs and various outside agencies, not to exceed \$265,500.

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.

NONMAJOR SPECIAL REVENUE FUNDS - (Continued)

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.

Hurricane Program 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. These grants are aimed at governments and organizations, but their final goal is to help a community and all its citizens recover from devastating disasters. The current funds received were for Hurricane Harvey.

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.

Gulf Bend Mental Health Task Force - Used to account for funds from the Gulf Bend Center, the local mental health authority appointed by the Texas Department of State Health Services under Texas statutes, to reimburse the City for the services of a mental health peace officer. The City was invited to assist in the founding of a multi-agency task force to more effectively serve individuals who are experiencing mental health crises.

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

Federal Home Loan Bank Affordable Housing Grant - Used to account for the Federal Home Loan Bank Special Needs Assistance Program. The primary objective of the program is to provide funds for the rehabilitation costs of eligible special needs homeowners. The program provides minor home improvement or remodeling specifically targeted to making homes accessible for low-income elderly and/or disabled households. This project rehabilitated eight housing units for low-income families.

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, 2017

	GCRAC EMS/Trauma System Grant	GCRPC Grant	Police Grants	LEOSE Training Grant	Auto Theft Grant
ASSETS					
Cash and cash equivalents	\$ 12,555	\$ 27,523	\$ 5,011	\$ 22,639	\$ -
Receivables (net)					
Other	-	-	-	-	58,485
Due from other funds	-	-	-	-	51,918
Total assets	<u>\$ 12,555</u>	<u>\$ 27,523</u>	<u>\$ 5,011</u>	<u>\$ 22,639</u>	<u>\$ 110,403</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 617
Accrued expenditures	-	-	-	-	-
Due to other funds	-	-	-	-	109,786
Unearned revenue	12,555	27,523	5,011	22,639	-
Total liabilities	<u>12,555</u>	<u>27,523</u>	<u>5,011</u>	<u>22,639</u>	<u>110,403</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Restricted					
Arts, tourism and conventions	-	-	-	-	-
Public safety	-	-	-	-	-
Municipal court	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 12,555</u>	<u>\$ 27,523</u>	<u>\$ 5,011</u>	<u>\$ 22,639</u>	<u>\$ 110,403</u>

TCEQ Grant	MPO Grant	Motel Tax	Forfeiture Fund	K-9 Unit Program	Fire Department Grant	Hurricane Program Grant	Victoria Kids Recycle
\$ 32,270	\$ -	\$ 601,815	\$ 235,611	\$ 811	\$ 9,625	\$ -	\$ 1,178
-	30,833	226,323	-	-	-	3,068,933	-
-	-	-	-	-	-	-	-
<u>\$ 32,270</u>	<u>\$ 30,833</u>	<u>\$ 828,138</u>	<u>\$ 235,611</u>	<u>\$ 811</u>	<u>\$ 9,625</u>	<u>\$ 3,068,933</u>	<u>\$ 1,178</u>
\$ 15,094	\$ 76	\$ 104,555	\$ 2,426	\$ -	\$ -	\$ 2,863,137	\$ -
-	-	-	-	-	-	-	-
-	30,757	293,892	-	-	-	2,149	-
17,176	-	-	-	811	9,625	-	1,178
<u>32,270</u>	<u>30,833</u>	<u>398,447</u>	<u>2,426</u>	<u>811</u>	<u>9,625</u>	<u>2,865,286</u>	<u>1,178</u>
-	-	-	-	-	-	1,832,468	-
-	-	-	-	-	-	1,832,468	-
-	-	429,691	-	-	-	-	-
-	-	-	233,185	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	(1,628,821)	-
-	-	429,691	233,185	-	-	(1,628,821)	-
<u>\$ 32,270</u>	<u>\$ 30,833</u>	<u>\$ 828,138</u>	<u>\$ 235,611</u>	<u>\$ 811</u>	<u>\$ 9,625</u>	<u>\$ 3,068,933</u>	<u>\$ 1,178</u>

(continued)

CITY OF VICTORIA, TEXAS

NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

September 30, 2017

	Gulf Bend Mental Health Task Force	Municipal Court Special Revenue	Public, Educational, and Governmental (PEG) Fund	Community Development Block Grant	Homeland Security Grant
ASSETS					
Cash and cash equivalents	\$ -	\$ 84,145	\$ 346,345	\$ -	\$ -
Receivables					
Other	7,911	-	39,246	71,601	8,204
Due from other funds	<u>4,608</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 12,519</u>	<u>\$ 84,145</u>	<u>\$ 385,591</u>	<u>\$ 71,601</u>	<u>\$ 8,204</u>
LIABILITIES					
Accounts payable	\$ -	\$ 505	\$ -	\$ 38,506	\$ -
Accrued expenditures	-	-	-	-	-
Due to other funds	12,519	-	-	24,345	8,204
Unearned revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,750</u>	<u>-</u>
Total liabilities	<u>12,519</u>	<u>505</u>	<u>-</u>	<u>71,601</u>	<u>8,204</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Restricted					
Arts, tourism and conventions	-	-	385,591	-	-
Public safety	-	-	-	-	-
Municipal court	-	83,640	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>-</u>	<u>83,640</u>	<u>385,591</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 12,519</u>	<u>\$ 84,145</u>	<u>\$ 385,591</u>	<u>\$ 71,601</u>	<u>\$ 8,204</u>

Emergency Management	Convention and Visitors Bureau	Total
\$ 174,680	\$ 417,954	\$ 1,972,162
-	21,250	3,532,786
-	<u>173,892</u>	<u>230,418</u>
<u>\$ 174,680</u>	<u>\$ 613,096</u>	<u>\$ 5,735,366</u>
\$ 117,479	\$ 19,099	\$ 3,161,494
-	12,545	12,545
-	4,188	485,840
-	-	<u>105,268</u>
<u>117,479</u>	<u>35,832</u>	<u>3,765,147</u>
-	-	<u>1,832,468</u>
-	-	<u>1,832,468</u>
-	577,264	1,392,546
57,201	-	290,386
-	-	83,640
-	-	<u>(1,628,821)</u>
<u>57,201</u>	<u>577,264</u>	<u>137,751</u>
<u>\$ 174,680</u>	<u>\$ 613,096</u>	<u>\$ 5,735,366</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, 2017

	GCRAC EMS/Trauma System Grant	GCRPC Grant	Police Grants	HOME Grant	LEOSE Training Grant
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	5,800	260,000	14,204
Fines and forfeitures	-	-	-	-	-
Investment income	-	220	-	-	-
Miscellaneous	12,172	768	42,229	-	-
Total revenues	<u>12,172</u>	<u>988</u>	<u>48,029</u>	<u>260,000</u>	<u>14,204</u>
EXPENDITURES					
General government	-	-	-	260,000	-
Public safety	12,172	988	71,370	-	14,204
Recreation	-	-	-	-	-
Total expenditures	<u>12,172</u>	<u>988</u>	<u>71,370</u>	<u>260,000</u>	<u>14,204</u>
Excess (deficiency) of revenues over expenditures	-	-	(23,341)	-	-
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	23,341	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>23,341</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>

Auto Theft Grant	TCEQ Grant	MPO Grant	Motel Tax	Forfeiture Fund	Office of Justice Grants	Hurricane Program Grant	Victoria Kids Recycle
\$ -	\$ -	\$ -	\$ 1,490,041	\$ -	\$ -	\$ -	\$ -
153,095	184,433	115,760	-	-	-	1,236,465	-
-	-	-	-	111,719	-	-	-
-	768	-	2,835	1,307	-	-	-
-	-	-	4,151	-	15,284	70,611	2,375
<u>153,095</u>	<u>185,201</u>	<u>115,760</u>	<u>1,497,027</u>	<u>113,026</u>	<u>15,284</u>	<u>1,307,076</u>	<u>2,375</u>
-	185,201	115,760	-	-	-	-	2,375
205,013	-	-	-	34,392	18,620	2,935,897	-
-	-	-	258,242	-	-	-	-
<u>205,013</u>	<u>185,201</u>	<u>115,760</u>	<u>258,242</u>	<u>34,392</u>	<u>18,620</u>	<u>2,935,897</u>	<u>2,375</u>
(51,918)	-	-	1,238,785	78,634	(3,336)	(1,628,821)	-
51,918	-	-	-	-	3,336	-	-
-	-	-	(1,175,566)	(26,677)	-	-	-
<u>51,918</u>	<u>-</u>	<u>-</u>	<u>(1,175,566)</u>	<u>(26,677)</u>	<u>3,336</u>	<u>-</u>	<u>-</u>
-	-	-	63,219	51,957	-	(1,628,821)	-
-	-	-	366,472	181,228	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 429,691</u>	<u>\$ 233,185</u>	<u>\$ -</u>	<u>\$ (1,628,821)</u>	<u>\$ -</u>

(continued)

CITY OF VICTORIA, TEXAS**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS****COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND****CHANGES IN FUND BALANCE**

For the year ended September 30, 2017

	Gulf Bend Mental Health Task Force	Municipal Court Special Revenue	FHLB- Affordable Housing Grant Fund	Public, Educational, and Governmental (PEG) Fund
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	42,350	-
Fines and forfeitures	-	48,772	-	-
Investment income	-	-	-	-
Miscellaneous	<u>19,997</u>	<u>6,650</u>	<u>-</u>	<u>166,056</u>
Total revenues	<u>19,997</u>	<u>55,422</u>	<u>42,350</u>	<u>166,056</u>
EXPENDITURES				
General government	-	-	42,350	16,059
Public safety	26,722	61,402	-	-
Recreation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>26,722</u>	<u>61,402</u>	<u>42,350</u>	<u>16,059</u>
Excess (deficiency) of revenues over expenditures	(6,725)	(5,980)	-	149,997
OTHER FINANCING SOURCES (USES)				
Transfers in	6,725	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>6,725</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balances	-	(5,980)	-	149,997
Fund balance at beginning of year	<u>-</u>	<u>89,620</u>	<u>-</u>	<u>235,594</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 83,640</u>	<u>\$ -</u>	<u>\$ 385,591</u>

<u>Community Development Block Grant</u>	<u>Homeland Security Grant</u>	<u>Emergency Management</u>	<u>Convention and Visitors Bureau</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ 1,490,041
472,714	52,837	250	-	2,537,908
-	-	-	-	160,491
-	-	-	15	5,145
<u>13,750</u>	<u>-</u>	<u>-</u>	<u>168,453</u>	<u>522,496</u>
<u>486,464</u>	<u>52,837</u>	<u>250</u>	<u>168,468</u>	<u>4,716,081</u>
486,620	-	-	-	1,108,365
-	53,985	118,908	-	3,553,673
<u>-</u>	<u>-</u>	<u>-</u>	<u>807,317</u>	<u>1,065,559</u>
<u>486,620</u>	<u>53,985</u>	<u>118,908</u>	<u>807,317</u>	<u>5,727,597</u>
(156)	(1,148)	(118,658)	(638,849)	(1,011,516)
156	1,148	117,479	695,566	899,669
<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,000)</u>	<u>(1,204,243)</u>
<u>156</u>	<u>1,148</u>	<u>117,479</u>	<u>693,566</u>	<u>(304,574)</u>
-	-	(1,179)	54,717	(1,316,090)
<u>-</u>	<u>-</u>	<u>58,380</u>	<u>522,547</u>	<u>1,453,841</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,201</u>	<u>\$ 577,264</u>	<u>\$ 137,751</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.

CITY OF VICTORIA, TEXAS*NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECT FUNDS**COMBINING BALANCE SHEET**September 30, 2017*

	<u>Capital Construction Fund (3035)</u>	<u>Capital Construction Fund (3036)</u>	<u>Capital Construction Fund (3037)</u>	<u>Total</u>
ASSETS				
Current assets				
Cash and cash equivalents	\$ 233,508	\$ 476,721	\$ 3,396,246	\$ 4,106,475
Total assets	<u>\$ 233,508</u>	<u>\$ 476,721</u>	<u>\$ 3,396,246</u>	<u>\$ 4,106,475</u>
LIABILITIES				
Liabilities				
Accounts payable	\$ 1,692	\$ -	\$ 275,347	\$ 277,039
FUND BALANCES				
Restricted				
Various capital projects	231,816	476,721	3,120,899	3,829,436
Total fund balances	<u>231,816</u>	<u>476,721</u>	<u>3,120,899</u>	<u>3,829,436</u>
Total liabilities and fund balances	<u>\$ 233,508</u>	<u>\$ 476,721</u>	<u>\$ 3,396,246</u>	<u>\$ 4,106,475</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, 2017

	Capital Construction Fund (3035)	Capital Construction Fund (3036)	Capital Construction Fund (3037)	Total
REVENUES				
Intergovernmental	\$ -	\$ 1,684,374	\$ -	\$ 1,684,374
Investment income				
Interest	5,832	7,368	40,903	54,103
Miscellaneous	<u>250,000</u>	<u>-</u>	<u>187,611</u>	<u>437,611</u>
Total revenues	<u>255,832</u>	<u>1,691,742</u>	<u>228,514</u>	<u>2,176,088</u>
EXPENDITURES				
Current				
Recreation	782,130	-	-	782,130
Capital outlay	<u>1,975,070</u>	<u>-</u>	<u>4,795,272</u>	<u>6,770,342</u>
Total expenditures	<u>2,757,200</u>	<u>-</u>	<u>4,795,272</u>	<u>7,552,472</u>
Excess (deficiency) of revenues over expenditures	(2,501,368)	1,691,742	(4,566,758)	(5,376,384)
OTHER FINANCING SOURCES (USES)				
Transfers in	853,878	-	2,193,219	3,047,097
Transfers out	<u>(69,766)</u>	<u>(1,727,289)</u>	<u>(350,547)</u>	<u>(2,147,602)</u>
Total other financing sources (uses)	<u>784,112</u>	<u>(1,727,289)</u>	<u>1,842,672</u>	<u>899,495</u>
Change in fund balances	(1,717,256)	(35,547)	(2,724,086)	(4,476,889)
Fund balances at beginning of year	<u>1,949,072</u>	<u>512,268</u>	<u>5,844,985</u>	<u>8,306,325</u>
Fund balances at end of year	<u>\$ 231,816</u>	<u>\$ 476,721</u>	<u>\$ 3,120,899</u>	<u>\$ 3,829,436</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, 2017

With comparative totals for September 30, 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents	\$ 4,649,027	\$ 5,464,082
Investments	12,033,755	14,424,249
Receivables (net)		
Ad valorem taxes (prior years)	2,067,739	1,884,338
Franchise taxes	725,579	734,625
Sales taxes	1,130,789	1,138,394
Ambulance	804,396	1,504,642
Fines	623,606	466,447
Other	1,231,821	701,566
Due from other funds	192,553	295,401
Inventory	406,945	245,932
Returned checks	<u>24,431</u>	<u>24,805</u>
Total assets	\$ 23,890,641	\$ 26,884,481
LIABILITIES		
Accounts payable	\$ 700,751	\$ 1,583,543
Accrued expenditures	2,379,055	2,154,821
Accrued compensated absences	8,239	8,877
Due to other governments	119,149	128,712
Due to other funds	<u>393,486</u>	<u>2,013,265</u>
Total liabilities	<u>3,600,680</u>	<u>5,889,218</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue	<u>3,865,426</u>	<u>4,213,162</u>
Total deferred inflows of resources	<u>3,865,426</u>	<u>4,213,162</u>
FUND BALANCES		
Nonspendable		
Inventory	406,945	245,932
Committed	867,206	1,052,259
Unassigned	<u>15,150,384</u>	<u>15,483,910</u>
Total fund balances	<u>16,424,535</u>	<u>16,782,101</u>
Total liabilities, deferred inflows and fund balances	\$ 23,890,641	\$ 26,884,481

CITY OF VICTORIA, TEXAS*MAJOR GOVERNMENTAL FUNDS - GENERAL FUND**SCHEDULE OF REVENUES**BUDGET (GAAP BASIS) AND ACTUAL**For the year ended September 30, 2017**With comparative totals for the year ended September 30, 2016*

	2017			2016 Actual
	Final Budget	Actual	Variance Positive (Negative)	
Taxes				
Ad valorem taxes	\$ 15,005,292	\$ 14,939,277	\$ (66,015)	\$ 14,445,282
Penalty and interest	210,000	256,045	46,045	217,294
Franchise tax	5,426,628	5,467,551	40,923	5,175,796
Sales tax	16,200,000	14,710,140	(1,489,860)	16,555,680
Other	72,000	56,225	(15,775)	69,130
Total taxes	36,913,920	35,429,238	(1,484,682)	36,463,182
Licenses and permits				
Building	311,000	355,257	44,257	344,830
Electrical	53,000	44,928	(8,072)	57,830
Mechanical	41,000	48,160	7,160	57,198
Liquor	280,000	246,062	(33,938)	263,888
Plumbing	45,000	42,899	(2,101)	48,464
Vital statistics	124,000	123,140	(860)	130,141
Miscellaneous	82,815	101,716	18,901	91,578
Total licenses and permits	936,815	962,162	25,347	993,929
Intergovernmental	2,055,000	2,070,878	15,878	2,060,265
Charges for services				
Ambulance	1,848,300	2,537,593	689,293	1,921,852
Victoria Public Library	78,000	75,903	(2,097)	85,376
Parks and recreation	90,000	76,762	(13,238)	84,456
Miscellaneous	142,800	168,400	25,600	219,290
Total charges for services	2,159,100	2,858,658	699,558	2,310,974
Fines and forfeitures				
Court costs	111,300	98,907	(12,393)	106,419
Criminal and traffic court	1,185,740	1,049,384	(136,356)	1,163,437
Parking violations	2,000	1,691	(309)	1,706
Total fines and forfeitures	1,299,040	1,149,982	(149,058)	1,271,562
Investment income				
Interest	70,000	185,800	115,800	115,051
Miscellaneous				
Rents	4,450	2,218	(2,232)	2,553
Salvage and asset sales	85,000	601,151	516,151	203,983
Contributions and miscellaneous	268,602	300,313	31,711	317,671
Total miscellaneous	358,052	903,682	545,630	524,207
Total revenues	\$ 43,791,927	\$ 43,560,400	\$ (231,527)	\$ 43,739,170

CITY OF VICTORIA, TEXAS

MAJOR GOVERNMENTAL FUNDS - GENERAL FUND

SCHEDULE OF EXPENDITURES

BUDGET (GAAP BASIS) AND ACTUAL

For the year ended September 30, 2017

With comparative totals for the year ended September 30, 2016

	2017		Variance Positive (Negative)	2016 Actual
	Final Budget	Actual		
General government				
City manager and council				
Personnel	\$ 565,574	\$ 557,135	\$ 8,439	\$ 566,831
Maintenance and operations	45,519	37,381	8,138	38,934
Capital outlay	1,400	-	1,400	5,683
Total city manager and council	612,493	594,516	17,977	611,448
Finance				
Personnel	484,139	480,086	4,053	485,665
Maintenance and operations	121,999	110,294	11,705	110,779
Capital outlay	6,809	6,785	24	-
Total finance	612,947	597,165	15,782	596,444
Legal				
Personnel	369,275	364,291	4,984	385,183
Maintenance and operations	92,941	83,029	9,912	89,141
Capital outlay	-	-	-	7,302
Total legal	462,216	447,320	14,896	481,626
Human resources				
Personnel	314,865	308,840	6,025	314,512
Maintenance and operations	124,106	100,947	23,159	115,030
Capital outlay	1,100	1,068	32	-
Total human resources	440,071	410,855	29,216	429,542
City secretary				
Personnel	160,827	170,314	(9,487)	149,020
Maintenance and operations	46,703	35,589	11,114	99,924
Capital outlay	-	-	-	1,931
Total city secretary	207,530	205,903	1,627	250,875
Public information office				
Personnel	214,708	215,922	(1,214)	204,833
Maintenance and operations	51,587	30,802	20,785	45,862
Capital outlay	1,500	1,060	440	2,631
Total public information office	267,795	247,784	20,011	253,326

(continued)

CITY OF VICTORIA, TEXAS*MAJOR GOVERNMENTAL FUNDS - GENERAL FUND**SCHEDULE OF EXPENDITURES**BUDGET (GAAP BASIS) AND ACTUAL**For the year ended September 30, 2017**With comparative totals for the year ended September 30, 2016*

	2017		Variance Positive (Negative)	2016 Actual
	Final Budget	Actual		
General government - (continued)				
Non-departmental				
Personnel	\$ 1,000	\$ 3,196	\$ (2,196)	\$ 3,652
Maintenance and operations	927,224	924,387	2,837	945,519
Total non-departmental	928,224	927,583	641	949,171
Total general government	3,531,276	3,431,126	100,150	3,572,432
Public safety				
Police				
Personnel	11,601,312	11,754,046	(152,734)	11,815,379
Maintenance and operations	2,344,610	2,179,828	164,782	2,290,339
Capital outlay	114,245	69,658	44,587	344,365
Total police	14,060,167	14,003,532	56,635	14,450,083
Fire				
Personnel	10,552,333	10,458,535	93,798	10,323,223
Maintenance and operations	1,837,619	2,033,939	(196,320)	1,789,644
Capital outlay	201,444	160,823	40,621	216,855
Total fire	12,591,396	12,653,297	(61,901)	12,329,722
Municipal court				
Personnel	270,079	265,106	4,973	259,574
Maintenance and operations	96,311	93,872	2,439	96,184
Capital outlay	231	-	231	769
Total municipal court	366,621	358,978	7,643	356,527
Total public safety	27,018,184	27,015,807	2,377	27,136,332

(continued)

CITY OF VICTORIA, TEXAS

MAJOR GOVERNMENTAL FUNDS - GENERAL FUND

SCHEDULE OF EXPENDITURES

BUDGET (GAAP BASIS) AND ACTUAL

For the year ended September 30, 2017

With comparative totals for the year ended September 30, 2016

	2017		Variance Positive (Negative)	2016 Actual
	Final Budget	Actual		
Development				
Development svcs. administration				
Personnel	\$ 153,349	\$ 127,084	\$ 26,265	\$ 178,402
Maintenance and operations	40,538	30,013	10,525	13,387
Total development svcs. administration	193,887	157,097	36,790	191,789
Planning services				
Personnel	225,511	199,167	26,344	223,714
Maintenance and operations	264,307	256,068	8,239	324,568
Capital outlay	700	-	700	-
Total planning services	490,518	455,235	35,283	548,282
Development center/inspections				
Personnel	648,578	594,380	54,198	635,982
Maintenance and operations	151,819	132,178	19,641	183,274
Total development center/inspections	800,397	726,558	73,839	819,256
Code enforcement				
Personnel	265,945	263,020	2,925	182,022
Maintenance and operations	195,272	182,285	12,987	228,440
Total code enforcement	461,217	445,305	15,912	410,462
Geographic information system (GIS)				
Personnel	251,197	254,555	(3,358)	257,600
Maintenance and operations	97,713	85,228	12,485	102,676
Capital outlay	700	-	700	2,281
Total geographic information system	349,610	339,783	9,827	362,557
Engineering				
Personnel	660,514	606,449	54,065	621,129
Maintenance and operations	105,299	93,088	12,211	118,336
Capital outlay	4,800	4,204	596	-
Total engineering	770,613	703,741	66,872	739,465

(continued)

CITY OF VICTORIA, TEXAS

MAJOR GOVERNMENTAL FUNDS - GENERAL FUND

SCHEDULE OF EXPENDITURES

BUDGET (GAAP BASIS) AND ACTUAL

For the year ended September 30, 2017

With comparative totals for the year ended September 30, 2016

	2017		Variance Positive (Negative)	2016 Actual
	Final Budget	Actual		
Development - (continued)				
Streets and drainage				
Personnel	\$ 1,387,124	\$ 1,310,421	\$ 76,703	\$ 1,363,665
Maintenance and operations	2,071,550	1,586,222	485,328	1,809,040
Capital outlay	399,098	97,008	302,090	730,578
Total streets and drainage	3,857,772	2,993,651	864,121	3,903,283
Traffic control				
Personnel	480,380	484,247	(3,867)	490,187
Maintenance and operations	1,815,994	1,504,550	311,444	2,000,268
Capital outlay	3,613	2,738	875	4,247
Total traffic control	2,299,987	1,991,535	308,452	2,494,702
Total development	9,224,001	7,812,905	1,411,096	9,469,796
Building services				
Building services				
Personnel	286,430	273,161	13,269	281,605
Maintenance and operations	158,354	137,587	20,767	144,203
Capital outlay	27,500	11,000	16,500	42,514
Total building services	472,284	421,748	50,536	468,322
Custodial				
Personnel	173,118	156,008	17,110	173,722
Maintenance and operations	38,504	34,685	3,819	33,891
Total custodial	211,622	190,693	20,929	207,613
Total building services	683,906	612,441	71,465	675,935
Recreation				
Parks and recreation				
Personnel	1,812,484	1,730,182	82,302	1,714,306
Maintenance and operations	1,164,792	983,589	181,203	1,082,250
Capital outlay	410,019	403,830	6,189	145,871
Total parks and recreation	3,387,295	3,117,601	269,694	2,942,427

(continued)

CITY OF VICTORIA, TEXAS

MAJOR GOVERNMENTAL FUNDS - GENERAL FUND

SCHEDULE OF EXPENDITURES

BUDGET (GAAP BASIS) AND ACTUAL

For the year ended September 30, 2017

With comparative totals for the year ended September 30, 2016

	2017			
	Final Budget	Actual	Variance Positive (Negative)	2016 Actual
Recreation - (continued)				
Library				
Personnel	\$ 1,363,673	\$ 1,308,269	\$ 55,404	\$ 1,327,564
Maintenance and operations	608,021	570,208	37,813	563,572
Capital outlay	<u>280,650</u>	<u>270,396</u>	<u>10,254</u>	<u>284,627</u>
Total library	<u>2,252,344</u>	<u>2,148,873</u>	<u>103,471</u>	<u>2,175,763</u>
Total recreation	<u>5,639,639</u>	<u>5,266,474</u>	<u>373,165</u>	<u>5,118,190</u>
Total expenditures	<u>\$ 46,097,006</u>	<u>\$ 44,138,753</u>	<u>\$ 1,958,253</u>	<u>\$ 45,972,685</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.



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CITY OF VICTORIA, TEXAS*MAJOR GOVERNMENTAL FUNDS - DEBT SERVICE FUND**BALANCE SHEET**September 30, 2017**With comparative totals for September 30, 2016*

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents	\$ 152,167	\$ 92,414
Investments	994,598	1,001,109
Receivables (net)		
Ad valorem taxes (prior years)	<u>988,407</u>	<u>902,908</u>
Total assets	<u>\$ 2,135,172</u>	<u>\$ 1,996,431</u>
LIABILITIES	<u>\$ -</u>	<u>\$ -</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue	<u>988,407</u>	<u>902,908</u>
Total deferred inflows of resources	<u>988,407</u>	<u>902,908</u>
FUND BALANCE		
Restricted	<u>1,146,765</u>	<u>1,093,523</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 2,135,172</u>	<u>\$ 1,996,431</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, 2017

With comparative totals for the year ended September 30, 2016

	2017			2016 Actual
	Final Budget	Actual	Variance Positive (Negative)	
REVENUES				
Taxes				
Ad valorem - current				
2005 Issue	\$ 154,523	\$ 153,754	\$ (769)	\$ 712,862
2006 Issue	524,116	521,595	(2,521)	523,787
2007 Issue	567,289	564,478	(2,811)	565,145
2009 Issues	1,639,853	1,632,017	(7,836)	1,512,791
2010 Issue	1,033,839	1,029,011	(4,828)	1,045,700
2012 Issues	655,502	652,441	(3,061)	647,447
2013 Issues	3,552,671	3,535,931	(16,740)	2,967,228
2014 Issue	411,851	410,004	(1,847)	409,709
2015 Issues	616,139	613,193	(2,946)	621,914
Ad valorem - delinquent	110,000	148,684	38,684	99,707
Intergovernmental	420,766	422,582	1,816	423,036
Investment income - interest	12,000	56,551	44,551	24,912
Total revenues	9,698,549	9,740,241	41,692	9,554,238
EXPENDITURES				
Debt service				
Principal retirement				
2005 Issue	150,000	150,000	-	690,000
2006 Issue	510,000	510,000	-	490,000
2007 Issue	530,000	530,000	-	510,000
2009 Issues	755,000	755,000	-	615,000
2010 Issue	875,000	875,000	-	870,000
2011 Issue	445,000	1,095,000	(650,000)	1,110,000
2012 Issues	505,000	505,000	-	490,000
2013 Issues	2,540,000	2,540,000	-	1,920,000
2014 Issue	240,000	240,000	-	235,000
2015 Issues	85,000	85,000	-	90,000
Interest				
2005 Issue	6,188	6,188	-	33,788
2006 Issue	19,762	19,762	-	41,813
2007 Issue	43,400	43,400	-	63,800
2009 Issues	1,323,286	1,323,285	1	1,341,735
2010 Issue	169,976	169,975	1	191,725
2011 Issue	259,800	223,988	35,812	266,250
2012 Issues	157,564	157,563	1	167,363
2013 Issues	1,050,944	1,050,944	-	1,092,694
2014 Issue	176,288	176,288	-	180,988
2015 Issues	537,776	537,775	1	528,138
Paying agents' fees and issue costs	10,500	6,300	4,200	5,900
Arbitrage rebate premiums	13,000	5,820	7,180	5,850
Total expenditures	10,403,484	11,006,288	(602,804)	10,940,044

	2017			2016 Actual
	Final Budget	Actual	Variance Positive (Negative)	
Excess (deficiency) of revenues over expenditures	\$ (704,935)	\$ (1,266,047)	\$ (561,112)	\$ (1,385,806)
OTHER FINANCING SOURCES (USES)				
Transfer in	<u>704,800</u>	<u>1,319,289</u>	<u>614,489</u>	<u>1,376,550</u>
Total other financing sources (uses)	<u>704,800</u>	<u>1,319,289</u>	<u>614,489</u>	<u>1,376,550</u>
Change in fund balance	(135)	53,242	53,377	(9,256)
Fund balance at beginning of year	<u>1,093,523</u>	<u>1,093,523</u>	<u>-</u>	<u>1,102,779</u>
Fund balance at end of year	<u>\$ 1,093,388</u>	<u>\$ 1,146,765</u>	<u>\$ 53,377</u>	<u>\$ 1,093,523</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, 2017**With comparative totals for the year ended September 30, 2016*

	2017		Variance Positive (Negative)	2016 Actual
	Final Budget	Actual		
REVENUES				
Intergovernmental	\$ -	\$ -	\$ -	\$ 100,133
Investment income				
Interest	2,143	5,832	3,689	3,686
Miscellaneous	250,000	250,000	-	88,485
Total revenues	<u>252,143</u>	<u>255,832</u>	<u>3,689</u>	<u>192,304</u>
EXPENDITURES				
General				
Recreation	782,130	782,130	-	782,130
Capital outlay	2,205,151	1,975,070	230,081	1,494,405
Total expenditures	<u>2,987,281</u>	<u>2,757,200</u>	<u>-</u>	<u>2,276,535</u>
Excess (deficiency) of revenues over expenditures	(2,735,138)	(2,501,368)	3,689	(2,084,231)
OTHER FINANCING SOURCES (USES)				
Transfers in	786,066	853,878	67,812	2,248,789
Transfers out	-	(69,766)	(69,766)	-
Total other financing sources (uses)	<u>786,066</u>	<u>784,112</u>	<u>(1,954)</u>	<u>2,248,789</u>
Change in fund balance	(1,949,072)	(1,717,256)	1,735	164,558
Fund balance at beginning of year	1,949,072	1,949,072	-	1,784,514
Fund balance at end of year	<u>\$ -</u>	<u>\$ 231,816</u>	<u>\$ 1,735</u>	<u>\$ 1,949,072</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, 2017

With comparative totals for the year ended September 30, 2016

	2017		Variance Positive (Negative)	2016 Actual
	Final Budget	Actual		
REVENUES				
Intergovernmental	\$ 1,684,374	\$ 1,684,374	\$ -	\$ 1,700,025
Investment income				
Interest	4,834	7,368	2,534	4,265
Total revenues	<u>1,689,208</u>	<u>1,691,742</u>	<u>2,534</u>	<u>1,704,290</u>
EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	1,689,208	1,691,742	2,534	1,704,290
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(2,086,278)</u>	<u>(1,727,289)</u>	<u>358,989</u>	<u>(1,534,550)</u>
Total other financing sources (uses)	<u>(2,086,278)</u>	<u>(1,727,289)</u>	<u>358,989</u>	<u>(1,534,550)</u>
Change in fund balance	(397,070)	(35,547)	361,523	169,740
Fund balance at beginning of year	<u>512,268</u>	<u>512,268</u>	<u>-</u>	<u>342,528</u>
Fund balance at end of year	<u>\$ 115,198</u>	<u>\$ 476,721</u>	<u>\$ 361,523</u>	<u>\$ 512,268</u>

CITY OF VICTORIA, TEXAS*NONMAJOR 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, 2017**With comparative totals for the year ended September 30, 2016*

	2017			2016 Actual
	Final Budget	Actual	Variance Positive (Negative)	
REVENUES				
Investment income				
Interest	\$ 16,072	\$ 40,903	\$ 24,831	\$ 41,483
Miscellaneous	9,995,970	187,611	(9,808,359)	2,698,934
Total revenues	<u>10,012,042</u>	<u>228,514</u>	<u>(9,783,528)</u>	<u>2,740,417</u>
EXPENDITURES				
Capital outlay	18,998,442	4,795,272	14,203,170	9,548,250
Debt service				
Bond issue costs	-	-	-	79,995
Total expenditures	<u>18,998,442</u>	<u>4,795,272</u>	<u>14,203,170</u>	<u>9,628,245</u>
Excess (deficiency) of revenues over expenditures	(8,986,400)	(4,566,758)	4,419,642	(6,887,828)
OTHER FINANCING SOURCES (USES)				
Bonds issued	-	-	-	2,445,000
Premium on issuance of bonds	-	-	-	137,545
Transfers in	3,209,286	2,193,219	(1,016,067)	222,700
Transfers out	(317,580)	(350,547)	(32,967)	(401,445)
Total other financing sources (uses)	<u>2,891,706</u>	<u>1,842,672</u>	<u>(1,049,034)</u>	<u>2,403,800</u>
Change in fund balance	(6,094,694)	(2,724,086)	3,370,608	(4,484,028)
Fund balance at beginning of year	5,844,985	5,844,985	-	10,329,013
Fund balance at end of year	<u>\$ (249,709)</u>	<u>\$ 3,120,899</u>	<u>\$ 3,370,608</u>	<u>\$ 5,844,985</u>

NONMAJOR ENTERPRISE FUNDS

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

Riverside Park Golf Course Fund - The Riverside Park Golf Course Fund was established in 2017 to account for all transactions generated by operations of the Riverside Park Golf Course. Prior to this, the course was operated for more than 60 years by the Victoria Park Improvement Association, who terminated their Municipal Golf Course Lease Contract effective June 30, 2017.

CITY OF VICTORIA, TEXAS
ALL NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
September 30, 2017

	Community Center	700 Main Center	Golf Course	Total Nonmajor Enterprise Funds
ASSETS				
Current assets				
Cash and cash equivalents	\$ 712,190	\$ 88,118	\$ 309,678	\$ 1,109,986
Receivables (net)	1,097	2,290	-	3,387
Due from other funds	120,000	-	-	120,000
Returned checks	1,520	-	-	1,520
Restricted assets				
Cash and cash equivalents	363,094	-	-	363,094
Total current assets	<u>1,197,901</u>	<u>90,408</u>	<u>309,678</u>	<u>1,597,987</u>
Noncurrent assets				
Capital assets				
Land and other assets not being depreciated	175,160	224,598	1,143,492	1,543,250
Buildings, improvements, and equipment (net)	2,956,453	1,072,488	36,323	4,065,264
Total noncurrent assets	<u>3,131,613</u>	<u>1,297,086</u>	<u>1,179,815</u>	<u>5,608,514</u>
Total assets	<u>4,329,514</u>	<u>1,387,494</u>	<u>1,489,493</u>	<u>7,206,501</u>
LIABILITIES				
Current liabilities				
Accounts payable	55,644	19,056	28,546	103,246
Accrued expenses	13,396	-	-	13,396
Due to other funds	6,376	-	-	6,376
Accrued compensated absences	212	-	-	212
Customer deposits	31,430	-	-	31,430
Total current liabilities	<u>107,058</u>	<u>19,056</u>	<u>28,546</u>	<u>154,660</u>
Noncurrent liabilities				
Accrued compensated absences	5,359	-	-	5,359
Total liabilities	<u>112,417</u>	<u>19,056</u>	<u>28,546</u>	<u>160,019</u>
NET POSITION				
Net investment in capital assets	3,131,613	1,297,086	1,179,815	5,608,514
Unrestricted net position	1,085,484	71,352	281,132	1,437,968
Total net position	<u>\$ 4,217,097</u>	<u>\$ 1,368,438</u>	<u>\$ 1,460,947</u>	<u>\$ 7,046,482</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, 2017*

	Community Center	700 Main Center	Golf Course	Total Nonmajor Enterprise Funds
OPERATING REVENUES				
Charges for services	\$ 263,440	\$ 151,437	\$ 4,080	\$ 418,957
OPERATING EXPENSES				
Personnel	269,012	-	14,751	283,763
Materials and supplies	20,212	789	39,378	60,379
Maintenance	33,137	14,694	16,327	64,158
Heat, lights and power	81,747	59,113	12,257	153,117
Miscellaneous services	33,197	14,030	16,385	63,612
Contractual services	17,761	24,570	28,646	70,977
Computer services	15,237	-	-	15,237
Depreciation	323,476	100,241	881	424,598
Total operating expenses	<u>793,779</u>	<u>213,437</u>	<u>128,625</u>	<u>1,135,841</u>
Operating income (loss) before nonoperating revenues (expenses) and contributions and transfers	(530,339)	(62,000)	(124,545)	(716,884)
NONOPERATING REVENUES (EXPENSES)				
Investment income	7,187	-	-	7,187
Gain (loss) on disposition of capital assets	<u>(8,612)</u>	<u>(1,797)</u>	<u>-</u>	<u>(10,409)</u>
Net nonoperating revenues (expenses)	<u>(1,425)</u>	<u>(1,797)</u>	<u>-</u>	<u>(3,222)</u>
Income before contributions and transfers	(531,764)	(63,797)	(124,545)	(720,106)
Contributions and transfers				
Capital contributions	-	-	1,143,492	1,143,492
Transfers in	480,000	-	442,000	922,000
Transfers out	<u>(21,800)</u>	<u>(15,130)</u>	<u>-</u>	<u>(36,930)</u>
Total contributions and transfers	<u>458,200</u>	<u>(15,130)</u>	<u>1,585,492</u>	<u>2,028,562</u>
Change in net position	(73,564)	(78,927)	1,460,947	1,308,456
Total net position at beginning of year	<u>4,290,661</u>	<u>1,447,365</u>	<u>-</u>	<u>5,738,026</u>
Total net position at end of year	<u>\$ 4,217,097</u>	<u>\$ 1,368,438</u>	<u>\$ 1,460,947</u>	<u>\$ 7,046,482</u>

CITY OF VICTORIA, TEXAS

ALL NONMAJOR ENTERPRISE FUNDS

COMBINING STATEMENT OF CASH FLOWS

For the year ended September 30, 2017

	Community Center	700 Main Center	Golf Course	Total Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 263,468	\$ 151,439	\$ 4,080	\$ 418,987
Cash paid to suppliers for goods and services	(211,246)	(113,439)	(84,447)	(409,132)
Cash paid to employees for services	(269,193)	-	(14,751)	(283,944)
Net cash provided (used) by operating activities	<u>(216,971)</u>	<u>38,000</u>	<u>(95,118)</u>	<u>(274,089)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Increase (decrease) in customer deposits	(32,394)	-	-	(32,394)
Borrowings from (to) other funds	129,808	-	-	129,808
Transfers in from other funds	480,000	-	442,000	922,000
Transfers out to other funds	(21,800)	(15,130)	-	(36,930)
Net cash provided (used) by noncapital financing activities	<u>555,614</u>	<u>(15,130)</u>	<u>442,000</u>	<u>982,484</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(261,334)	(17,075)	(37,204)	(315,613)
Proceeds from sale of capital assets	4,607	-	-	4,607
Net cash provided (used) by capital and related financing activities	<u>(256,727)</u>	<u>(17,075)</u>	<u>(37,204)</u>	<u>(311,006)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	7,187	-	-	7,187
Net cash provided (used) by investing activities	<u>7,187</u>	<u>-</u>	<u>-</u>	<u>7,187</u>
Net increase (decrease) in cash and cash equivalents	89,103	5,795	309,678	404,576
Cash and cash equivalents at beginning of year	986,181	82,323	-	1,068,504
Cash and cash equivalents at end of year	<u>\$ 1,075,284</u>	<u>\$ 88,118</u>	<u>\$ 309,678</u>	<u>\$ 1,473,080</u>

CITY OF VICTORIA, TEXAS

ALL NONMAJOR ENTERPRISE FUNDS

COMBINING STATEMENT OF CASH FLOWS

For the year ended September 30, 2017

	<u>Community Center</u>	<u>700 Main Center</u>	<u>Golf Course</u>	<u>Total Nonmajor Enterprise Funds</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ (530,339)	\$ (62,000)	\$ (124,545)	\$ (716,884)
Adjustments to reconcile operating income to net cash provided (used) by operating activities				
Depreciation	323,476	100,241	881	424,598
Changes in assets and liabilities				
(Increase) decrease in receivables	(722)	2	-	(720)
(Increase) decrease in returned checks	750	-	-	750
Increase (decrease) in accounts payable	(9,955)	(243)	28,546	18,348
Increase (decrease) in accrued expenses	(770)	-	-	(770)
Increase (decrease) in compensated absences	589	-	-	589
Total adjustments	<u>313,368</u>	<u>100,000</u>	<u>29,427</u>	<u>442,795</u>
Net cash provided (used) by operating activities	<u>\$ (216,971)</u>	<u>\$ 38,000</u>	<u>\$ (95,118)</u>	<u>\$ (274,089)</u>

WATER AND WASTEWATER FUND

CITY OF VICTORIA, TEXAS
MAJOR ENTERPRISE FUND
WATER AND WASTEWATER FUND
BALANCE SHEET
September 30, 2017
With comparative totals for September 30, 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 6,875,663	\$ 4,592,301
Investments	5,666,769	7,511,476
Receivables (net)		
Accounts	2,176,239	2,256,126
Other	12,070	10,977
Inventory	172,595	170,544
Restricted assets		
Cash and cash equivalents	3,168,567	1,952,750
Investments	-	1,516,913
Total current assets	<u>18,071,903</u>	<u>18,011,087</u>
Noncurrent assets		
Capital assets		
Buildings	37,993,732	37,993,732
Water and wastewater distribution system	169,239,439	159,663,859
Improvements other than buildings	1,848,127	1,583,177
Machinery and equipment	<u>3,708,468</u>	<u>3,629,913</u>
Total capital assets	212,789,766	202,870,681
Less accumulated depreciation	<u>107,732,212</u>	<u>101,259,237</u>
Subtotal	105,057,554	101,611,444
Land and water rights	3,190,946	3,190,946
Construction in progress	<u>29,294,915</u>	<u>31,144,398</u>
Net capital assets	<u>137,543,415</u>	<u>135,946,788</u>
Other post employment benefits asset	<u>89,478</u>	<u>143,799</u>
Total noncurrent assets	<u>137,632,893</u>	<u>136,090,587</u>
Total assets	<u>155,704,796</u>	<u>154,101,674</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on refunding	1,109,220	510,299
Deferred outflow related to TMRS	<u>1,637,251</u>	<u>1,944,682</u>
Total deferred outflows of resources	<u>2,746,471</u>	<u>2,454,981</u>

CITY OF VICTORIA, TEXAS
MAJOR ENTERPRISE FUND
WATER AND WASTEWATER FUND
BALANCE SHEET
September 30, 2017
With comparative totals for September 30, 2016

	<u>2017</u>	<u>2016</u>
LIABILITIES		
Current liabilities		
Accounts payable	\$ 745,951	\$ 660,564
Accounts payable (payable from restricted assets)	1,221,330	1,994,471
Accrued expenses	280,405	304,342
Accrued compensated absences	7,884	9,151
Due to other funds	291,041	18,922
Accrued interest payable	834,241	975,827
Current portion of waterworks and sewer system revenue bonds	<u>6,885,000</u>	<u>6,540,000</u>
Total current liabilities	<u>10,265,852</u>	<u>10,503,277</u>
Noncurrent liabilities		
Waterworks and sewer system revenue bonds (net of unamortized deferred amounts)	61,662,453	68,250,228
Net pension liability	6,912,079	6,836,678
Accrued compensated absences	<u>199,017</u>	<u>213,652</u>
Total noncurrent liabilities	<u>68,773,549</u>	<u>75,300,558</u>
Total liabilities	<u>79,039,401</u>	<u>85,803,835</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflow related to TMRS	<u>96,581</u>	<u>180,644</u>
Total deferred inflows of resources	<u>96,581</u>	<u>180,644</u>
NET POSITION		
Net investment in capital assets	71,069,670	64,327,356
Unrestricted	<u>8,245,615</u>	<u>6,244,820</u>
Total net position	<u>\$ 79,315,285</u>	<u>\$ 70,572,176</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, 2017

With comparative totals for the year ended September 30, 2016

	2017	2016
OPERATING REVENUES		
Water sales	\$ 13,303,314	\$ 13,418,715
Sewer service	12,018,061	12,102,717
Tap and connection fees	262,165	313,280
Miscellaneous	47,458	58,436
Total operating revenues	<u>25,630,998</u>	<u>25,893,148</u>
OPERATING EXPENSES		
Personnel	6,220,217	6,101,121
Materials and supplies	1,317,964	1,459,503
Maintenance	1,111,877	726,824
Heat, lights, and power	1,382,467	1,408,987
Miscellaneous services	1,103,665	1,337,775
Contractual services	612,781	418,495
Computer services	128,203	128,203
Depreciation	6,675,556	6,624,744
Total operating expenses	<u>18,552,730</u>	<u>18,205,652</u>
Operating income (loss) before nonoperating revenues (expenses) and contributions and transfers	7,078,268	7,687,496
NONOPERATING REVENUES (EXPENSES)		
Investment income	148,612	76,481
Interest and fiscal charges	(2,306,721)	(2,688,388)
Gain (loss) on disposition of capital assets	(778)	22,551
Net nonoperating revenues (expenses)	<u>(2,158,887)</u>	<u>(2,589,356)</u>
Income before contributions and transfers	4,919,381	5,098,140
Contributions and transfers		
Capital contributions	6,448,628	4,741,062
Transfers out	(2,624,900)	(2,605,600)
Total contributions and transfers	<u>3,823,728</u>	<u>2,135,462</u>
Change in net position	8,743,109	7,233,602
Net position at beginning of year	<u>70,572,176</u>	<u>63,338,574</u>
Total net position at end of year	<u>\$ 79,315,285</u>	<u>\$ 70,572,176</u>

CITY OF VICTORIA, TEXAS

MAJOR ENTERPRISE FUND

WATER AND WASTEWATER FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2017

With comparative totals for the year ended September 30, 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 25,709,792	\$ 26,025,066
Cash paid to suppliers for goods and services	(5,573,621)	(5,409,639)
Cash paid to employees for services	(5,906,966)	(5,834,717)
Net cash provided (used) by operating activities	<u>14,229,205</u>	<u>14,780,710</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Borrowings from (to) other funds	272,119	(21,496)
Borrowings from (to) component unit	-	(361,948)
Transfers out to other funds	(2,624,900)	(2,605,600)
Total operating expenses	<u>(2,352,781)</u>	<u>(2,989,044)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(7,792,368)	(16,962,778)
Proceeds from sale of capital assets	29	32,697
Proceeds from capital grants and contributions	5,194,864	4,741,062
Principal paid on revenue bonds	(6,715,000)	(6,430,000)
Interest paid on revenue bonds	(2,575,002)	(2,983,656)
Net cash provided (used) by capital and related financing activities	<u>(11,887,477)</u>	<u>(21,602,675)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(12,013,380)	(15,074,994)
Proceeds from sales and maturities of investments	15,375,000	14,446,144
Investment income	148,612	76,481
Net cash provided (used) by investing activities	<u>3,510,232</u>	<u>(552,369)</u>
Net increase (decrease) in cash and cash equivalents	3,499,179	(10,363,378)
Cash and cash equivalents at beginning of year	<u>6,545,051</u>	<u>16,908,429</u>
Cash and cash equivalents at end of year	<u>\$ 10,044,230</u>	<u>\$ 6,545,051</u>

CITY OF VICTORIA, TEXAS

MAJOR ENTERPRISE FUND

WATER AND WASTEWATER FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2017

With comparative totals for the year ended September 30, 2016

	<u>2017</u>	<u>2016</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 7,078,268	\$ 7,687,496
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	6,675,556	6,624,744
Changes in assets and liabilities		
(Increase) decrease in accounts receivable	79,887	126,119
(Increase) decrease in other receivables	(1,093)	5,799
(Increase) decrease in inventory	(2,051)	(16,264)
(Increase) decrease in other post employment benefits asset	54,321	(143,799)
(Increase) decrease in deferred outflows related to TMRS	307,431	(1,183,453)
Increase (decrease) in accounts payable	85,387	86,412
Increase (decrease) in accrued expenses	(23,937)	31,902
Increase (decrease) in compensated absences	(15,902)	(874)
Increase (decrease) in other post employment benefits payable	-	(29,029)
Increase (decrease) in net pension liability	75,401	1,577,335
Increase (decrease) in deferred inflows related to TMRS	(84,063)	14,322
Total adjustments	<u>7,150,937</u>	<u>7,093,214</u>
Net cash provided (used) by operating activities	<u>\$ 14,229,205</u>	<u>\$ 14,780,710</u>

COMMUNITY CENTER FUND

CITY OF VICTORIA, TEXAS
NONMAJOR ENTERPRISE FUND
COMMUNITY CENTER FUND
BALANCE SHEET
September 30, 2017
With comparative totals for September 30, 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 712,190	\$ 627,408
Receivables (net)		
Other	1,097	375
Due from other funds	120,000	245,058
Returned checks	1,520	2,270
Restricted assets		
Cash and cash equivalents	<u>363,094</u>	<u>358,773</u>
Total current assets	<u>1,197,901</u>	<u>1,233,884</u>
Noncurrent assets		
Capital assets		
Buildings	5,424,164	5,198,527
Infrastructure	288,581	288,581
Machinery and equipment	<u>342,626</u>	<u>362,358</u>
Total capital assets	6,055,371	5,849,466
Less accumulated depreciation	<u>3,098,918</u>	<u>2,817,652</u>
Subtotal	2,956,453	3,031,814
Land	<u>175,160</u>	<u>175,160</u>
Net capital assets	<u>3,131,613</u>	<u>3,206,974</u>
Total noncurrent assets	<u>3,131,613</u>	<u>3,206,974</u>
Total assets	<u>4,329,514</u>	<u>4,440,858</u>
LIABILITIES		
Current liabilities		
Accounts payable	55,644	65,599
Accrued expenses	13,396	14,166
Due to other funds	6,376	1,626
Accrued compensated absences	212	205
Customer deposits	<u>31,430</u>	<u>63,824</u>
Total current liabilities	<u>107,058</u>	<u>145,420</u>
Noncurrent liabilities		
Accrued compensated absences	<u>5,359</u>	<u>4,777</u>
Total liabilities	<u>112,417</u>	<u>150,197</u>
NET POSITION		
Net investment in capital assets	3,131,613	3,206,974
Unrestricted	<u>1,085,484</u>	<u>1,083,687</u>
Total net position	<u>\$ 4,217,097</u>	<u>\$ 4,290,661</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, 2017

With comparative totals for the year ended September 30, 2016

	<u>2017</u>	<u>2016</u>
OPERATING REVENUES		
Rental fees	\$ 258,551	\$ 254,634
Miscellaneous	4,889	1,908
Total operating revenues	<u>263,440</u>	<u>256,542</u>
OPERATING EXPENSES		
Personnel	269,012	262,977
Materials and supplies	20,212	22,726
Maintenance	33,137	25,972
Heat, lights, and power	81,747	96,482
Miscellaneous services	33,197	35,394
Contractual services	17,761	7,064
Computer services	15,237	15,237
Depreciation	323,476	265,577
Total operating expenses	<u>793,779</u>	<u>731,429</u>
Operating income (loss) before nonoperating revenues (expenses) and transfers	(530,339)	(474,887)
NONOPERATING REVENUES (EXPENSES)		
Investment income	7,187	5,051
Gain (loss) on disposition of capital assets	(8,612)	668
Net nonoperating revenues (expenses)	<u>(1,425)</u>	<u>5,719</u>
Income (loss) before transfers	(531,764)	(469,168)
Transfers		
Transfers in	480,000	480,000
Transfers out	(21,800)	(21,800)
Total transfers	<u>458,200</u>	<u>458,200</u>
Change in net position	(73,564)	(10,968)
Total net position at beginning of year	<u>4,290,661</u>	<u>4,301,629</u>
Total net position at end of year	<u>\$ 4,217,097</u>	<u>\$ 4,290,661</u>

CITY OF VICTORIA, TEXAS
NONMAJOR ENTERPRISE FUND
COMMUNITY CENTER FUND
STATEMENT OF CASH FLOWS
For the year ended September 30, 2017
With comparative totals for the year ended September 30, 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 263,468	\$ 255,792
Cash paid to suppliers for goods and services	(211,246)	(177,511)
Cash paid to employees for services	<u>(269,193)</u>	<u>(259,834)</u>
Net cash provided (used) by operating activities	<u>(216,971)</u>	<u>(181,553)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Increase (decrease) in customer deposits	(32,394)	19,124
Borrowings from (to) other funds	129,808	(97,181)
Transfers in from other funds	480,000	480,000
Transfers out to other funds	<u>(21,800)</u>	<u>(21,800)</u>
Net cash provided (used) by noncapital financing activities	<u>555,614</u>	<u>380,143</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(261,334)	(709,839)
Proceeds from sale of capital assets	<u>4,607</u>	<u>668</u>
Net cash provided (used) by capital and related financing activities	<u>(256,727)</u>	<u>(709,171)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	-	(700,000)
Proceeds from sales and maturities of investments	-	1,500,226
Investment income	<u>7,187</u>	<u>5,051</u>
Net cash provided (used) by investing activities	<u>7,187</u>	<u>805,277</u>
Net increase (decrease) in cash and cash equivalents	89,103	294,696
Cash and cash equivalents at beginning of year	<u>986,181</u>	<u>691,485</u>
Cash and cash equivalents at end of year	<u>\$ 1,075,284</u>	<u>\$ 986,181</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (530,339)	\$ (474,887)
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	323,476	265,577
Changes in assets and liabilities		
(Increase) decrease in receivables	(722)	-
(Increase) decrease in returned checks	750	(750)
Increase (decrease) in accounts payable	(9,955)	25,364
Increase (decrease) in accrued expenses	(770)	1,965
Increase (decrease) in compensated absences	<u>589</u>	<u>1,178</u>
Total adjustments	<u>313,368</u>	<u>293,334</u>
Net cash provided (used) by operating activities	<u>\$ (216,971)</u>	<u>\$ (181,553)</u>

700 MAIN CENTER FUND

CITY OF VICTORIA, TEXAS
NONMAJOR ENTERPRISE FUND
700 MAIN CENTER FUND
BALANCE SHEET
September 30, 2017
With comparative totals for September 30, 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 88,118	\$ 82,323
Receivables (net)		
Other	<u>2,290</u>	<u>2,292</u>
Total current assets	<u>90,408</u>	<u>84,615</u>
Noncurrent assets		
Capital assets		
Buildings	2,751,272	2,753,531
Improvements other than buildings	78,216	78,216
Machinery and equipment	<u>91,520</u>	<u>113,698</u>
Total capital assets	2,921,008	2,945,445
Less accumulated depreciation	<u>1,848,520</u>	<u>1,787,994</u>
Subtotal	1,072,488	1,157,451
Land	<u>224,598</u>	<u>224,598</u>
Net capital assets	<u>1,297,086</u>	<u>1,382,049</u>
Total assets	<u>1,387,494</u>	<u>1,466,664</u>
LIABILITIES		
Current liabilities		
Accounts payable	<u>19,056</u>	<u>19,299</u>
NET POSITION		
Net investment in capital assets	1,297,086	1,382,049
Unrestricted	<u>71,352</u>	<u>65,316</u>
Total net position	<u>\$ 1,368,438</u>	<u>\$ 1,447,365</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, 2017

With comparative totals for the year ended September 30, 2016

	<u>2017</u>	<u>2016</u>
OPERATING REVENUES		
Rental fees	\$ 151,437	\$ 151,585
OPERATING EXPENSES		
Materials and supplies	789	379
Maintenance	14,694	10,605
Heat, lights, and power	59,113	60,536
Miscellaneous services	14,030	13,268
Contractual services	24,570	23,400
Depreciation	<u>100,241</u>	<u>105,940</u>
Total operating expenses	<u>213,437</u>	<u>214,128</u>
Operating income (loss) before nonoperating revenues (expenses) and transfers	(62,000)	(62,543)
NONOPERATING REVENUES (EXPENSES)		
Loss on disposition of capital assets	<u>(1,797)</u>	<u>-</u>
Net nonoperating revenues (expenses)	<u>(1,797)</u>	<u>-</u>
Income (loss) before transfers	(63,797)	(62,543)
Transfers		
Transfers out	<u>(15,130)</u>	<u>(15,130)</u>
Change in net position	(78,927)	(77,673)
Total net position at beginning of year	<u>1,447,365</u>	<u>1,525,038</u>
Total net position at end of year	<u>\$ 1,368,438</u>	<u>\$ 1,447,365</u>

CITY OF VICTORIA, TEXAS
NONMAJOR ENTERPRISE FUND
700 MAIN CENTER FUND
STATEMENT OF CASH FLOWS
For the year ended September 30, 2017
With comparative totals for the year ended September 30, 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 151,439	\$ 151,585
Cash paid to suppliers for goods and services	<u>(113,439)</u>	<u>(143,237)</u>
Net cash provided (used) by operating activities	<u>38,000</u>	<u>8,348</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers out to other funds	<u>(15,130)</u>	<u>(15,130)</u>
Net cash provided (used) by noncapital financing activities	<u>(15,130)</u>	<u>(15,130)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	<u>(17,075)</u>	<u>(1,993)</u>
Net cash provided (used) by capital and related financing activities	<u>(17,075)</u>	<u>(1,993)</u>
Net increase (decrease) in cash and cash equivalents	5,795	(8,775)
Cash and cash equivalents at beginning of year	<u>82,323</u>	<u>91,098</u>
Cash and cash equivalents at end of year	<u>\$ 88,118</u>	<u>\$ 82,323</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (62,000)	\$ (62,543)
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	100,241	105,940
Changes in assets and liabilities		
(Increase) decrease in other receivables	2	-
Increase (decrease) in accounts payable	<u>(243)</u>	<u>(35,049)</u>
Total adjustments	<u>100,000</u>	<u>70,891</u>
Net cash provided (used) by operating activities	<u>\$ 38,000</u>	<u>\$ 8,348</u>

ENVIRONMENTAL SERVICES FUND

CITY OF VICTORIA, TEXAS
MAJOR ENTERPRISE FUND
ENVIRONMENTAL SERVICES FUND
BALANCE SHEET
September 30, 2017
With comparative totals for September 30, 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 4,597,387	\$ 2,013,324
Investments	1,000,000	3,002,476
Receivables (net)		
Accounts	277,908	261,428
Other	49,701	94,723
Due from other funds	256,473	-
Restricted assets		
Cash and cash equivalents	2,112,622	1,913,675
Investments	<u>248,000</u>	<u>248,000</u>
Total current assets	<u>8,542,091</u>	<u>7,533,626</u>
Noncurrent assets		
Capital assets		
Buildings	692,108	950,165
Infrastructure	1,504,801	1,504,801
Improvements other than buildings	1,062,349	542,111
Machinery and equipment	<u>1,665,210</u>	<u>1,643,352</u>
Total capital assets	4,924,468	4,640,429
Less accumulated depreciation	<u>3,398,366</u>	<u>3,040,388</u>
Subtotal	1,526,102	1,600,041
Land	<u>834,981</u>	<u>834,981</u>
Net capital assets	<u>2,361,083</u>	<u>2,435,022</u>
Other post employment benefits asset	<u>22,550</u>	<u>33,843</u>
Total noncurrent assets	<u>2,383,633</u>	<u>2,468,865</u>
Total assets	<u>10,925,724</u>	<u>10,002,491</u>
 DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflow related to TMRS	<u>328,895</u>	<u>389,701</u>
Total deferred outflows of resources	<u>328,895</u>	<u>389,701</u>

CITY OF VICTORIA, TEXAS
MAJOR ENTERPRISE FUND
ENVIRONMENTAL SERVICES FUND
BALANCE SHEET
September 30, 2017
With comparative totals for September 30, 2016

	<u>2017</u>	<u>2016</u>
LIABILITIES		
Current liabilities		
Accounts payable	\$ 111,187	\$ 120,190
Accrued expenses	70,668	71,626
Accrued compensated absences	1,671	1,819
Due to other funds	7,368	7,806
Due to other governments	47,092	40,756
Due to component unit	<u>26,478</u>	<u>26,638</u>
Total current liabilities	<u>264,464</u>	<u>268,835</u>
Noncurrent liabilities		
Accrued compensated absences	42,188	42,463
Net pension liability	1,385,080	1,360,359
Estimated landfill closure and postclosure care cost	<u>4,036,498</u>	<u>4,172,280</u>
Total noncurrent liabilities	<u>5,463,766</u>	<u>5,575,102</u>
Total liabilities	<u>5,728,230</u>	<u>5,843,937</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflow related to TMRS	<u>21,329</u>	<u>38,174</u>
Total deferred inflows of resources	<u>21,329</u>	<u>38,174</u>
NET POSITION		
Net investment in capital assets	2,361,083	2,435,022
Unrestricted	<u>3,143,977</u>	<u>2,075,059</u>
Total net position	<u>\$ 5,505,060</u>	<u>\$ 4,510,081</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, 2017

With comparative totals for the year ended September 30, 2016

	<u>2017</u>	<u>2016</u>
OPERATING REVENUES		
Garbage fees	\$ 3,345,467	\$ 3,342,768
Other garbage fees	1,209,573	1,199,724
Miscellaneous	<u>965,658</u>	<u>811,644</u>
Total operating revenues	<u>5,520,698</u>	<u>5,354,136</u>
OPERATING EXPENSES		
Personnel	1,396,125	1,275,102
Materials and supplies	187,535	167,656
Maintenance	20,424	19,613
Heat, lights, and power	18,878	18,050
Miscellaneous services	607,116	2,129,665
Contractual services	182,180	198,510
Computer services	50,639	62,176
Tipping fees	1,036,071	992,509
Landfill closure and postclosure care cost	125,666	154,114
Depreciation	<u>377,552</u>	<u>359,055</u>
Total operating expenses	<u>4,002,186</u>	<u>5,376,450</u>
Operating income (loss) before nonoperating revenues (expenses) and transfers	1,518,512	(22,314)
NONOPERATING REVENUES (EXPENSES)		
Gain (loss) on disposition of capital assets	(1,656)	113,986
Investment income	<u>73,290</u>	<u>33,304</u>
Net nonoperating revenues (expenses)	<u>71,634</u>	<u>147,290</u>
Income before transfers	1,590,146	124,976
Transfers		
Transfers out	<u>(595,167)</u>	<u>(595,167)</u>
Total transfers	<u>(595,167)</u>	<u>(595,167)</u>
Change in net position	994,979	(470,191)
Net position at beginning of year, as restated	<u>4,510,081</u>	<u>4,980,272</u>
Total net position at end of year	<u>\$ 5,505,060</u>	<u>\$ 4,510,081</u>

CITY OF VICTORIA, TEXAS

MAJOR ENTERPRISE FUND

ENVIRONMENTAL SERVICES FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2017

With comparative totals for the year ended September 30, 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 5,549,240	\$ 5,292,546
Cash paid to suppliers for goods and services	(2,130,131)	(3,588,000)
Cash paid to employees for services	<u>(1,317,531)</u>	<u>(1,279,444)</u>
Net cash provided (used) by operating activities	<u>2,101,578</u>	<u>425,102</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Borrowings from (to) other funds	(256,473)	(3,453)
Borrowings from (to) component unit	(598)	1,158
Transfers out to other funds	<u>(595,167)</u>	<u>(595,167)</u>
Net cash provided (used) by noncapital financing activities	<u>(852,238)</u>	<u>(597,462)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(542,096)	(325,167)
Proceeds from sale of capital assets	<u>-</u>	<u>114,328</u>
Net cash provided (used) by capital and related financing activities	<u>(542,096)</u>	<u>(210,839)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(8,871,747)	(11,723,000)
Proceeds from sales and maturities of investments	10,874,223	13,076,962
Investment income	<u>73,290</u>	<u>33,304</u>
Net cash provided (used) by investing activities	<u>2,075,766</u>	<u>1,387,266</u>
Net increase (decrease) in cash and cash equivalents	2,783,010	1,004,067
Cash and cash equivalents at beginning of year	<u>3,926,999</u>	<u>2,922,932</u>
Cash and cash equivalents at end of year	<u>\$ 6,710,009</u>	<u>\$ 3,926,999</u>

CITY OF VICTORIA, TEXAS

MAJOR ENTERPRISE FUND

ENVIRONMENTAL SERVICES FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2017

With comparative totals for the year ended September 30, 2016

	<u>2017</u>	<u>2016</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 1,518,512	\$ (22,314)
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	377,552	359,055
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources		
(Increase) decrease in accounts receivable	(16,480)	(21,096)
(Increase) decrease in other receivables	45,022	(40,494)
(Increase) decrease in other post employment benefits asset	11,293	(33,843)
(Increase) decrease in deferred outflows related to TMRS	60,806	(228,029)
Increase (decrease) in accounts payable	(9,003)	(24,784)
Increase (decrease) in due to other governments	6,336	(1,473)
Increase (decrease) in accrued expenses	(958)	11,630
Increase (decrease) in compensated absences	(423)	6,082
Increase (decrease) in other post employment benefits payable	-	(6,393)
Increase (decrease) in net pension liability	24,721	243,361
Increase (decrease) in landfill closure and postclosure care cost	101,045	180,550
Increase (decrease) in deferred inflows related to TMRS	<u>(16,845)</u>	<u>2,850</u>
Total adjustments	<u>583,066</u>	<u>447,416</u>
Net cash provided (used) by operating activities	<u>\$ 2,101,578</u>	<u>\$ 425,102</u>

GOLF COURSE FUND

CITY OF VICTORIA, TEXAS
NONMAJOR ENTERPRISE FUND
GOLF COURSE FUND
BALANCE SHEET
September 30, 2017

	<u>2017</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 309,678
Total current assets	<u>309,678</u>
Noncurrent assets	
Capital assets	
Buildings	309,111
Improvements other than buildings	206,559
Machinery and equipment	<u>20,521</u>
Total capital assets	536,191
Less accumulated depreciation	<u>499,868</u>
Subtotal	36,323
Land	<u>1,143,492</u>
Net capital assets	<u>1,179,815</u>
Total assets	<u>1,489,493</u>
LIABILITIES	
Current liabilities	
Accounts payable	<u>28,546</u>
NET POSITION	
Net investment in capital assets	1,179,815
Unrestricted	<u>281,132</u>
Total net position	<u>\$ 1,460,947</u>

CITY OF VICTORIA, TEXAS

NONMAJOR ENTERPRISE FUND

GOLF COURSE FUND

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

For the year ended September 30, 2017

	<u>2017</u>
OPERATING REVENUES	
Miscellaneous	<u>\$ 4,080</u>
OPERATING EXPENSES	
Personnel	14,751
Materials and supplies	39,378
Maintenance	16,327
Heat, lights, and power	12,257
Miscellaneous services	16,385
Contractual services	28,646
Depreciation	<u>881</u>
Total operating expenses	<u>128,625</u>
Operating income (loss) before nonoperating revenues (expenses) and contributions and transfers	(124,545)
NONOPERATING REVENUES (EXPENSES)	<u>-</u>
Income (loss) before contributions and transfers	(124,545)
Contributions and transfers	
Capital contributions	1,143,492
Transfers in	<u>442,000</u>
Total contributions and transfers	<u>1,585,492</u>
Change in net position	1,460,947
Total net position at beginning of year	<u>-</u>
Total net position at end of year	<u>\$ 1,460,947</u>

CITY OF VICTORIA, TEXAS
NONMAJOR ENTERPRISE FUND
GOLF COURSE FUND
STATEMENT OF CASH FLOWS
For the year ended September 30, 2017

	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 4,080
Cash paid to suppliers for goods and services	(84,447)
Cash paid to employees for services	<u>(14,751)</u>
Net cash provided (used) by operating activities	<u>(95,118)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	<u>442,000</u>
Net cash provided (used) by noncapital financing activities	<u>442,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	<u>(37,204)</u>
Net cash provided (used) by capital and related financing activities	<u>(37,204)</u>
Net increase (decrease) in cash and cash equivalents	309,678
Cash and cash equivalents at beginning of year	<u>-</u>
Cash and cash equivalents at end of year	<u>\$ 309,678</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	\$ (124,545)
Adjustments to reconcile operating income to net cash provided (used) by operating activities	
Depreciation	881
Changes in assets and liabilities	
Increase (decrease) in accounts payable	<u>28,546</u>
Total adjustments	<u>29,427</u>
Net cash provided (used) by operating activities	<u>\$ (95,118)</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, 2017

	<u>V.E.S.</u>	<u>Information Technology</u>	<u>Communications</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 870,052	\$ 421,254	\$ 227,538
Investments	-	-	-
Receivables (net)			
Other	49,568	-	6,312
Due from other funds	-	-	-
Inventory	41,298	-	-
Prepaid items	-	-	-
Restricted assets			
Cash and cash equivalents	-	-	-
Total current assets	<u>960,918</u>	<u>421,254</u>	<u>233,850</u>
Noncurrent assets			
Capital assets			
Land and other assets not being depreciated	134,007	-	39,168
Buildings, improvements, and equipment (net)	<u>7,236,007</u>	<u>750,122</u>	<u>629,035</u>
Total noncurrent assets	<u>7,370,014</u>	<u>750,122</u>	<u>668,203</u>
Total assets	<u>8,330,932</u>	<u>1,171,376</u>	<u>902,053</u>
LIABILITIES			
Current liabilities			
Accounts payable	274,094	18,077	3,185
Accrued expenses	10,927	34,552	3,647
Due to other funds	1	5,851	-
Accrued compensated absences	8,749	27,515	3,915
Claims payable	-	-	-
Total current liabilities	<u>293,771</u>	<u>85,995</u>	<u>10,747</u>
Total liabilities	<u>293,771</u>	<u>85,995</u>	<u>10,747</u>
NET POSITION			
Net investment in capital assets	7,370,014	750,122	668,203
Unrestricted	<u>667,147</u>	<u>335,259</u>	<u>223,103</u>
Total net position	<u>\$ 8,037,161</u>	<u>\$ 1,085,381</u>	<u>\$ 891,306</u>

<u>Purchasing</u>	<u>Safety Management</u>	<u>Workers' Compensation</u>	<u>Print Shop</u>	<u>Employee Health Plan</u>	<u>Total</u>
\$ -	\$ 26,850	\$ 386,849	\$ 61,135	\$ 837,946	\$ 2,831,624
-	-	-	-	2,483,391	2,483,391
116	-	2,230	1,008	370,189	429,423
-	-	-	-	403,896	403,896
86,028	-	-	19,610	-	146,936
-	-	-	-	74,133	74,133
-	-	34,000	-	-	34,000
<u>86,144</u>	<u>26,850</u>	<u>423,079</u>	<u>81,753</u>	<u>4,169,555</u>	<u>6,403,403</u>
-	-	-	-	-	173,175
<u>40,826</u>	<u>566</u>	<u>-</u>	<u>21,584</u>	<u>-</u>	<u>8,678,140</u>
<u>40,826</u>	<u>566</u>	<u>-</u>	<u>21,584</u>	<u>-</u>	<u>8,851,315</u>
<u>126,970</u>	<u>27,416</u>	<u>423,079</u>	<u>103,337</u>	<u>4,169,555</u>	<u>15,254,718</u>
13,659	1,473	8,925	2,215	1,059	322,687
9,744	5,588	-	4,910	-	69,368
4,789	4,854	-	3,734	-	19,229
11,692	2,086	-	2,281	-	56,238
-	-	204,903	-	1,287,523	1,492,426
<u>39,884</u>	<u>14,001</u>	<u>213,828</u>	<u>13,140</u>	<u>1,288,582</u>	<u>1,959,948</u>
<u>39,884</u>	<u>14,001</u>	<u>213,828</u>	<u>13,140</u>	<u>1,288,582</u>	<u>1,959,948</u>
40,826	566	-	21,584	-	8,851,315
<u>46,260</u>	<u>12,849</u>	<u>209,251</u>	<u>68,613</u>	<u>2,880,973</u>	<u>4,443,455</u>
<u>\$ 87,086</u>	<u>\$ 13,415</u>	<u>\$ 209,251</u>	<u>\$ 90,197</u>	<u>\$ 2,880,973</u>	<u>\$ 13,294,770</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, 2017*

	V.E.S.	Information Technology	Communications
OPERATING REVENUES			
Charges for services	\$ 4,056,165	\$ 1,192,898	\$ 538,129
Miscellaneous	65,570	394	-
Total operating revenues	<u>4,121,735</u>	<u>1,193,292</u>	<u>538,129</u>
OPERATING EXPENSES			
Personnel	133,984	644,038	64,539
Materials and supplies	1,135,078	14,283	4,447
Maintenance	58,839	251,529	410,020
Heat, lights, and power	24,355	-	-
Reinsurance premiums	-	-	-
Miscellaneous services	563,249	128,369	47,052
Contractual services	1,168,134	52,071	11,890
Computer services	15,237	-	6,445
Court costs, judgments, and damages	-	-	-
Claims expense	-	-	-
Wellness program	-	-	-
Depreciation	2,193,192	315,552	179,810
Total operating expenses	<u>5,292,068</u>	<u>1,405,842</u>	<u>724,203</u>
Operating income (loss) before nonoperating revenues (expenses), transfers and special item	(1,170,333)	(212,550)	(186,074)
NONOPERATING REVENUES (EXPENSES)			
Investment income	1,720	2,693	472
Gain (loss) on disposition of capital assets	(76,177)	2,013	-
Net nonoperating revenues (expenses)	<u>(74,457)</u>	<u>4,706</u>	<u>472</u>
Income (loss) before transfers and special item	(1,244,790)	(207,844)	(185,602)
Transfers			
Transfers in	-	-	-
Special item - other post employment benefits trust payment	-	-	-
Change in net position	(1,244,790)	(207,844)	(185,602)
Total net position at beginning of year	<u>9,281,951</u>	<u>1,293,225</u>	<u>1,076,908</u>
Total net position at end of year	<u>\$ 8,037,161</u>	<u>\$ 1,085,381</u>	<u>\$ 891,306</u>

<u>Purchasing</u>	<u>Safety Management</u>	<u>Workers' Compensation</u>	<u>Print Shop</u>	<u>Employee Health Plan</u>	<u>Total</u>
\$ 200,067	\$ 692,409	\$ 410,000	\$ 142,859	\$ 6,442,001	\$ 13,674,528
13,420	2,940	2,230	121	1,432	86,107
<u>213,487</u>	<u>695,349</u>	<u>412,230</u>	<u>142,980</u>	<u>6,443,433</u>	<u>13,760,635</u>
192,329	81,713	-	109,929	-	1,226,532
2,839	976	-	4,618	-	1,162,241
1,163	-	-	13,789	-	735,340
3,778	-	-	-	-	28,133
-	611,737	-	-	520,050	1,131,787
14,877	9,559	-	15,322	-	778,428
-	11,739	-	-	346,898	1,590,732
16,651	6,445	-	6,445	-	51,223
-	11,881	-	-	-	11,881
-	-	149,049	-	6,792,828	6,941,877
-	-	-	-	15,506	15,506
7,011	494	-	6,456	-	2,702,515
<u>238,648</u>	<u>734,544</u>	<u>149,049</u>	<u>156,559</u>	<u>7,675,282</u>	<u>16,376,195</u>
(25,161)	(39,195)	263,181	(13,579)	(1,231,849)	(2,615,560)
-	388	1,110	-	32,468	38,851
-	-	-	-	-	(74,164)
-	388	1,110	-	32,468	(35,313)
(25,161)	(38,807)	264,291	(13,579)	(1,199,381)	(2,650,873)
-	-	-	-	200,000	200,000
-	-	-	-	(200,000)	(200,000)
(25,161)	(38,807)	264,291	(13,579)	(1,199,381)	(2,650,873)
112,247	52,222	(55,040)	103,776	4,080,354	15,945,643
<u>\$ 87,086</u>	<u>\$ 13,415</u>	<u>\$ 209,251</u>	<u>\$ 90,197</u>	<u>\$ 2,880,973</u>	<u>\$ 13,294,770</u>

CITY OF VICTORIA, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the year ended September 30, 2017

	V.E.S.	Information Technology	Communications
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from other funds	\$ 4,132,543	\$ 1,199,143	\$ 536,351
Cash paid to suppliers for goods and services	(2,854,119)	(466,851)	(479,026)
Cash paid to employees for services	(129,100)	(643,612)	(63,974)
Net cash provided (used) by operating activities	<u>1,149,324</u>	<u>88,680</u>	<u>(6,649)</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	(1,063,956)	(158,083)	-
Proceeds from sale of capital assets	24,480	2,013	-
Net cash provided (used) by capital and related financing activities	<u>(1,039,476)</u>	<u>(156,070)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	-	-	-
Proceeds from sales and maturities of investments	-	-	-
Investment income	1,720	2,693	472
Net cash provided (used) by investing activities	<u>1,720</u>	<u>2,693</u>	<u>472</u>
Net increase (decrease) in cash and cash equivalents	111,568	(64,697)	(6,177)
Cash and cash equivalents at beginning of year	<u>758,484</u>	<u>485,951</u>	<u>233,715</u>
Cash and cash equivalents at end of year	<u>\$ 870,052</u>	<u>\$ 421,254</u>	<u>\$ 227,538</u>

<u>Purchasing</u>	<u>Safety Management</u>	<u>Workers' Compensation</u>	<u>Print Shop</u>	<u>Employee Health Plan</u>	<u>Total</u>
\$ 218,071	\$ 699,395	\$ 410,000	\$ 144,524	\$ 6,127,352	\$ 13,467,379
(36,050)	(659,094)	(268,288)	(43,082)	(7,142,927)	(11,949,437)
<u>(192,618)</u>	<u>(79,744)</u>	<u>-</u>	<u>(109,191)</u>	<u>-</u>	<u>(1,218,239)</u>
(10,597)	(39,443)	141,712	(7,749)	(1,015,575)	299,703
-	-	-	-	(200,000)	(200,000)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>200,000</u>	<u>200,000</u>
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	(1,222,039)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,493</u>
-	-	-	-	-	(1,195,546)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,195,546)</u>
-	-	-	-	(1,987,133)	(1,987,133)
-	-	-	-	1,736,000	1,736,000
<u>-</u>	<u>388</u>	<u>1,110</u>	<u>-</u>	<u>32,468</u>	<u>38,851</u>
-	388	1,110	-	(218,665)	(212,282)
<u>-</u>	<u>388</u>	<u>1,110</u>	<u>-</u>	<u>(218,665)</u>	<u>(212,282)</u>
(10,597)	(39,055)	142,822	(7,749)	(1,234,240)	(1,108,125)
<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>
<u>\$ -</u>	<u>\$ 26,850</u>	<u>\$ 420,849</u>	<u>\$ 61,135</u>	<u>\$ 837,946</u>	<u>\$ 2,865,624</u>

(continued)

CITY OF VICTORIA, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the year ended September 30, 2017

	<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)	\$ (1,170,333)	\$ (212,550)	\$ (186,074)
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation	2,193,192	315,552	179,810
Changes in assets and liabilities			
(Increase) decrease in other receivables	10,845	-	(1,740)
(Increase) decrease in due from other funds	-	-	-
(Increase) decrease in prepaid items	-	-	-
(Increase) decrease in inventory	-	-	-
Increase (decrease) in accounts payable	110,773	(20,599)	828
Increase (decrease) in accrued expenses	4,201	(441)	566
Increase (decrease) in due to other funds	(37)	5,851	(38)
Increase (decrease) in compensated absences	683	867	(1)
Increase (decrease) in claims payable	-	-	-
Total adjustments	<u>2,319,657</u>	<u>301,230</u>	<u>179,425</u>
Net cash provided (used) by operating activities	<u>\$ 1,149,324</u>	<u>\$ 88,680</u>	<u>\$ (6,649)</u>

<u>Purchasing</u>	<u>Safety Management</u>	<u>Workers' Compensation</u>	<u>Print Shop</u>	<u>Employee Health Plan</u>	<u>Total</u>
\$ (25,161)	\$ (39,195)	\$ 263,181	\$ (13,579)	\$ (1,231,849)	\$ (2,615,560)
7,011	494	-	6,456	-	2,702,515
(93)	-	(2,230)	2,179	(347,168)	(338,207)
-	-	-	-	31,087	31,087
-	-	-	-	(8,371)	(8,371)
(5,754)	-	-	(239)	-	(5,993)
9,012	(6,757)	(49,779)	(2,669)	(16,674)	24,135
(210)	(117)	-	(270)	-	3,729
4,677	4,046	-	(635)	-	13,864
(79)	2,086	-	1,008	-	4,564
-	-	(69,460)	-	557,400	487,940
<u>14,564</u>	<u>(248)</u>	<u>(121,469)</u>	<u>5,830</u>	<u>216,274</u>	<u>2,915,263</u>
<u>\$ (10,597)</u>	<u>\$ (39,443)</u>	<u>\$ 141,712</u>	<u>\$ (7,749)</u>	<u>\$ (1,015,575)</u>	<u>\$ 299,703</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, 2017
With comparative totals for September 30, 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 870,052	\$ 758,484
Receivables		
Other	49,568	60,413
Inventory	<u>41,298</u>	<u>41,298</u>
Total current assets	<u>960,918</u>	<u>860,195</u>
Noncurrent assets		
Capital assets		
Buildings	425,876	421,221
Infrastructure	93,179	93,179
Improvements other than buildings	10,659	10,659
Machinery and equipment	<u>21,822,460</u>	<u>22,637,518</u>
Total capital assets	22,352,174	23,162,577
Less accumulated depreciation	<u>15,116,167</u>	<u>14,696,677</u>
Subtotal	7,236,007	8,465,900
Land	<u>134,007</u>	<u>134,007</u>
Net capital assets	<u>7,370,014</u>	<u>8,599,907</u>
Total assets	<u>8,330,932</u>	<u>9,460,102</u>
LIABILITIES		
Current liabilities		
Accounts payable	274,094	163,321
Accrued expenses	10,927	6,726
Due to other funds	1	38
Accrued compensated absences	<u>8,749</u>	<u>8,066</u>
Total liabilities	<u>293,771</u>	<u>178,151</u>
NET POSITION		
Net investment in capital assets	7,370,014	8,599,907
Unrestricted	<u>667,147</u>	<u>682,044</u>
Total net position	<u>\$ 8,037,161</u>	<u>\$ 9,281,951</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, 2017

With comparative totals for the year ended September 30, 2016

	<u>2017</u>	<u>2016</u>
OPERATING REVENUES		
Charges for services	\$ 4,056,165	\$ 5,920,706
Miscellaneous	<u>65,570</u>	<u>79,959</u>
Total operating revenues	<u>4,121,735</u>	<u>6,000,665</u>
OPERATING EXPENSES		
Personnel	133,984	129,644
Materials and supplies	1,135,078	985,379
Maintenance	58,839	36,352
Heat, lights, and power	24,355	26,328
Miscellaneous services	563,249	609,486
Contractual services	1,168,134	1,155,906
Computer services	15,237	15,237
Depreciation	<u>2,193,192</u>	<u>2,268,326</u>
Total operating expenses	<u>5,292,068</u>	<u>5,226,658</u>
Operating income (loss) before nonoperating revenues (expenses)	(1,170,333)	774,007
NONOPERATING REVENUES (EXPENSES)		
Investment income	1,720	368
Gain (loss) on disposition of capital assets	<u>(76,177)</u>	<u>(16,052)</u>
Net nonoperating revenues (expenses)	<u>(74,457)</u>	<u>(15,684)</u>
Change in net position	(1,244,790)	758,323
Total net position at beginning of year	<u>9,281,951</u>	<u>8,523,628</u>
Total net position at end of year	<u>\$ 8,037,161</u>	<u>\$ 9,281,951</u>

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

V.E.S. FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2017

With comparative totals for the year ended September 30, 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from other funds	\$ 4,132,543	\$ 5,979,809
Cash paid to suppliers for goods and services	(2,854,119)	(2,835,410)
Cash paid to employees for services	(129,100)	(128,324)
Net cash provided (used) by operating activities	<u>1,149,324</u>	<u>3,016,075</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(1,063,956)	(2,990,016)
Proceeds from sale of capital assets	24,480	12,821
Net cash provided (used) by capital and related financing activities	<u>(1,039,476)</u>	<u>(2,977,195)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	1,720	368
Net increase (decrease) in cash and cash equivalents	111,568	39,248
Cash and cash equivalents at beginning of year	758,484	719,236
Cash and cash equivalents at end of year	<u>\$ 870,052</u>	<u>\$ 758,484</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (1,170,333)	\$ 774,007
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	2,193,192	2,268,326
Changes in assets and liabilities		
(Increase) decrease in other receivables	10,845	(20,748)
(Increase) decrease in inventory	-	5,259
Increase (decrease) in accounts payable	110,773	(11,981)
Increase (decrease) in accrued expenses	4,201	963
Increase (decrease) in due to other funds	(37)	(108)
Increase (decrease) in compensated absences	683	357
Total adjustments	<u>2,319,657</u>	<u>2,242,068</u>
Net cash provided (used) by operating activities	<u>\$ 1,149,324</u>	<u>\$ 3,016,075</u>

INFORMATION TECHNOLOGY FUND

CITY OF VICTORIA, TEXAS
INTERNAL SERVICE FUND
INFORMATION TECHNOLOGY FUND
BALANCE SHEET
September 30, 2017
With comparative totals for September 30, 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 421,254	\$ 485,951
Total current assets	<u>421,254</u>	<u>485,951</u>
Noncurrent assets		
Capital assets		
Machinery and equipment	<u>2,642,095</u>	<u>2,741,627</u>
Total capital assets	2,642,095	2,741,627
Less accumulated depreciation	<u>1,891,973</u>	<u>1,834,036</u>
Net capital assets	<u>750,122</u>	<u>907,591</u>
Total assets	<u>1,171,376</u>	<u>1,393,542</u>
LIABILITIES		
Current liabilities		
Accounts payable	18,077	38,676
Accrued expenses	34,552	34,993
Due to other funds	5,851	-
Accrued compensated absences	<u>27,515</u>	<u>26,648</u>
Total liabilities	<u>85,995</u>	<u>100,317</u>
NET POSITION		
Net investment in capital assets	750,122	907,591
Unrestricted	<u>335,259</u>	<u>385,634</u>
Total net position	<u>\$ 1,085,381</u>	<u>\$ 1,293,225</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, 2017

With comparative totals for the year ended September 30, 2016

	<u>2017</u>	<u>2016</u>
OPERATING REVENUES		
Charges for services	\$ 1,192,898	\$ 1,192,898
Miscellaneous	<u>394</u>	<u>6</u>
Total operating revenues	<u>1,193,292</u>	<u>1,192,904</u>
OPERATING EXPENSES		
Personnel	644,038	682,348
Materials and supplies	14,283	21,074
Maintenance	251,529	157,921
Miscellaneous services	128,369	146,202
Contractual services	52,071	78,144
Depreciation	<u>315,552</u>	<u>339,749</u>
Total operating expenses	<u>1,405,842</u>	<u>1,425,438</u>
Operating income (loss) before nonoperating revenues (expenses)	(212,550)	(232,534)
NONOPERATING REVENUES (EXPENSES)		
Investment income	2,693	1,794
Gain on disposition of capital assets	<u>2,013</u>	<u>544</u>
Net nonoperating revenues (expenses)	<u>4,706</u>	<u>2,338</u>
Change in net position	(207,844)	(230,196)
Total net position at beginning of year	<u>1,293,225</u>	<u>1,523,421</u>
Total net position at end of year	<u>\$ 1,085,381</u>	<u>\$ 1,293,225</u>

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

INFORMATION TECHNOLOGY FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2017

With comparative totals for the year ended September 30, 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from other funds	\$ 1,199,143	\$ 1,183,473
Cash paid to suppliers for goods and services	(466,851)	(406,335)
Cash paid to employees for services	(643,612)	(675,122)
Net cash provided (used) by operating activities	<u>88,680</u>	<u>102,016</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(158,083)	(306,875)
Proceeds from sale of capital assets	2,013	544
Net cash provided (used) by capital and related financing activities	<u>(156,070)</u>	<u>(306,331)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	2,693	1,794
Net cash provided (used) by investing activities	<u>2,693</u>	<u>1,794</u>
Net increase (decrease) in cash and cash equivalents	(64,697)	(202,521)
Cash and cash equivalents at beginning of year	485,951	688,472
Cash and cash equivalents at end of year	<u>\$ 421,254</u>	<u>\$ 485,951</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (212,550)	\$ (232,534)
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	315,552	339,749
Changes in assets and liabilities		
Increase (decrease) in accounts payable	(20,599)	(2,994)
Increase (decrease) in accrued expenses	(441)	3,747
Increase (decrease) in due to other funds	5,851	(9,431)
Increase (decrease) in compensated absences	867	3,479
Total adjustments	<u>301,230</u>	<u>334,550</u>
Net cash provided (used) by operating activities	<u>\$ 88,680</u>	<u>\$ 102,016</u>

COMMUNICATIONS FUND

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

COMMUNICATIONS FUND

BALANCE SHEET

September 30, 2017

With comparative totals for September 30, 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 227,538	\$ 233,715
Receivables		
Other	<u>6,312</u>	<u>4,572</u>
Total current assets	<u>233,850</u>	<u>238,287</u>
Noncurrent assets		
Capital assets		
Buildings	32,623	32,623
Infrastructure	2,501	2,501
Machinery and equipment	<u>3,777,852</u>	<u>3,777,852</u>
Total capital assets	3,812,976	3,812,976
Less accumulated depreciation	<u>3,183,941</u>	<u>3,004,131</u>
Subtotal	629,035	808,845
Land	<u>39,168</u>	<u>39,168</u>
Net capital assets	<u>668,203</u>	<u>848,013</u>
Total assets	<u>902,053</u>	<u>1,086,300</u>
LIABILITIES		
Current liabilities		
Accounts payable	3,185	2,357
Accrued expenses	3,647	3,081
Due to other funds	-	38
Accrued compensated absences	<u>3,915</u>	<u>3,916</u>
Total liabilities	<u>10,747</u>	<u>9,392</u>
NET POSITION		
Net investment in capital assets	668,203	848,013
Unrestricted	<u>223,103</u>	<u>228,895</u>
Total net position	<u>\$ 891,306</u>	<u>\$ 1,076,908</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, 2017

With comparative totals for the year ended September 30, 2016

	<u>2017</u>	<u>2016</u>
OPERATING REVENUES		
Charges for services	\$ 538,129	\$ 588,067
Miscellaneous	<u>-</u>	<u>1</u>
Total operating revenues	<u>538,129</u>	<u>588,068</u>
OPERATING EXPENSES		
Personnel	64,539	61,999
Materials and supplies	4,447	9,948
Maintenance	410,020	400,493
Miscellaneous services	47,052	19,081
Contractual services	11,890	1,952
Computer services	6,445	6,445
Depreciation	<u>179,810</u>	<u>186,171</u>
Total operating expenses	<u>724,203</u>	<u>686,089</u>
Operating income (loss) before nonoperating revenues (expenses)	(186,074)	(98,021)
NONOPERATING REVENUES (EXPENSES)		
Investment income	<u>472</u>	<u>322</u>
Net nonoperating revenues (expenses)	<u>472</u>	<u>322</u>
Change in net position	(185,602)	(97,699)
Total net position at beginning of year	<u>1,076,908</u>	<u>1,174,607</u>
Total net position at end of year	<u>\$ 891,306</u>	<u>\$ 1,076,908</u>

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

COMMUNICATIONS FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2017

With comparative totals for the year ended September 30, 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from other funds	\$ 536,351	\$ 588,008
Cash paid to suppliers for goods and services	(479,026)	(437,666)
Cash paid to employees for services	(63,974)	(61,496)
Net cash provided (used) by operating activities	<u>(6,649)</u>	<u>88,846</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	-	(1,533)
Net cash provided (used) by capital and related financing activities	-	(1,533)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	472	322
Net cash provided (used) by investing activities	<u>472</u>	<u>322</u>
Net increase (decrease) in cash and cash equivalents	(6,177)	87,635
Cash and cash equivalents at beginning of year	233,715	146,080
Cash and cash equivalents at end of year	<u>\$ 227,538</u>	<u>\$ 233,715</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (186,074)	\$ (98,021)
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	179,810	186,171
Changes in assets and liabilities		
(Increase) decrease in other receivables	(1,740)	(98)
Increase (decrease) in accounts payable	828	253
Increase (decrease) in accrued expenses	566	389
Increase (decrease) in due to other funds	(38)	38
Increase (decrease) in compensated absences	(1)	114
Total adjustments	<u>179,425</u>	<u>186,867</u>
Net cash provided (used) by operating activities	<u>\$ (6,649)</u>	<u>\$ 88,846</u>

PURCHASING FUND

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

PURCHASING FUND

BALANCE SHEET

September 30, 2017

With comparative totals for September 30, 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ -	\$ 10,597
Receivables		
Other	116	23
Inventory	<u>86,028</u>	<u>80,274</u>
Total current assets	<u>86,144</u>	<u>90,894</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>38,517</u>
Total capital assets	196,584	196,584
Less accumulated depreciation	<u>155,758</u>	<u>148,747</u>
Net capital assets	<u>40,826</u>	<u>47,837</u>
Total assets	<u>126,970</u>	<u>138,731</u>
LIABILITIES		
Current liabilities		
Accounts payable	13,659	4,647
Accrued expenses	9,744	9,954
Due to other funds	4,789	112
Accrued compensated absences	<u>11,692</u>	<u>11,771</u>
Total liabilities	<u>39,884</u>	<u>26,484</u>
NET POSITION		
Net investment in capital assets	40,826	47,837
Unrestricted	<u>46,260</u>	<u>64,410</u>
Total net position	<u>\$ 87,086</u>	<u>\$ 112,247</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, 2017

With comparative totals for the year ended September 30, 2016

	<u>2017</u>	<u>2016</u>
OPERATING REVENUES		
Charges for services	\$ 200,067	\$ 200,042
Miscellaneous	<u>13,420</u>	<u>8,093</u>
Total operating revenues	<u>213,487</u>	<u>208,135</u>
OPERATING EXPENSES		
Personnel	192,329	194,119
Materials and supplies	2,839	3,416
Maintenance	1,163	1,141
Heat, lights, and power	3,778	4,019
Miscellaneous services	14,877	19,151
Computer services	16,651	16,651
Depreciation	<u>7,011</u>	<u>7,183</u>
Total operating expenses	<u>238,648</u>	<u>245,680</u>
Operating income (loss) before nonoperating revenues (expenses)	(25,161)	(37,545)
NONOPERATING REVENUES (EXPENSES)		
Gain on disposition of capital assets	<u>-</u>	<u>55</u>
Net nonoperating revenues (expenses)	<u>-</u>	<u>55</u>
Change in net position	(25,161)	(37,490)
Total net position at beginning of year	<u>112,247</u>	<u>149,737</u>
Total net position at end of year	<u>\$ 87,086</u>	<u>\$ 112,247</u>

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

PURCHASING FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2017

With comparative totals for the year ended September 30, 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from other funds	\$ 218,071	\$ 208,255
Cash paid to suppliers for goods and services	(36,050)	(39,288)
Cash paid to employees for services	<u>(192,618)</u>	<u>(192,167)</u>
Net cash provided (used) by operating activities	<u>(10,597)</u>	<u>(23,200)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sale of capital assets	<u>-</u>	<u>55</u>
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>55</u>
Net increase (decrease) in cash and cash equivalents	(10,597)	(23,145)
Cash and cash equivalents at beginning of year	<u>10,597</u>	<u>33,742</u>
Cash and cash equivalents at end of year	<u><u>\$ -</u></u>	<u><u>\$ 10,597</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (25,161)	\$ (37,545)
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	7,011	7,183
Changes in assets and liabilities		
(Increase) decrease in other receivables	(93)	9
(Increase) decrease in inventory	(5,754)	4,468
Increase (decrease) in accounts payable	9,012	622
Increase (decrease) in accrued expenses	(210)	1,415
Increase (decrease) in due to other funds	4,677	111
Increase (decrease) in compensated absences	<u>(79)</u>	<u>537</u>
Total adjustments	<u>14,564</u>	<u>14,345</u>
Net cash provided (used) by operating activities	<u><u>\$ (10,597)</u></u>	<u><u>\$ (23,200)</u></u>

SAFETY MANAGEMENT FUND

CITY OF VICTORIA, TEXAS
INTERNAL SERVICE FUND
SAFETY MANAGEMENT FUND
BALANCE SHEET
September 30, 2017
With comparative totals for September 30, 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 26,850	\$ 65,905
Total current assets	<u>26,850</u>	<u>65,905</u>
Noncurrent assets		
Capital assets		
Buildings	973	973
Machinery and equipment	<u>5,577</u>	<u>5,577</u>
Total capital assets	6,550	6,550
Less accumulated depreciation	<u>5,984</u>	<u>5,490</u>
Net capital assets	<u>566</u>	<u>1,060</u>
Total assets	<u>27,416</u>	<u>66,965</u>
LIABILITIES		
Current liabilities		
Accounts payable	1,473	8,230
Accrued expenses	5,588	5,705
Due to other funds	4,854	808
Accrued compensated absences	<u>2,086</u>	<u>-</u>
Total liabilities	<u>14,001</u>	<u>14,743</u>
NET POSITION		
Net investment in capital assets	566	1,060
Unrestricted	<u>12,849</u>	<u>51,162</u>
Total net position	<u>\$ 13,415</u>	<u>\$ 52,222</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, 2017

With comparative totals for the year ended September 30, 2016

	<u>2017</u>	<u>2016</u>
OPERATING REVENUES		
Charges for services	\$ 692,409	\$ 622,542
Miscellaneous	<u>2,940</u>	<u>40,639</u>
Total operating revenues	<u>695,349</u>	<u>663,181</u>
OPERATING EXPENSES		
Personnel	81,713	110,718
Materials and supplies	976	1,140
Reinsurance premiums	611,737	537,029
Miscellaneous services	9,559	16,662
Contractual services	11,739	11,299
Computer services	6,445	6,445
Court costs, judgments, and damages	11,881	25,699
Depreciation	<u>494</u>	<u>584</u>
Total operating expenses	<u>734,544</u>	<u>709,576</u>
Operating income (loss) before nonoperating revenues (expenses)	(39,195)	(46,395)
NONOPERATING REVENUES (EXPENSES)		
Investment income	<u>388</u>	<u>-</u>
Net nonoperating revenues (expenses)	<u>388</u>	<u>-</u>
Change in net position	(38,807)	(46,395)
Total net position at beginning of year	<u>52,222</u>	<u>98,617</u>
Total net position at end of year	<u>\$ 13,415</u>	<u>\$ 52,222</u>

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

SAFETY MANAGEMENT FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2017

With comparative totals for the year ended September 30, 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from other funds	\$ 699,395	\$ 665,105
Cash paid to suppliers for goods and services	(659,094)	(594,174)
Cash paid to employees for services	<u>(79,744)</u>	<u>(114,487)</u>
Net cash provided (used) by operating activities	<u>(39,443)</u>	<u>(43,556)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	<u>388</u>	<u>-</u>
Net cash provided (used) by investing activities	<u>388</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(39,055)	(43,556)
Cash and cash equivalents at beginning of year	<u>65,905</u>	<u>109,461</u>
Cash and cash equivalents at end of year	<u>\$ 26,850</u>	<u>\$ 65,905</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (39,195)	\$ (46,395)
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	494	584
Changes in assets and liabilities		
(Increase) decrease in other receivables	-	1,116
Increase (decrease) in accounts payable	(6,757)	4,100
Increase (decrease) in accrued expenses	(117)	481
Increase (decrease) in due to other funds	4,046	808
Increase (decrease) in compensated absences	<u>2,086</u>	<u>(4,250)</u>
Total adjustments	<u>(248)</u>	<u>2,839</u>
Net cash provided (used) by operating activities	<u>\$ (39,443)</u>	<u>\$ (43,556)</u>

WORKERS' COMPENSATION FUND

CITY OF VICTORIA, TEXAS
INTERNAL SERVICE FUND
WORKERS' COMPENSATION FUND
BALANCE SHEET
September 30, 2017
With comparative totals for September 30, 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 386,849	\$ 250,027
Receivables		
Other	2,230	-
Restricted assets		
Cash and cash equivalents	<u>34,000</u>	<u>28,000</u>
Total assets	<u>423,079</u>	<u>278,027</u>
LIABILITIES		
Current liabilities		
Accounts payable	8,925	58,704
Claims payable	<u>204,903</u>	<u>274,363</u>
Total liabilities	<u>213,828</u>	<u>333,067</u>
NET POSITION		
Unrestricted	<u>209,251</u>	<u>(55,040)</u>
Total net position	<u>\$ 209,251</u>	<u>\$ (55,040)</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, 2017

With comparative totals for the year ended September 30, 2016

	<u>2017</u>	<u>2016</u>
OPERATING REVENUES		
Charges for services	\$ 410,000	\$ 195,006
Miscellaneous	<u>2,230</u>	<u>12,088</u>
Total operating revenues	<u>412,230</u>	<u>207,094</u>
OPERATING EXPENSES		
Claims expense	<u>149,049</u>	<u>410,121</u>
Total operating expenses	<u>149,049</u>	<u>410,121</u>
Operating income (loss) before nonoperating revenues (expenses)	263,181	(203,027)
NONOPERATING REVENUES (EXPENSES)		
Investment income	<u>1,110</u>	<u>827</u>
Change in net position	264,291	(202,200)
Total net position at beginning of year	<u>(55,040)</u>	<u>147,160</u>
Total net position at end of year	<u>\$ 209,251</u>	<u>\$ (55,040)</u>

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

WORKERS' COMPENSATION FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2017

With comparative totals for the year ended September 30, 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from other funds	\$ 410,000	\$ 207,094
Cash paid to suppliers for goods and services	<u>(268,288)</u>	<u>(361,335)</u>
Net cash provided (used) by operating activities	<u>141,712</u>	<u>(154,241)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	<u>1,110</u>	<u>827</u>
Net cash provided (used) by investing activities	<u>1,110</u>	<u>827</u>
Net increase (decrease) in cash and cash equivalents	142,822	(153,414)
Cash and cash equivalents at beginning of year	<u>278,027</u>	<u>431,441</u>
Cash and cash equivalents at end of year	<u><u>\$ 420,849</u></u>	<u><u>\$ 278,027</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 263,181	\$ (203,027)
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Changes in assets and liabilities		
(Increase) decrease in other receivables	(2,230)	-
Increase (decrease) in accounts payable	(49,779)	38,032
Increase (decrease) in claims payable	<u>(69,460)</u>	<u>10,754</u>
Total adjustments	<u>(121,469)</u>	<u>48,786</u>
Net cash provided (used) by operating activities	<u><u>\$ 141,712</u></u>	<u><u>\$ (154,241)</u></u>

PRINT SHOP FUND

CITY OF VICTORIA, TEXAS
INTERNAL SERVICE FUND
PRINT SHOP FUND
BALANCE SHEET
September 30, 2017
With comparative totals for September 30, 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 61,135	\$ 68,884
Receivables		
Other	1,008	3,187
Inventory	<u>19,610</u>	<u>19,371</u>
Total current assets	<u>81,753</u>	<u>91,442</u>
Noncurrent assets		
Capital assets		
Machinery and equipment	95,005	95,005
Less accumulated depreciation	<u>73,421</u>	<u>66,965</u>
Net capital assets	<u>21,584</u>	<u>28,040</u>
Total assets	<u>103,337</u>	<u>119,482</u>
LIABILITIES		
Current liabilities		
Accounts payable	2,215	4,884
Accrued expenses	4,910	5,180
Due to other funds	3,734	4,369
Accrued compensated absences	<u>2,281</u>	<u>1,273</u>
Total liabilities	<u>13,140</u>	<u>15,706</u>
NET POSITION		
Net investment in capital assets	21,584	28,040
Unrestricted	<u>68,613</u>	<u>75,736</u>
Total net position	<u>\$ 90,197</u>	<u>\$ 103,776</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, 2017

With comparative totals for the year ended September 30, 2016

	<u>2017</u>	<u>2016</u>
OPERATING REVENUES		
Charges for services	\$ 142,859	\$ 146,920
Miscellaneous	<u>121</u>	<u>129</u>
Total operating revenues	<u>142,980</u>	<u>147,049</u>
OPERATING EXPENSES		
Personnel	109,929	102,772
Materials and supplies	4,618	6,568
Maintenance	13,789	17,783
Miscellaneous services	15,322	15,319
Computer services	6,445	6,445
Depreciation	<u>6,456</u>	<u>9,143</u>
Total operating expenses	<u>156,559</u>	<u>158,030</u>
Operating income (loss) before nonoperating revenues (expenses)	(13,579)	(10,981)
NONOPERATING REVENUES (EXPENSES)		
Gain (loss) on disposition of capital assets	<u>-</u>	<u>(193)</u>
Net nonoperating revenues (expenses)	<u>-</u>	<u>(193)</u>
Change in net position	(13,579)	(11,174)
Total net position at beginning of year	<u>103,776</u>	<u>114,950</u>
Total net position at end of year	<u>\$ 90,197</u>	<u>\$ 103,776</u>

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

PRINT SHOP FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2017

With comparative totals for the year ended September 30, 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from other funds	\$ 144,524	\$ 149,188
Cash paid to suppliers for goods and services	(43,082)	(42,312)
Cash paid to employees for services	(109,191)	(102,561)
Net cash provided (used) by operating activities	<u>(7,749)</u>	<u>4,315</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	-	(17,350)
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(17,350)</u>
Net increase (decrease) in cash and cash equivalents	(7,749)	(13,035)
Cash and cash equivalents at beginning of year	68,884	81,919
Cash and cash equivalents at end of year	<u>\$ 61,135</u>	<u>\$ 68,884</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (13,579)	\$ (10,981)
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	6,456	9,143
Changes in assets and liabilities		
(Increase) decrease in other receivables	2,179	(2,229)
(Increase) decrease in inventory	(239)	802
Increase (decrease) in accounts payable	(2,669)	3,001
Increase (decrease) in accrued expenses	(270)	661
Increase (decrease) in due to other funds	(635)	4,368
Increase (decrease) in compensated absences	1,008	(450)
Total adjustments	<u>5,830</u>	<u>15,296</u>
Net cash provided (used) by operating activities	<u>\$ (7,749)</u>	<u>\$ 4,315</u>

EMPLOYEE HEALTH PLAN FUND

CITY OF VICTORIA, TEXAS
INTERNAL SERVICE FUND
EMPLOYEE HEALTH PLAN FUND
BALANCE SHEET
September 30, 2017
With comparative totals for September 30, 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 837,946	\$ 2,072,186
Investments	2,483,391	2,232,258
Receivables		
Other	370,189	23,021
Due from other funds	403,896	434,983
Prepaid items	74,133	65,762
Total assets	<u>4,169,555</u>	<u>4,828,210</u>
LIABILITIES		
Current liabilities		
Accounts payable	1,059	17,733
Claims payable	1,287,523	730,123
Total liabilities	<u>1,288,582</u>	<u>747,856</u>
NET POSITION		
Unrestricted	<u>2,880,973</u>	<u>4,080,354</u>
Total net position	<u>\$ 2,880,973</u>	<u>\$ 4,080,354</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, 2017

With comparative totals for year ended September 30, 2016

	<u>2017</u>	<u>2016</u>
OPERATING REVENUES		
Charges for services	\$ 6,442,001	\$ 6,219,234
Miscellaneous	<u>1,432</u>	<u>10,729</u>
Total operating revenues	<u>6,443,433</u>	<u>6,229,963</u>
OPERATING EXPENSES		
Reinsurance premiums	520,050	545,992
Contractual services	346,898	416,296
Claims expense	6,792,828	5,619,836
Wellness program	<u>15,506</u>	<u>17,602</u>
Total operating expenses	<u>7,675,282</u>	<u>6,599,726</u>
Operating income (loss) before nonoperating revenues (expenses), transfers and special item	(1,231,849)	(369,763)
NONOPERATING REVENUES (EXPENSES)		
Investment income	<u>32,468</u>	<u>22,756</u>
Net nonoperating revenues (expenses)	<u>32,468</u>	<u>22,756</u>
Income (loss) before transfers and special item	(1,199,381)	(347,007)
Transfers		
Transfers in	<u>200,000</u>	<u>200,000</u>
Special item - other post employment benefits trust payment	<u>(200,000)</u>	<u>(1,200,000)</u>
Change in net position	(1,199,381)	(1,347,007)
Total net position at beginning of year	<u>4,080,354</u>	<u>5,427,361</u>
Total net position at end of year	<u>\$ 2,880,973</u>	<u>\$ 4,080,354</u>

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

EMPLOYEE HEALTH PLAN FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2017

With comparative totals for the year ended September 30, 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from other funds	\$ 6,127,352	\$ 6,301,718
Cash paid to suppliers for goods and services	<u>(7,142,927)</u>	<u>(6,299,215)</u>
Net cash provided (used) by operating activities	<u>(1,015,575)</u>	<u>2,503</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Other post employment benefits trust payment	(200,000)	(1,200,000)
Transfers in from other funds	<u>200,000</u>	<u>200,000</u>
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>(1,000,000)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(1,987,133)	(1,936,000)
Proceeds from sales and maturities of investments	1,736,000	2,312,151
Investment income	<u>32,468</u>	<u>22,756</u>
Net cash provided (used) by investing activities	<u>(218,665)</u>	<u>398,907</u>
Net increase (decrease) in cash and cash equivalents	(1,234,240)	(598,590)
Cash and cash equivalents at beginning of year	<u>2,072,186</u>	<u>2,670,776</u>
Cash and cash equivalents at end of year	<u>\$ 837,946</u>	<u>\$ 2,072,186</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (1,231,849)	\$ (369,763)
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Changes in assets and liabilities		
(Increase) decrease in other receivables	(347,168)	34,096
(Increase) decrease in due from other funds	31,087	37,659
(Increase) decrease in prepaid items	(8,371)	3,357
Increase (decrease) in accounts payable	(16,674)	13,361
Increase (decrease) in claims payable	<u>557,400</u>	<u>283,793</u>
Total adjustments	<u>216,274</u>	<u>372,266</u>
Net cash provided (used) by operating activities	<u>\$ (1,015,575)</u>	<u>\$ 2,503</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, 2017*

	<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	\$ 90,639	\$ 180,219	\$ 32,998	\$ 237,860
Receivables (net)	-	1,500	1,500	-
Prepaid items	<u>720</u>	<u>66</u>	<u>298</u>	<u>488</u>
Total assets	<u>\$ 91,359</u>	<u>\$ 181,785</u>	<u>\$ 34,796</u>	<u>\$ 238,348</u>
Liabilities				
Accounts payable	\$ 2,434	\$ 20,625	\$ 17,076	\$ 5,983
Due to other agencies	<u>88,925</u>	<u>176,646</u>	<u>33,206</u>	<u>232,365</u>
Total liabilities	<u>\$ 91,359</u>	<u>\$ 197,271</u>	<u>\$ 50,282</u>	<u>\$ 238,348</u>



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STATISTICAL SECTION

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

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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	192
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	206
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.....	218
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	227
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	229

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

	Fiscal Year			
	2008	2009	2010	2011
Governmental activities				
Net investment in capital assets	\$ 90,954,312	\$ 103,076,382	\$ 101,134,927	\$ 96,662,568
Restricted	1,838,427	1,699,737	3,582,920	4,685,266
Unrestricted	24,267,168	25,988,151	26,775,847	19,134,765
Total governmental activities net position	<u>\$ 117,059,907</u>	<u>\$ 130,764,270</u>	<u>\$ 131,493,694</u>	<u>\$ 120,482,599</u>
Business-type activities				
Net investment in capital assets	\$ 37,957,306	\$ 37,535,371	\$ 38,241,963	\$ 42,657,025
Unrestricted	12,557,448	16,284,572	14,932,212	17,370,233
Total business-type activities net position	<u>\$ 50,514,754</u>	<u>\$ 53,819,943</u>	<u>\$ 53,174,175</u>	<u>\$ 60,027,258</u>
Primary Government				
Net investment in capital assets	\$ 128,911,618	\$ 140,611,753	\$ 139,376,890	\$ 139,319,593
Restricted	1,838,427	1,699,737	3,582,920	4,685,266
Unrestricted	36,824,616	42,272,723	41,708,059	36,504,998
Total primary government activities net position	<u>\$ 167,574,661</u>	<u>\$ 184,584,213</u>	<u>\$ 184,667,869</u>	<u>\$ 180,509,857</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					
2012	2013	2014	2015	2016	2017
\$ 92,513,084	\$ 94,905,320	\$ 88,654,073	\$ 83,609,268	\$ 84,007,457	\$ 79,038,575
2,919,609	3,500,017	3,524,554	3,547,378	2,985,524	3,666,390
<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>(6,865,394)</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>	<u>\$ 75,839,571</u>
\$ 47,433,497	\$ 53,705,125	\$ 60,853,934	\$ 65,123,880	\$ 71,351,401	\$ 79,039,267
18,648,788	17,552,820	14,140,873	9,021,633	9,468,882	12,827,560
<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>	<u>\$ 91,866,827</u>
\$ 139,946,581	\$ 148,610,445	\$ 149,508,007	\$ 148,733,148	\$ 155,358,858	\$ 158,077,842
2,919,609	3,500,017	3,524,554	3,547,378	2,985,524	3,666,390
<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>5,962,166</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>	<u>\$ 167,706,398</u>

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

	Fiscal Year			
	2008	2009	2010	2011
Governmental activities				
Expenses				
General government	\$ 6,931,856	\$ 7,644,809	\$ 7,634,811	\$ 8,885,981
Public safety	21,735,079	23,007,338	24,156,480	24,668,502
Development	7,823,283	7,914,392	14,827,929	26,226,457
Building services	-	-	-	-
Recreation	5,103,708	5,127,406	5,358,952	5,579,848
Interest on long-term debt	3,292,118	3,200,423	4,562,764	4,187,138
Total expenses	44,886,044	46,894,368	56,540,936	69,547,926
Program revenues				
Charges for services				
General government	1,984,766	2,559,383	2,411,387	2,571,837
Public safety	5,061,946	3,830,282	3,549,406	3,720,774
Development	-	-	-	-
Recreation	199,493	300,970	311,471	375,573
Operating grants and contributions	1,782,897	1,802,260	2,868,795	3,961,041
Capital grants and contributions	4,000,000	10,424,447	3,834,982	2,598,637
Total program revenues	13,029,102	18,917,342	12,976,041	13,227,862
Total governmental activities net program (expense) revenue	(31,856,942)	(27,977,026)	(43,564,895)	(56,320,064)
General revenues and other changes in net position				
Taxes				
Property taxes	18,731,119	19,676,691	20,178,350	20,330,192
Sales taxes	13,545,220	13,046,352	11,978,185	14,768,729
Franchise taxes	4,678,027	4,657,347	4,665,101	4,761,009
Other taxes	1,306,496	1,127,564	1,196,969	1,661,740
Unrestricted investment earnings	2,062,275	792,410	305,323	128,013
Miscellaneous	577,458	715,111	1,084,532	1,113,342
Transfers	1,674,251	1,665,914	4,885,859	2,545,944
Total general revenues and other changes in net position	42,574,846	41,681,389	44,294,319	45,308,969
Total governmental activities change in net position	\$ 10,717,904	\$ 13,704,363	\$ 729,424	\$ (11,011,095)

(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					
2012	2013	2014	2015	2016	2017
\$ 7,882,287	\$ 5,709,668	\$ 6,094,985	\$ 5,630,383	\$ 5,702,892	\$ 5,632,467
26,018,770	25,215,002	25,286,282	27,620,120	29,460,858	35,228,278
17,974,898	19,282,345	20,425,736	19,636,633	20,668,698	20,187,191
-	622,921	608,534	673,904	707,411	727,816
6,366,709	7,025,377	7,602,241	7,611,173	8,463,045	7,765,906
4,465,314	3,971,377	4,282,847	4,402,538	4,042,068	3,751,404
<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>	<u>73,293,062</u>
3,086,126	2,216,473	2,088,907	1,979,444	1,923,867	1,968,473
4,055,811	4,009,925	4,573,392	5,075,992	4,990,585	4,960,530
-	-	10,440	-	-	-
422,205	575,059	451,590	515,531	526,245	378,505
2,419,230	2,580,598	3,255,156	3,961,463	4,066,404	6,829,229
1,307,549	4,749,721	-	407,335	4,711,910	437,611
<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>	<u>14,574,348</u>
(51,417,057)	(47,694,914)	(53,921,140)	(53,634,986)	(52,825,961)	(58,718,714)
20,855,303	20,848,132	22,403,124	23,339,865	23,811,469	24,399,108
17,533,000	17,516,177	17,692,397	17,937,136	16,555,680	14,710,140
4,981,674	5,136,247	5,308,414	5,410,432	5,175,796	5,467,551
2,116,093	1,993,357	2,037,318	1,933,140	1,460,082	1,618,032
98,042	92,079	130,688	115,633	219,846	340,450
742,520	829,767	809,043	972,716	1,124,591	1,046,988
2,481,540	2,561,760	2,588,860	2,694,491	2,757,697	2,334,997
<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>49,917,266</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>	<u>\$ (8,801,448)</u>

(continued)

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

	Fiscal Year			
	2008	2009	2010	2011
Business-type activities				
Expenses				
Water/wastewater	\$ 18,715,248	\$ 19,175,705	\$ 18,589,868	\$ 18,628,230
Environmental services	5,024,014	3,790,348	3,182,201	3,219,898
Other	884,680	790,005	848,161	813,330
Total expenses	<u>24,623,942</u>	<u>23,756,058</u>	<u>22,620,230</u>	<u>22,661,458</u>
Program revenues				
Charges for services				
Water/wastewater	20,997,411	22,889,967	21,973,303	24,086,400
Environmental services	6,726,226	4,245,528	4,128,139	4,462,994
Other	480,797	564,531	425,929	339,623
Operating grants and contributions	-	54,826	-	-
Capital grants and contributions	1,800,876	705,899	284,490	3,127,754
Total program revenues	<u>30,005,310</u>	<u>28,460,751</u>	<u>26,811,861</u>	<u>32,016,771</u>
Total business-type activities net program (expense) revenue	5,381,368	4,704,693	4,191,631	9,355,313
General revenues and other changes in net position				
Unrestricted investment earnings	748,603	266,410	48,460	43,714
Gain (loss) on disposition of capital assets	-	-	-	-
Miscellaneous	-	-	-	-
Transfers	(1,674,251)	(1,665,914)	(4,885,859)	(2,545,944)
Total general revenues and other changes in net position	<u>(925,648)</u>	<u>(1,399,504)</u>	<u>(4,837,399)</u>	<u>(2,502,230)</u>
Total business-type activities change in net position	<u>\$ 4,455,720</u>	<u>\$ 3,305,189</u>	<u>\$ (645,768)</u>	<u>\$ 6,853,083</u>
Total primary government change in net position	<u>\$ 15,173,624</u>	<u>\$ 17,009,552</u>	<u>\$ 83,656</u>	<u>\$ (4,158,012)</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					
2012	2013	2014	2015	2016	2017
\$ 18,694,233	\$ 19,313,776	\$ 20,553,362	\$ 20,960,979	\$ 20,894,040	\$ 20,860,229
3,849,208	4,135,237	4,212,510	3,743,052	5,376,450	4,003,842
848,712	926,599	923,786	1,000,683	945,557	1,146,250
<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>	<u>26,010,321</u>
24,029,096	24,816,749	25,151,264	26,180,265	25,893,148	25,630,998
4,799,682	4,996,129	5,043,783	5,096,308	5,354,136	5,520,698
397,531	397,968	395,088	365,058	408,127	418,957
-	-	-	-	-	-
<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>7,592,120</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>	<u>39,162,773</u>
8,709,451	11,934,789	6,274,788	7,567,902	9,180,426	13,152,452
60,423	57,555	50,934	78,774	114,836	229,089
-	-	-	-	-	-
-	629,420	-	-	137,205	-
<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>(2,334,997)</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>(2,105,908)</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>\$ 11,046,544</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>	<u>\$ 2,245,096</u>

(concluded)

CITY OF VICTORIA, TEXAS

PROGRAM REVENUES BY FUNCTION/PROGRAM (1)

Last ten fiscal years

Function/Program	Fiscal Year			
	2008	2009	2010	2011
Governmental activities				
General government	\$ 4,342,863	\$ 3,959,110	\$ 3,676,509	\$ 4,165,588
Public safety				
Police	548,526	562,958	1,754,661	1,104,800
Fire	2,125,551	1,498,958	2,147,401	1,673,163
Ambulance	1,448,287	1,997,342	2,367,421	2,022,130
Other	339,910	140,475	12,684	173,514
Development	4,000,000	10,410,473	2,667,991	3,297,208
Recreation				
Parks	136,490	144,192	224,017	639,063
Library	86,475	79,009	90,592	87,526
Other	1,000	124,825	34,765	64,870
Subtotal governmental activities	<u>13,029,102</u>	<u>18,917,342</u>	<u>12,976,041</u>	<u>13,227,862</u>
Business-type activities				
Water/wastewater	22,798,287	23,595,866	22,246,356	27,214,154
Environmental services	6,726,226	4,245,528	4,128,139	4,462,994
Community center	224,297	267,761	222,105	240,429
700 main center	247,701	351,596	215,261	99,194
Golf course	-	-	-	-
Education & government channel	8,799	-	-	-
Subtotal business-type activities	<u>30,005,310</u>	<u>28,460,751</u>	<u>26,811,861</u>	<u>32,016,771</u>
Total primary government	<u>\$ 43,034,412</u>	<u>\$ 47,378,093</u>	<u>\$ 39,787,902</u>	<u>\$ 45,244,633</u>

(1) Accrual basis of accounting

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ 4,061,019	\$ 3,390,820	\$ 3,346,359	\$ 3,205,473	\$ 3,469,295	\$ 3,169,811
1,110,570	1,608,173	1,912,010	1,675,433	1,635,613	1,444,494
1,649,689	1,400,000	1,400,000	1,500,000	3,409,358	1,585,000
1,960,248	1,530,652	1,511,622	2,081,337	1,924,875	2,537,593
81,830	47,314	57,182	214,987	151,495	2,849,624
1,381,185	5,392,128	1,645,959	2,681,860	5,010,613	2,544,567
655,488	257,374	76,836	93,088	84,456	76,762
74,431	75,429	88,191	83,410	103,093	91,657
316,461	429,886	341,326	404,177	430,213	274,840
11,290,921	14,131,776	10,379,485	11,939,765	16,219,011	14,574,348
26,904,391	30,916,304	26,525,575	27,964,535	30,634,210	32,079,626
4,799,682	4,996,129	5,043,783	5,124,448	5,354,136	5,520,698
245,895	246,453	243,548	211,541	256,542	263,440
151,636	151,515	151,540	153,517	151,585	151,437
-	-	-	-	-	1,147,572
-	-	-	-	-	-
32,101,604	36,310,401	31,964,446	33,454,041	36,396,473	39,162,773
\$ 43,392,525	\$ 50,442,177	\$ 42,343,931	\$ 45,393,806	\$ 52,615,484	\$ 53,737,121

CITY OF VICTORIA, TEXAS

FUND BALANCES, GOVERNMENTAL FUNDS (1)

Last ten fiscal years

	Fiscal Year			
	2008	2009	2010	2011
General Fund				
Nonspendable				
Inventory	\$ -	\$ -	\$ -	\$ 315,614
Committed	-	-	-	1,570,456
Unassigned	-	-	-	14,342,229
Reserved				
Encumbrances	3,790,753	2,007,737	2,009,003	-
Inventory	252,156	280,174	205,798	-
Unreserved	<u>11,055,775</u>	<u>12,913,370</u>	<u>11,937,105</u>	-
Total general fund	<u>\$ 15,098,684</u>	<u>\$ 15,201,281</u>	<u>\$ 14,151,906</u>	<u>\$ 16,228,299</u>
All Other Governmental Funds				
Restricted				
Retirement of long-term debt	\$ -	\$ -	\$ -	\$ 953,394
Various capital projects	-	-	-	16,102,523
City parks	-	-	-	352,694
Arts, tourism and conventions	-	-	-	1,029,173
Public safety	-	-	-	135,328
Municipal court	-	-	-	96,783
Unassigned	-	-	-	-
Reserved				
Encumbrances	10,449,047	1,869,318	29,200,456	-
Unreserved, reported in				
Special revenue funds	786,064	753,475	654,310	-
Debt service fund	1,185,901	1,197,665	1,024,126	-
Capital project funds	<u>11,722,400</u>	<u>12,370,240</u>	<u>6,088,406</u>	-
Total all other governmental funds	<u>\$ 24,143,412</u>	<u>\$ 16,190,698</u>	<u>\$ 36,967,298</u>	<u>\$ 18,669,895</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					
2012	2013	2014	2015	2016	2017
\$ 314,846	\$ 240,214	\$ 268,964	\$ 271,491	\$ 245,932	\$ 406,945
1,961,362	2,331,578	2,689,089	950,019	1,052,259	867,206
16,846,702	15,289,711	15,330,199	16,650,305	15,483,910	15,150,384
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<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>	<u>\$ 16,424,535</u>
\$ 977,452	\$ 1,222,778	\$ 1,091,077	\$ 1,102,779	\$ 1,093,523	\$ 1,146,765
4,323,282	2,729,133	8,566,369	12,456,055	8,306,325	3,829,436
110,486	46,195	25,614	25,614	-	-
1,619,141	1,835,515	1,880,440	1,804,432	1,124,613	1,392,546
226,919	257,161	225,488	207,063	239,608	290,386
66,220	53,884	94,264	96,496	89,620	83,640
-	-	-	-	-	(1,628,821)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<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>	<u>\$ 5,113,952</u>

CITY OF VICTORIA, TEXAS

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (1)

Last ten fiscal years

	Fiscal Year			
	2008	2009	2010	2011
Revenues				
Taxes	\$ 38,384,785	\$ 38,607,055	\$ 38,100,542	\$ 41,747,689
Licenses and permits	787,190	654,842	662,792	654,829
Intergovernmental	4,411,652	4,127,236	6,923,780	5,568,731
Charges for services	1,764,291	2,020,751	1,957,973	2,108,045
Fines and forfeitures	1,254,294	1,025,175	913,478	871,159
Investment income	1,852,377	654,772	156,822	113,446
Miscellaneous	4,559,666	10,580,086	1,628,730	3,512,629
Total revenues	<u>53,014,255</u>	<u>57,669,917</u>	<u>50,344,117</u>	<u>54,576,528</u>
Expenditures				
Current				
General government	6,162,416	7,079,966	6,842,991	7,691,966
Public safety	25,752,199	25,516,863	26,475,134	25,970,544
Development	4,961,785	6,319,245	4,533,558	17,378,572
Building services	-	-	-	-
Recreation	5,952,544	5,758,754	5,787,081	5,473,792
Capital outlay	18,826,980	16,355,509	10,862,646	18,889,663
Debt service				
Principal retirement	3,325,000	3,805,000	3,390,000	3,715,000
Interest and fiscal charges	3,117,121	3,057,924	4,103,879	4,037,313
Paying agents' fees and issue costs	185,803	32,687	681,114	203,809
Total expenditures	<u>68,283,848</u>	<u>67,925,948</u>	<u>62,676,403</u>	<u>83,360,659</u>
Excess (deficiency) of revenues over expenditures	(15,269,593)	(10,256,031)	(12,332,286)	(28,784,131)
Other financing sources (uses)				
Bonds issued	9,995,000	-	35,045,000	9,740,000
Premium on issuance of bonds	195,519	-	515,234	97,204
Payment to escrow	-	-	(8,985,582)	-
Transfers in	2,641,257	5,691,053	7,275,415	10,568,226
Transfers out	(967,006)	(3,285,139)	(1,790,556)	(7,842,309)
Total other financing sources (uses)	<u>11,864,770</u>	<u>2,405,914</u>	<u>32,059,511</u>	<u>12,563,121</u>
Change in fund balances	<u>\$ (3,404,823)</u>	<u>\$ (7,850,117)</u>	<u>\$ 19,727,225</u>	<u>\$ (16,221,010)</u>
Debt service as a percentage of noncapital expenditures	<u>14.43%</u>	<u>14.76%</u>	<u>14.98%</u>	<u>12.85%</u>

(1) Modified accrual basis of accounting

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ 45,781,292	\$ 45,431,594	\$ 47,356,786	\$ 48,542,609	\$ 46,935,424	\$ 46,180,387
842,050	962,217	1,134,453	959,596	993,929	962,162
4,740,048	4,312,719	3,721,314	5,607,497	5,884,971	6,715,742
2,261,037	2,066,070	2,162,871	2,259,027	2,310,974	2,858,658
1,216,786	906,199	1,600,630	1,432,225	1,382,718	1,310,473
78,076	76,251	112,300	95,883	193,779	301,599
1,470,793	5,688,203	2,003,817	1,107,333	3,951,250	1,863,789
<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>	<u>60,192,810</u>
6,600,564	4,741,811	5,309,532	4,565,527	4,978,458	4,539,491
26,151,196	25,097,350	25,206,138	27,001,802	27,679,581	30,569,480
9,134,802	10,209,543	10,704,794	8,058,818	9,469,796	7,812,905
-	751,312	606,761	621,326	675,935	612,441
6,564,863	7,586,352	7,632,206	7,147,774	7,855,287	7,114,163
13,249,019	7,707,932	4,516,213	6,397,159	11,042,655	6,770,342
3,990,000	4,665,000	5,410,000	7,505,000	7,020,000	7,285,000
4,340,073	3,567,975	4,103,190	3,993,868	3,908,294	3,709,168
205,798	393,724	162,207	316,999	91,745	12,120
<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>	<u>68,425,110</u>
(13,846,233)	(5,277,746)	(5,558,870)	(5,604,103)	(11,068,706)	(8,232,300)
7,720,000	25,015,000	9,095,000	17,715,000	2,445,000	-
71,752	2,163,159	50,222	1,400,250	137,545	-
(3,867,191)	(26,781,924)	-	(12,812,888)	-	-
5,207,042	5,540,057	5,984,682	11,012,236	8,654,033	8,991,599
(2,699,610)	(3,098,787)	(3,405,699)	(8,317,745)	(6,096,336)	(6,856,602)
<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>2,134,997</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>(6,097,303)</u>
<u>16.05%</u>	<u>15.98%</u>	<u>17.46%</u>	<u>20.46%</u>	<u>18.42%</u>	<u>18.05%</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>
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
2017	24,200,385	256,045	5,467,551	14,710,140	1,490,041
Change 2008-2017	29.59%	14.61%	16.88%	8.60%	24.45%

(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>
\$ 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
56,225	46,180,387
-14.26%	20.31%

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
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
2017	2016	2,704,992,447	1,049,149,864	39,564,530	1,092,493,149	13,542,170

(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
\$ 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%
725,592,638	4,174,149,522	0.5892	4,174,149,522	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>
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
2017	0.2507	0.3385	0.5892	1.2663	0.2065	0.0266

SOURCE: Victoria County Appraisal District

Overlapping Rates				
Victoria County	Road and Bridge	Ground Water District	Total	
\$ 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
0.3299	0.0660	0.0088		1.9041

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

2017		
Taxpayer	Taxable Assessed Valuation	Percentage of Total City Taxable Assessed Valuation
AEP Texas Central Co.	\$ 44,484,410	1.07%
Helmerich & Payne Int'l Drill	23,796,810	0.57%
Victoria WLE, L.P.	19,137,670	0.46%
Victoria Hospital, L.L.C.	17,657,130	0.42%
Archrock Partners Leasing LLC	16,401,620	0.39%
HEB Grocery Company	15,898,860	0.38%
James A. Wayne	15,906,370	0.38%
Victoria Texas Apartments, LLC	15,343,620	0.37%
Archrock Services Leasing LLC	14,982,480	0.36%
Berry Plastics Corporation	14,592,470	0.35%
	<u>\$ 198,201,440</u>	<u>4.75%</u>

2008		
Taxpayer	Taxable Assessed Valuation	Percentage of Total City Taxable Assessed Valuation
AEP Texas Central Co.	\$ 25,146,380	0.91%
Schlumberger Well Services	21,601,620	0.78%
HS Victoria, L.P.	20,746,590	0.75%
Victoria Hospital, L.L.C.	19,230,450	0.69%
Covalence Specialty Materials	17,244,080	0.62%
H.E.B. Grocery Company, L.P.	15,944,450	0.57%
H.E. Butt Grocery Co.	15,839,100	0.57%
Southwestern Bell Telephone Co.	15,330,240	0.55%
Covalence Specialty Materials Corp.	13,147,240	0.47%
First Victoria National Bank	12,355,910	0.45%
	<u>\$ 176,586,060</u>	<u>6.36%</u>

SOURCE: Victoria County Tax Assessor/Collector



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CITY OF VICTORIA, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
Last ten fiscal years

Fiscal Year	Taxes Levied for the Fiscal Year (Original Levy)	Adjustments	Total Adjusted Levy	Collections within the Fiscal Year of the Levy	
				Amount	Percentage of Levy
2008	\$ 18,725,721	\$ -	\$ 18,725,721	\$ 18,369,725	98.10%
2009	19,693,268	-	19,693,268	19,271,874	97.86%
2010	20,228,599	-	20,228,599	19,755,429	97.66%
2011	20,327,879	-	20,327,879	19,938,819	98.09%
2012	20,693,808	-	20,693,808	20,470,591	98.92%
2013	20,792,135	-	20,792,135	20,338,256	97.82%
2014	22,402,390	(255)	22,402,135	21,877,717	97.66%
2015	23,242,354	(3,175)	23,239,179	22,715,220	97.75%
2016	23,865,255	(15,895)	23,849,360	23,314,997	97.76%
2017	24,514,099	(355,602)	24,158,497	23,848,271	98.72%

NOTE: The information above is presented to illustrate the City's ability to collect the amount it levies for a fiscal year, rather than provide a detailed breakdown of the revenue recognized in a fiscal year.

SOURCE: City of Victoria
Victoria County Tax Assessor/Collector

Collections in Subsequent Years	Total Collections to Date	
	Amount	Percentage of Levy
\$ 304,335	\$ 18,674,060	99.72%
370,760	19,642,634	99.74%
413,427	20,168,857	99.70%
335,008	20,273,827	99.73%
163,504	20,634,095	99.71%
138,064	20,476,320	98.48%
200,773	22,078,490	98.56%
165,432	22,880,652	98.46%
203,845	23,518,842	98.61%
-	23,848,271	98.72%

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>
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
2017	3,121,960,200	2,894,679,000	227,281,200	7.28%	2,326,950,000

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
\$ 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
18.21	1.92	22.68	2.47

CITY OF VICTORIA, TEXAS

WATER AND SEWER RATES

Last ten fiscal years

	Fiscal Year			
	2008	2009	2010	2011
Water Rates (per 2,000 gallons)				
Base Rate (meter size)				
¾"	\$ 16.73	\$ 17.09	\$ 17.49	\$ 17.49
1"	41.84	42.73	43.73	43.73
1½"	83.66	85.45	87.45	87.45
2"	133.86	136.73	139.93	139.93
3"	267.73	273.45	279.85	279.85
4"	418.31	427.26	437.26	437.26
6"	836.62	854.51	874.51	874.51
8"	2,677.17	2,734.43	2,798.43	2,798.43
10"	4,183.08	4,272.55	4,372.55	4,372.55
Water usage rate (1,000 gallons increments)				
3-7	1.57	1.67	1.67	1.67
8-18	1.73	1.83	1.83	1.83
19-50	2.05	2.15	2.15	2.15
51-75	2.30	2.40	2.40	2.40
76-100	2.45	2.55	2.55	2.55
>100	2.60	2.70	2.70	2.70
Sewer Rates (per 2,000 gallons)				
¾"	21.03	21.41	21.85	21.85
1"	52.57	53.54	54.64	54.64
1½"	105.14	107.10	109.30	109.30
2"	168.22	171.34	174.86	174.86
3"	336.44	342.69	349.73	349.73
4"	525.69	535.45	546.45	546.45
6"	1,051.37	1,070.89	1,092.89	1,092.89
8"	3,364.39	3,426.86	3,497.26	3,497.26
10"	5,256.86	5,354.47	5,464.47	5,464.47
Sewer usage rate (1,000 gallons increments)				
3-7	2.12	2.22	2.22	2.22
8-18	2.17	2.27	2.27	2.27
19-50	2.22	2.32	2.32	2.32
51-75	2.27	2.37	2.37	2.37
76-100	2.42	2.52	2.52	2.52
>100,000	2.57	2.67	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					
2012	2013	2014	2015	2016	2017
\$ 17.96	\$ 17.96	\$ 17.96	\$ 18.21	\$ 18.21	\$ 18.21
44.92	44.92	44.92	45.55	45.55	45.55
89.82	89.82	89.82	91.07	91.07	91.07
143.72	143.72	143.72	145.72	145.72	145.72
287.44	287.44	287.44	291.44	291.44	291.44
449.12	449.12	449.12	455.37	455.37	455.37
898.23	898.23	898.23	910.73	910.73	910.73
2,874.33	2,874.33	2,874.33	2,913.33	2,913.33	2,913.33
4,491.14	4,491.14	4,491.14	4,553.64	4,553.64	4,553.64
1.67	1.67	1.67	1.92	1.92	1.92
1.83	1.83	1.83	2.08	2.08	2.08
2.15	2.15	2.15	2.40	2.40	2.40
2.40	2.40	2.40	2.65	2.65	2.65
2.55	2.55	2.55	2.80	2.80	2.80
2.70	2.70	2.70	2.95	2.95	2.95
22.43	22.43	22.43	22.68	22.68	22.68
56.08	56.08	56.08	56.71	56.71	56.71
112.19	112.19	112.19	113.44	113.44	113.44
179.48	179.48	179.48	181.48	181.48	181.48
358.97	358.97	358.97	362.97	362.97	362.97
560.88	560.88	560.88	567.13	567.13	567.13
1,121.75	1,121.75	1,121.75	1,134.25	1,134.25	1,134.25
3,589.61	3,589.61	3,589.61	3,629.61	3,629.61	3,629.61
5,608.77	5,608.77	5,608.77	5,670.27	5,670.27	5,670.27
2.22	2.22	2.22	2.47	2.47	2.47
2.27	2.27	2.27	2.52	2.52	2.52
2.32	2.32	2.32	2.57	2.57	2.57
2.37	2.37	2.37	2.62	2.62	2.62
2.52	2.52	2.52	2.77	2.77	2.77
2.67	2.67	2.67	2.92	2.92	2.92

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

2017			
<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	35,269	1.13%
Detar Hospital	Hospital	32,096	1.03%
VISD - Memorial High	School	25,543	0.82%
Caterpillar	Factory	24,965	0.80%
Autumn Park Apartments	Apartments	23,807	0.76%
Victoria County Jail	Government	22,108	0.71%
Creekstone Ranch	Apartments	20,783	0.67%
Pinnacle Point	Apartments	14,071	0.45%
VISD-West High	School	13,850	0.44%
Silvermine Apartments	Apartments	13,786	0.44%
2008			
<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	47,160	1.35%
Detar Hospital	Hospital	18,590	0.53%
VISD-Memorial Campus	School	17,620	0.50%
Sage Creek Apartments	Apartments	13,270	0.38%
Victoria County Jail	Government	11,570	0.33%
Silvermine Apartments	Apartments	11,380	0.33%
Autumn Park	Apartments	11,330	0.32%
Creekstone Ranch Apartments	Apartments	11,080	0.32%
Fox Run Apartments	Apartment	10,630	0.30%
Twin Pines	Business	10,080	0.29%

SOURCE: City of Victoria Utility Billing Office



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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	
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
2017	41,830,000 **	42,070,000	2,851,926 *	64,440,000	4,107,453	155,299,379

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>
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
N/A	2,295

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	
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
2017	41,830,000 **	42,070,000 *	2,851,926	86,751,926	1,146,765

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>
\$ 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
85,605,161	2.05%	1,265

CITY OF VICTORIA, TEXAS*DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**(UNAUDITED)**September 30, 2017*

	<u>Gross Debt Outstanding</u>		<u>Percentage Applicable To City</u>	<u>Amount Applicable To City</u>
	<u>Date</u>	<u>Amount</u>		
Direct Debt:				
City of Victoria	9/30/2017	<u>\$ 94,380,727</u> *	100.00%	<u>\$ 94,380,727</u>
Overlapping Debt:				
Victoria County	9/30/2017	12,340,000	62.69%	7,735,946
Victoria County Junior College District	9/30/2017	26,315,000	62.69%	16,496,874
Victoria Independent School District	9/30/2017	<u>137,260,000</u>	68.57%	<u>94,119,182</u>
Total Overlapping Debt		<u>175,915,000</u>		<u>118,352,002</u>
Total		<u>\$ 270,295,727</u>		<u>\$ 212,732,729</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



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

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Debt limit	\$ 138,709,044	\$ 151,486,678	\$ 156,810,850	\$ 156,368,302
Total net debt applicable to limit	<u>71,414,099</u>	<u>67,597,335</u>	<u>90,825,874</u>	<u>96,921,606</u>
Legal debt margin	<u>\$ 67,294,945</u>	<u>\$ 83,889,343</u>	<u>\$ 65,984,976</u>	<u>\$ 59,446,696</u>
Total net debt applicable to the limit as a percentage of debt limit	51.48%	44.62%	57.92%	61.98%

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>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 160,417,119	\$ 171,665,577	\$ 186,811,127	\$ 198,992,755	\$ 208,941,119	\$ 208,707,476
<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>90,038,235</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>	<u>\$ 118,669,241</u>
60.36%	53.90%	51.58%	47.57%	43.12%	43.14%

Legal Debt Margin Calculation for Fiscal Year 2017

Assessed value	\$ 4,174,149,522
Debt limit	208,707,476
Debt applicable to limit	
General obligation bonds	91,185,000
Less: Debt Service Fund Balance	<u>1,146,765</u>
Total amount of debt applicable to debt limit	<u>90,038,235</u>
Legal debt margin	<u>\$ 118,669,241</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
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
2017	25,779,610	11,877,174	13,902,436	4,748,050

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			
\$	2,027,251	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
	-	2.93	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>
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	3,002,829	44,438	14,339	4.9%
2017	67,659	N/A	N/A	14,253	5.2%

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, 2017
(4) U.S. Department of Labor

CITY OF VICTORIA, TEXAS

PRINCIPAL EMPLOYERS

(UNAUDITED)

Current Year and Nine Years Ago

2017

Employer	Employees	Percentage of Total Area Employment
Formosa Plastics	3,048	7.28%
The Inteplast Group	2,288	5.46%
Victoria Independent School District	2,005	4.79%
Citizens Medical Center	1,059	2.53%
DeTar Healthcare System	837	2.00%
City of Victoria	621	1.48%
Regency Post Acute Healthcare System	609	1.45%
Invista	600	1.43%
DOW-Seadrift Operations	599	1.43%
Caterpillar - NAHEX Victoria	575	1.37%
	12,241	29.22%

2008

Employer	Employees	Percentage of Total Area Employment
Victoria Independent School District	2,100	4.84%
Formosa Plastics	1,500	3.46%
Citizens Medical Center	1,382	3.18%
The Inteplast Group	1,200	2.76%
DeTar Healthcare System	1,014	2.34%
Dow-Seadrift Operations	700	1.61%
Calhoun Independent School District	654	1.51%
County of Victoria	620	1.43%
City of Victoria	609	1.40%
Invista	600	1.38%
	10,379	23.91%

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			
	2008	2009	2010	2011
General government				
City manager	11	12	10	10
Legal	5.5	5.5	4.5	4
Financial	7	7	6	6
Municipal court	5.5	5.5	5.5	5
Human resources	5	5	5	4
Planning	10	10	4	4
Development services administration	-	-	2	2
Geographic information system (GIS)	-	-	3	3
Building services	12	12	12	10
City secretary	4	4	4	3
Public information office	-	-	2	2
Public safety				
Police	146	147	149	154
Fire	118	118	118	118
Inspections	11	11	12	10
Code enforcement	7	7	5	4
Traffic control	10	11	10	9
Highways and streets				
Engineering	13	12	12	11
Streets and drainage	34	34	34	31
Culture and recreation				
Parks and recreation	41	41	43	41
Public library	28	28	28	27
Water/wastewater	80	80	82	96
Community center	7	7	7	7
Environmental services	43	43	26	24
Vehicle and equipment services	2	2	2	2
Information technology	10	10	10	10
Communications	2	1	1	1
Purchasing	4	4	3	3
Safety management	2	2	2	2
Print shop	2	2	2	2
Convention and visitors bureau	-	-	-	-
Total	620	621	604	605

NOTES: * A full-time employee is scheduled to work 2,080 hours per year (including vacation and sick leave).

Full-time-equivalent employment is calculated by dividing total labor hours by 2,080.

* 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					
2012	2013	2014	2015	2016	2017
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	5	5	5	5	5
2	2	2	2	2	2
3	4	4	4	4	4
10	10	10	10	10	10
3	3	3	3	3	3
2	2	3	3	3	3
154	155	158	156	159	159
118	117	117	129	130	130
11	10	10	10	10	10
4	5	5	5	5	5
9	9	9	9	9	9
11	10	9	9	9	9
31	31	31	28	27	27
43	41	41	40	39	39
27	27	27	27	27	27
96	96	95	95	95	95
7	7	7	6	7	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	4
<u>611</u>	<u>610</u>	<u>613</u>	<u>618</u>	<u>621</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			
	2008	2009	2010	2011
General government				
Building permits issued	1,345	1,433	1,627	1,484
Building inspections conducted	9,883	6,138	6,066	5,874
Birth certificates registered	2,376	1,998	2,146	2,009
Death certificates registered	984	795	885	924
Birth certificates issued	7,251	6,569	6,043	5,645
Death certificates issued	6,767	5,698	5,295	5,269
Public safety				
Police				
Physical arrests	4,461	4,044	3,152	3,387
Parking violations	641	472	368	223
Traffic violations	14,482	12,143	7,303	8,756
Warrants issued	5,520	1,812	1,879	1,960
Fire				
Total Incidents	8,152	8,551	8,455	9,072
Fires	557	621	349	554
Rescue/Emergency Medical	6,166	7,930	6,568	6,832
Inspections	1,210	1,279	1,555	1,351
Streets and highways				
Street resurfacing (linear feet)	31,178	12,907	16,250	7,000
Culture and recreation				
Community center admissions (event contracts)				
Dome	116	120	98	89
Annex	120	133	102	85
Arena	23	27	14	22
Library				
Number of items	138,804	140,599	141,887	146,455
Circulation	284,919	313,099	271,281	340,204
Gate count	242,388	263,730	336,580	245,844
Water and wastewater				
Water				
Active water connections	22,041	22,129	22,071	22,312
Active sewer connections	20,532	20,461	20,587	20,720
Active garbage accounts	19,233	19,018	19,014	19,105
Average daily consumption (pumped) (in 000's)	9,584	10,718	8,617	11,292
Peak monthly consumption (in 000's)	372,618	354,264	319,293	407,616
Wastewater				
Average daily sewage treatment	6,837,775	6,038,356	7,370,000	5,800,000
Environmental services				
Refuse collection				
Refuse collected (tons per month)	2,139	1,723	1,936	1,669
Landfill tonnage accepted	140,508	140,791	102,657	202,723
Recyclables collected (tons per year)	479.13	269.56	196.31	389.90

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					
2012	2013	2014	2015	2016	2017
1,884	2,342	2,376	2,029	1,565	2,207
7,044	8,698	10,380	8,438	6,799	4,354
2,112	1,719	2,142	2,386	2,181	2,054
930	754	968	1,046	1,002	970
5,980	5,946	5,475	6,035	6,104	5,820
1,601	1,249	981	945	878	729
3,427	3,552	4,095	3,948	3,257	3,005
334	187	409	129	202	293
8,876	13,181	13,061	9,391	8,255	8,867
2,139	N/A	3,608	2,717	2,364	2,223
8,797	8,669	9,042	9,796	9,773	11,179
271	202	204	166	163	209
8,526	8,467	8,838	9,630	9,610	6,591
2,187	1,513	1,906	1,917	2,747	2,006
12,000	14,000	66,000	42,155	107,000	45,000
88	92	118	112	104	95
81	75	96	94	90	85
22	27	58	43	57	45
137,548	140,976	148,232	154,109	143,551	130,920
340,320	353,122	373,153	363,927	375,587	352,956
249,672	243,192	232,196	225,689	245,477	214,278
22,456	22,660	22,923	23,136	22,802	22,966
20,845	21,068	21,230	21,395	21,254	21,455
19,322	19,508	19,490	19,674	19,630	19,668
10,283	9,950	9,629	8,972	8,972	8,672
374,666	374,690	434,515	382,831	403,289	369,898
6,180,000	5,469,000	5,842,333	7,100,000	7,130,000	6,620,500
1,685	N/A	N/A	N/A	N/A	N/A
149,137	154,291	140,102	143,081	148,578	162,324
2,235.98	3,227.66	3,191.00	3,141.00	2,796.00	2,330.00

2017 Decrease in Library gate count is largely due to the Library being closed for 21 days following Hurricane Harvey; and after opening many citizens were still in recovery and not utilizing the Library.

2017 Increase in landfill tonnage includes 137,000 tons added due to Hurricane Harvey.

CITY OF VICTORIA, TEXAS

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

Last ten fiscal years

Function/Program	Fiscal Year			
	2008	2009	2010	2011
General government				
Buildings	3	3	3	3
Public safety				
Police				
Stations	1	1	1	1
Patrol units	36	36	36	35
Fire stations	4	5	5	5
Highways and streets				
Streets (miles)	310.82	312.00	314.50	312.60
Streetlights	4,359	4,380	4,429	4,473
Traffic signals		78	78	81
School zone flashers	58	61	61	61
Culture and recreation				
Acreage	748.0	748.0	748.0	876.0
Playgrounds	15	15	15	16
Baseball/softball diamonds	27	21	19	19
Community centers	1	1	1	1
Libraries	1	1	1	1
Water and wastewater				
Water				
Water mains (miles)	361.5	363	365.8	366.8
Wastewater				
Sanitary sewers (miles)	337.6	337	342	342
Storm sewers (miles)	451.2	450	452	452
Environmental services				
Refuse collection				
Garbage collection trucks	17	11	11	7
Brush and large item collection trucks	N/A	N/A	N/A	5
Yard waste collection trucks	N/A	N/A	N/A	4
Recycling collection trucks	N/A	N/A	N/A	1

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					
2012	2013	2014	2015	2016	2017
3	3	3	3	3	3
1	1	1	1	1	1
37	36	36	33	32	32
5	5	5	6	6	6
313.23	314.51	314.51	321.81	322.35	325.80
4,444	4,550	4,550	4,676	4,763	4,788
81	84	86	88	89	88
61	61	61	61	61	61
876.0	866.7	888.0	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	373	373	380	386.2	389.9
342	342	349.2	349.2	349.2	355.3
452	452	452	452	452	452
7	7	8	9	9	9
5	5	4	4	4	4
4	6	4	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, 2017, 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 16, 2018. 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 16, 2018



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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, 2017. 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, 2017.

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 16, 2018

CITY OF VICTORIA, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

For the year ended September 30, 2017

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Other Award Number
FEDERAL EXPENDITURES		
U. S. Department of Housing and Urban Development		
Community Development Block Grant	14.218	B-16-MC-48-0510
<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	50-17XF0023
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	FEMA-4332-DR-TX
Homeland Security Grant	97.067	3190101
Homeland Security Grant	97.067	3190001
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			
\$ 472,714	\$ -	\$ 472,714	\$ -	CDBG-Entitlement Grants Cluster	
260,000	-	260,000	-		
732,714	-	732,714	-		
115,760	-	115,760	-	Highway Planning and Construction Cluster	
115,760	-	115,760	-		
3,068,933	-	3,068,933	-		
9,162	-	9,162	-		
30,000	-	30,000	-		
39,162	-	39,162	-		
3,108,095	-	3,108,095	-		
5,800	-	5,800	-		
5,800	-	5,800	-		
\$ 3,962,369	\$ -	\$ 3,962,369	\$ -		

(continued)

CITY OF VICTORIA, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

For the year ended September 30, 2017

<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	608-17-2350100
Automobile Theft Grant	N/A	608-18-2350100
Total Texas Department of Motor Vehicles		
Texas Commission on Environmental Quality		
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			
\$ 14,204	\$ -	\$ 14,204	\$ -		
135,090	-	135,090	-		
18,005	-	18,005	-		
153,095	-	153,095	-		
184,433	-	184,433	-		
184,433	-	184,433	-		
351,732	-	351,732	-		
\$ 4,314,101	\$ -	\$ 4,314,101	\$ -		

(concluded)

CITY OF VICTORIA, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

For the year ended September 30, 2017

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, 2017 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, 2017

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>
97.036	Disaster Grants – Public Assistance

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, 2017

None were reported.



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