



Comprehensive Annual Financial Report

Year Ended September 30, 2018
City of Victoria, Texas

CITY OF VICTORIA, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the year ended September 30, 2018

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, 2019

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, 2018, 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 Special Events 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 | 10. Victoria Economic Development Corp. |
| 2. Housing Authority Board | 11. Parks and Recreation Commission |
| 3. Library Board | 12. Victoria Development Commission |
| 4. Planning Commission | 13. Victoria Sales Tax Dev. Corp. Board |
| 5. Food Establishment Appeals Board | 14. Victoria Metropolitan Planning Org. |
| 6. Health Auth. for Victoria County Public Health Dept. | 15. Victoria Health Facilities Dev. Corp. |
| 7. Victoria Housing Finance Corporation Board | 16. Victoria Special Events Assoc. Board |
| 8. Building and Standards Commission | 17. Victoria Central Appraisal District |
| 9. Victoria County Public Health Dept. Board of Health | 18. 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 residential 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.

2018 Economic Condition and Outlook

Texas:

The Texas economy experienced another downshift in growth over the last two months, although the level of activity remains strong. Job growth decelerated slightly in the fourth quarter, and the Dallas Fed's Texas Business Outlook Surveys (TBOS) suggest a slowing in output growth in December and January.

Expectations have also slumped; the 2019 job growth forecast for Texas is now 1 and 2 percent, and survey contacts' outlooks have notably deteriorated since November. Headwinds include lower oil prices, a strong dollar, tariffs, higher interest rates, labor constraints and increased uncertainty. Wage and price inflation may also be moderating; survey data point to softer growth in the second half of 2018 and expectation for slower growth in 2019.

Texas added jobs at a moderate 2.5 percent pace in the fourth quarter, slightly slower than the third-quarter growth of 2.7 percent. The gap between Texas and U.S. job growth narrowed in the second half of 2018 as U.S. payroll growth increased from 1.5 in the third quarter to 2.1 in the fourth. Most Texas metros experienced slower growth in the fourth quarter, with the exception of Fort Worth and San Antonio.

While Texas activity remains robust, a broad-based deceleration was seen in December and January across the manufacturing, services and retail sectors. The latest data from TBOS show notable declines

in the production and revenue indexes. While these indexes are roughly in line with their post-recession average, the recent declines point to slowing output growth from 2018 levels.

The Texas manufacturing sector remains strong, although production growth appears to be moderating for both durables and nondurables. The marked slowdown in manufacturing is not limited to Texas, as the new order indexes from the four other Federal Reserve Banks' manufacturing surveys also declined in December and January, and the national Manufacturing ISM Report Business came in weaker than expected at year-end.

The Texas Leading Index declined sharply in November and December, due in large part to slower oil prices and lower stock prices of Texas companies. The drop in the leading index coupled with slower employment growth in the fourth quarter resulted in a downward revision to the 2019 Texas employment forecast to a range of 1 to 2 percent, from 2.0 percent in December. In addition, a rather dramatic slowdown in outlooks among TBOS contracts was seen in December and January, lending further support for weaker expected growth this year.

Texas business expect wages and price growth to abate somewhat in 2019 but still remain elevated. Respondents to December TBOS special questions expect wage growth to moderate from 4.5 percent in 2018 to 4.0 percent in 2019 and input price growth to be nearly 1 percentage point lower in 2019, on average. Businesses expect to raise selling prices by 2.8 percent in 2019, on average, down slightly from 2018 and distinctly slower pace than the expected rise in labor and nonlabor costs.

The housing market appears to be slowing from elevated levels in 2018. Texas home sales began to wane in the second half of 2018, and single-family housing permits fell off sharply in October. Construction and real estate contacts expect flat housing starts and home sales in 2019 and further deceleration in house price appreciation.

The above information is from the Federal Reserve Bank of Dallas.

Victoria:

Just like the Texas economy, Victoria's economy is experiencing a recovery and/or growth, compared to prior years when Victoria's oil and natural gas industry declined/contracted. Victoria's economy is resilient and the outlook remains optimistic that it will continue to grow, but at a much slower pace.

Despite the recent increase in oil prices, Victoria's oil and natural gas industry growth (i.e. Eagle Ford Shale) has remained relatively flat, compared to the Permian Basin; and, the number of completed wells (i.e. producing wells) has remained relatively steady - Victoria's rig count for July 6, 2018 was 33 (average price of oil \$72.94), a decrease of 7 rigs compared to July 7, 2017 (average price of oil \$45.13); and, a decrease of 15 rigs compared to July 11, 2015 (average price of oil \$52.78).

Despite the current 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. Formosa has invested \$5 billion into a plant expansion that will extend into Jackson County and provide about 340 jobs. This construction began two and half years ago and is still in progress. In addition, Invista has entered into its final design phase for a \$250 million manufacturing technology upgrade, construction slated to begin in 2019; and, Agilon Energy plans to invest up to \$125 million to build two electric power plants, which will create approximately 100 temporary jobs, in Victoria County.

Victoria's unemployment rate for May 2018 was 3.8 percent, same as the U.S. rate and 0.3 percent lower than the State, and is 0.8 percent lower than a year ago, which is reflective of workers seeking jobs in an already tight labor market.

The total building permit value (i.e. *new construction for commercial, multi-family units and single-family units*) decreased by 1.64 percent or \$198K, comparing June 2018 to June 2017 values; the decrease is due to a decline in commercial permit values. As of June 2018, total commercial permit value was \$2.8 million, a decrease of 57.4 percent or \$3.8 million from last year's values. As of June 2018, Victoria's multi-family permit value was zero, same as last year's; and, single-family permit value was \$9.04 million, an increase of 66.9 percent or \$3.6 million from last year's values, mainly due to Hurricane Harvey repairs.

Major Initiatives

For Fiscal Year 2018 and Into the Future:

At this point in the year, a lot has been accomplished, despite the Hurricane Harvey incident, and fiscal year 2018 budgetary priorities are being met. For example, employment turnover rate is slightly-down; the fiscal year 2018 Pay Program was implemented; the Residential Street Construction Program, Preventive Street Maintenance Program, Thoroughfare Street Program, Street Sweeping Program, and various Traffic Signal Projects are being implemented or will be awarded by year-end. Major park improvements/programs have been implemented, for example, the Tracy Park Splash Pad Project, was completed in July; and the City's Golf Course Program is being managed effectively by the Park's Department. The Drainage Mowing Program has been implemented. The City is on track implementing its 2018 Capital Expenditure Replacement Program; and, the City's Five-Year Capital Improvement Program has been updated. The City met its 2018 OPEB Trust Fund, i.e. post-employment health care benefit liability, funding requirements; and, the City's debt is being managed effectively and meeting its bond covenant requirements.

The previous mentioned accomplishments are just some of the fiscal year 2018 initiatives and accomplishments. We look forward toward implementing the fiscal year 2019 budgetary priorities; and 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 2019 budget, allocating available resources to the various budgetary priorities was a challenge. The budgetary priorities consist of the following: pay program; maintain and improve streets and sidewalks; 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 2019 budget, with a property tax rate of 62.24¢, an increase of 2.72¢ from last year's tax rate of 59.52¢ (the State's mandated effective tax rate calculation produced an effective tax rate of 62.24¢).

Street Programs

Aging street infrastructure is a nationwide problem and one of the biggest challenges facing many cities and counties throughout the nation. Victoria's streets are no different from the streets in most U.S. cities. Many are in poor condition and need to be rebuilt, while others are in good condition, but if not maintained properly will continue to deteriorate to the point they must also be rebuilt. To improve the conditions of our residential and major thoroughfare streets the following \$11.4 million street programs have been incorporated into the fiscal year 2019 Budget, a decrease of \$2.1 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 2019 Budget includes approximately \$1.1 million for the Residential Street Construction Program for the North Heights Phase V Subdivision Project; the 2019 Residential Street Construction Program will be funded with \$1.1 million from the General Fund Budget. The 2019 Residential Street Construction Program was included in the City's fiscal year 2019 Capital Improvement Program.
- b. *Residential Preventive Street Maintenance Program* – Currently, the City has a backlog of residential streets requiring regular maintenance. The fiscal year 2019 General Fund Budget includes approximately \$2.2 million for the Residential Preventive Street Maintenance Program (RPSMP), i.e. Northcrest Subdivision. 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 that preserves the road, retards future deterioration, maintains or improves the functional condition of the road, 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 2019 Budget includes approximately \$7.2 million for the Thoroughfare Street Program, which consists of reconstructing Juan Linn Street (Ben Jordan to Ben Wilson), Crestwood Drive (Laurent to Navarro), and North Street Phase I (700 Main Railroad to Navarro); and, overlaying the Downtown Business District. The City's Sales Tax Development Corporation will fund the 2019 Thoroughfare Street Program, which was included in the City's fiscal year 2019 Capital Improvement Program.
- d. *Street Point-Repair Program* – The fiscal year 2019 General Fund Budget includes \$300,000 for various street maintenance tasks which include repairing potholes, base failures, and 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. This practice improves the quality of stormwater runoff, keeps our waterways healthy and reduces the likelihood of flooding during heavy rain. The fiscal year 2019 Budget includes \$382,600, the same amount as last year, for the Street Sweeping Program, which will be 100% funded in the Water/Wastewater Fund.
- f. *Street Striping Program* – The Street Striping Program is designed to refresh the striping that has faded or is worn due to traffic conditions throughout the City. The fiscal year 2019 General Fund Budget includes \$250,000 for the Street Striping Program. fiscal year 2018 did not include any funding for the Street Striping Program, due to a reduction in sales tax revenue.

Sidewalk Program

The fiscal year 2019 Budget includes \$441K to facilitate the construction of a \$2.2 million Sidewalks and ADA Ramps Project, with TxDOT funding \$1.8 million of the project, along Rio Grande Street (Laurent to Ben Wilson) and Navarro Street (Airline to Crestwood Drive). This project has been included in the City's fiscal year 2019 Capital Improvement Program.

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 \$29,903,823. The Police and Fire Departments are the two largest departments in the City. Some of the Police and Fire Department budgetary priorities consist of the following items:

- a. In order to retain and recruit *qualified police officers and firefighters*, the fiscal year 2019 General Fund Budget includes a Step Pay Program for non-supervisory certified employees, a Market Adjustment Pay Program for eligible employees, and a three percent Across-the-Board Pay Program for Non-Step Eligible employees for a total cost of \$922K.
- b. Add one new police officer position and related equipment at a cost of \$59,204; and, add two Mental Health Police Officers at a cost of \$129K, which will be funded by a grant and accounted for in a Grant Fund.
- c. Continue providing computer and software needs in the amount of \$523,899, an increase of \$104,306 over last year's amount; and, to stay up with advances in technology, the 2019 Budget professional services account includes \$158K for an AS400 and Microfilm Conversion Project, one-time expense;
- 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. The fiscal year 2019 Public Safety Budget includes the first of two Motorola payments of \$740K.
- e. The fiscal year 2019 Public Safety Budget includes \$589,500 for vehicle replacements; \$14,960 to replace Fire Station #5 flooring; \$181,153 for replacing various machinery and equipment; a \$10,800 increase in the Fire Department Medical Director Contract; and, adequate funding for education and training in the amount of \$247,382.

Park and Recreational Services Improvement Programs

The fiscal year 2019 Park & Recreation Budget of \$3.7 million includes funding for parks ground maintenance, various recreational programs, right-of-way mowing, tree trimming maintenance, curbs and gutter maintenance, litter removal program, replacing Tracy Park playground equipment, rehabbing HEB Tennis Courts, replacing Evergreen Cemetery Fence, completing the Riverside Park Sidewalk Trail Project, and provide funding to operate and maintain the Youth Sports Complex and Adult Softball Complex. The Motel Tax Fund includes \$78K for various sport tournaments.

The City took over the operations of the Riverside Park Golf Course (RGC), after the Victoria Park Improvement Association terminated its operating contract with the City, effective June 30, 2017. The RGC was open for public play in January 2018, after various maintenance/repair projects were implemented. Fiscal year 2018-2019 will be the first twelve months of operations, which will include \$975,287 in funding for the clubhouse and golf course operations.

Traffic Signal Maintenance Program

The fiscal year 2019 Budget includes \$234K in funding to replace various controllers and signal heads; stock and repair parts for school flasher wireless beacon control units, LED name sign units and replace signal cabinet units.

Drainage Maintenance Program

The fiscal year 2019 Budget includes \$347K for 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. 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 2019 Water/Wastewater Fund Budget includes the following utility programs:

- a. *North Heights Utility Replacement Phase VI Program* – The project consists of replacing water and sanitary sewer lines in San Antonio Street between Navarro and Laurent and portions of Depot, Cameron, East, Goldman, Jecker, Levi, and Louis Streets, at an estimated cost of \$1.2 million (*there are seven phases with this program*).
- b. *Water Tower #6 Rehab Program* – The project consists of designing, constructing, inspecting, cleaning, metal restoration, and painting Water Tower #6, at an estimated cost of \$870K.
- c. *Navarro Median Utility Improvement Project* - The project consists of replacement of water lines between Country Club to north of Gemini Court in anticipation of TxDOT installing medians with hot mix overlay at an estimated cost of \$750K.
- d. *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 fiscal year 2019 Budget includes \$500,000 for the Emergency Pipe Replacement Program.

Routine Capital Expenditures

The fiscal year 2019 Budget includes \$7.86 million in capital expenditures, an increase of 22.5 percent. The increase is mainly due to an increase in communication equipment (Fire and Police Departments), machinery & equipment, other structure improvement projects (mainly due to Parks Department), other equipment, and vehicle purchases. The \$7.86 million capital expenditure budget will be funded with \$3.59 million of recurring revenue and \$4.27 million of one-time use of fund balance/working capital balance (\$2.41M *General Fund*; \$1.07M *Water/Wastewater Fund*; \$777K *Environmental Services Fund*; \$8K *Riverside Park Golf Course Fund*).

The following table recaps the \$7.86 million capital expenditures for fiscal year 2019, compared to fiscal year 2018.

<i>Type of Fund</i>	<i>FY 2019 Original Budget</i>	<i>FY 2018 Original Budget</i>	<i>Increase / (Decrease)</i>	<i>% Change</i>
<i>Governmental Funds</i>	\$2,243,422	\$ 859,933	\$1,383,489	160.80%
<i>Enterprise Funds</i>	2,935,331	4,157,928	(1,222,597)	-29.40%
<i>Internal Service Funds</i>	2,676,278	1,393,447	1,282,831	92.06%
<i>Total Capital Replacement</i>	\$7,855,031	\$6,411,308	\$1,443,723	22.52%

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 2019 Budget is proactive in supporting the City's Capital Improvement Program. The fiscal year 2019 Budget includes approximately \$13.7 million in new capital improvement projects; \$10.9 million is budgeted in the Governmental Capital Construction Fund; \$1.6 million is budgeted in the Utility Capital Construction Fund; and, \$1.2 million is budgeted in the Water/Wastewater Fund.

Fiscal Year 2019 Capital Improvement Program is as follows:

Type of Fund	FY 2019 Original Budget	FY 2018 Original Budget	Increase / (Decrease)	% Change
Capital Project Funds				
Governmental Capital Project Fund	\$ 10,867,155	\$12,799,044	(\$1,931,889)	-15.09%
Utility Capital Project Fund	1,620,000	2,496,910	(876,910)	-35.12%
Total Capital Project Funds	\$12,487,155	\$15,295,954	(\$2,808,799)	-22.84%
General Fund	-	-	-	0.00%
Water/Wastewater Fund	1,200,000	3,230,502	(2,030,502)	-62.85%
Victoria Sales Tax Development Corp.	-	-	-	-0.00%
Total Capital Improvement Program	\$13,687,155	\$18,526,456	(\$4,839,301)	-26.12%

Bond Debt Program

The fiscal year 2019 Budget includes \$20 million in debt service payment (\$10.7M General Governmental and \$9.3M Utility Revenue Bonds), a decrease of \$687,993. The net decrease in payments is due to the following:

- General Governmental Bonds decreased by \$650K, mainly due to a \$569K decrease in regular GO/CO bond principal payments and \$80K decrease in regular GO/CO bond interest payments.
- Utility Revenue Bonds decreased by \$38K, mainly due to a \$270K increase in regular Utility Revenue bond principal payments and \$310K decrease in regular Utility Revenue bond interest payments.

Tax Rate

The 2019 budget is built around a property tax rate of 62.24¢, an increase of 2.72¢ from last year's tax rate. The tax rate is allocated at 35.97¢ for General Fund maintenance and operating costs, an increase of 1.71¢, and 26.27¢ for debt service payments, an increase of 1.01¢. The State's mandated effective tax rate calculation produced an effective tax rate for fiscal year 2019 of 62.24¢.

Sales Tax

Fiscal year 2018 sales tax revenue came in approximately \$2.2 million over budget, compared to the original budget amount of \$14,654,000.

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 2019 Budget assumes a 1.6 percent decrease in revenue, compared to the fiscal year 2018 Projected Budget of \$16,517,000.

Utility Rates

Due to the Fiscal Year 2018 Water and Wastewater Cost of Service and Rate Design Study, the fiscal year 2019 Budget includes a water variable-rate increase and changing the water and wastewater variable seven-tier rate table to a four-tier rate table; the water and wastewater base rates will remain the same as last year's rates. The projected monthly impact for an average residential customer with a ¾" meter, using 11,000 gallons of water and 8,000 gallons of wastewater per month, is \$2.71/month or 3.68% increase; and, the projected monthly impact for a commercial customer with a 1" meter, using 35,000 gallons of water and 30,000 gallons of wastewater per month, is \$14.81/month or 6.01% increase.

The water variable-rate increase and changing the water/wastewater variable tier rate table from a seven-tier to a four-tier is estimated to generate approximately \$1.1 million in revenue, which will be offset with new recurring maintenance program cost of \$1.03 million; new maintenance programs will consist of implementing a River Pump Replacement Program, Water Well Rehab Program, Manhole Rehab Program, Concrete Line Rehab Program, Large Valve Replacement Program, Clarifier Drive

Replacement Program, Generator Maintenance Program, and increasing the life-cycle of replacing vehicles.

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 2019 budget includes \$200,000 in OPEB Trust funding, same as last year's amount.

Pay Program

One of the biggest assets of the City is our exceptional workforce. To maintain competitiveness as an employer and retain qualified employees, it is important that the City recognize employees for their efforts. The fiscal year 2019 Budget includes a three percent across-the-board (ATB) pay program for employees, excluding "non-supervisory" certified police officers and firefighter personnel, who will receive their step pay raises. Additionally, pay ranges for certified police and fire personnel, as well as other various positions will be adjusted to compensate for market movement.

The total budgeted positions for fiscal year 2019 is 628, a net increase of seven from last year. The net result is due to eliminating two park maintenance workers, one communication specialist, one fleet clerk, and one environmental specialist; and, adding ten golf course employees (one greens superintendent, one golf pro manager, and eight maintenance workers), one accountant, and one police officer. Note: in addition to the seven-staff added, two mental health police officers were added but they will be accounted for in a Grant Fund and funded with a grant. The total budgeted payroll cost for fiscal year 2019 is \$43,837,051, an increase of 3.7 percent or \$1.6 million from last year's budget, mainly due to the fiscal year 2019 Pay Programs, as noted above.

The City participates in the Texas Municipal Retirement System (TMRS) and Social Security System 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 2019 is 16.78 percent, compared to 2018 rate of 16.72 percent. The City's total TMRS annual contribution for fiscal year 2019 is \$5,352,474, an increase of 3.6 percent or \$184,356 from last year's budget.

Due to the rising costs of health care and an increase in medical and dental claims, management is modifying its current health insurance plans, along with health and dental premium increases, as well as adjust the medical deductible amounts. For fiscal year 2019, the City will be providing two high deductible medical insurance plans with health savings accounts for employees/retirees (under 65) to choose from, with different medical cost allocations between employee/retiree (under 65) and City.

One high deductible medical insurance plan (HDHP #1) consists of a \$1,750 individual deductible and \$3,500 family deductible with an 80 percent / 20 percent share medical cost after deductible is met; and, an annual out of pocket maximum of \$6,000 for individual and \$12,000 for family. Depending on the type of coverage the employees/retirees (under 65) had in fiscal year 2018, employees/retirees (under 65) and dependents premium will increase by 10 percent; City's premium cost share will remain the same as fiscal year 2018, under this plan. (Only In-Network expenses apply to deductible, Out-of-Network does not apply to deductible.)

Second high deductible medical insurance plan (HDHP #2) consists of a \$3,200 individual deductible and \$6,400 family deductible with a 90 percent / 10 percent share medical cost after deductible is met; and, an annual out of pocket maximum of \$6,000 for individual and \$12,000 for family. Depending on the type of coverage the employees/retirees (under 65) had in fiscal year 2018, medical premiums for employees/retirees (under 65) and dependents may increase by 10 percent; City's premium cost share will increase by 10.4 percent, under this plan. (Only In-Network expenses apply to deductible, Out-of-Network does not apply to deductible.)

Dental premiums for employees/retirees (under 65) will increase in fiscal year 2019: (a) employee's premiums will increase by \$6.84 per month and employee's dependents premiums, depending on the type of plan coverage, will increase \$12.58 or \$17.69 per month; and, (b) retiree's premiums will increase by \$7.58 per month and retiree's dependents premiums, depending on the type of plan coverage, will

increase \$14.82 or \$19.43 per month. The City's premium cost share will remain the same as fiscal year 2018.

Fund Balance/Working Capital Balance Reserves

Sales tax rebate revenues can be volatile in any given year; and, 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. The fiscal year 2019 Budget assumes a minimum fund balance reserve at 25 percent (*three months of reserve fund balance*) of budgeted expenditures, same as prior fiscal year.

The fiscal year 2019 minimum fund balance (*25% of \$52,851,532 budgeted expenditures*) is projected to be \$13,212,883, which is \$56,664 less than the projected year-end fund balance amount of \$13,269,547. The excess \$56,664 fund balance will be reserved to address future contingencies, fund the City's capital improvement program, economic development programs or expense as Council determines.

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

Other Programs to Note

Environmental Programs - To address the many quality of life issues that come before us each year, the fiscal year 2019 budget includes funding for a weedy lot and demolition program; and partnering with Texas Land Management in managing the City's composting program.

City of Victoria strives to be a leader, within our geographical area, in implementing successful 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.

Swan Crossing Program - In 2006 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 received the lot value (*estimated at \$15,000*) through a 5-year deferred, forgivable loan and up to \$5,000 assistance was available through Community Development Block Grant to help with principal buy-down and closing cost. Thirty-eight (38) homes have been constructed through this housing initiative, and Habitat for Humanity has built homes on 17 donated lots. The subdivision was completely built out in 2018. Swan Crossing is achieving its desired result of providing affordable housing within the City of Victoria.

Community Development - The City of Victoria 2018-2019 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, 2018 to September 30, 2019, the City of Victoria will

utilize CDBG funds totaling \$583,908 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	\$ 42,488	7.28%
2. Public Services Programs	82,500	14.13%
3. Public Facilities	101,860	17.44%
4. Affordable Housing	20,000	3.42%
5. Public Improvements	227,000	38.88%
6. Program Administration	<u>110,060</u>	18.85%
Total:		<u>\$583,908</u>

Transportation – Federal and state transportation funding programs have provided several million dollars to projects in the Victoria region. Current roadway projects, in the Victoria MPO boundary, include the repair and rehabilitation of SL 463, US 87, US 59, Business 59, and US 77; replacement and maintenance of bridges and approaches within Victoria County; and, the construction of frontage roads on US 59 from half a mile South of FM 1686 to SL 463.

The Golden Crescent Regional Planning Commission provides general public transportation in Victoria, known as Victoria Transit, through an interlocal agreement with the City of Victoria. Victoria Transit began in 1999 as a demand response, curb-to-curb service. The system quickly grew and in order to meet the growing demand, Fixed Route Services were implemented, including paratransit services for persons with disabilities. Victoria Transit currently offers multiple services and provides over 28,000 trips a month.

The Victoria Metropolitan Planning Organization (MPO) approved the Unified Planning Work Program, which details the MPO's budget for planning funds. The Victoria MPO adopted the FY 2019-2022 Transportation Improvement Program (TIP) in 2018. 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 2019-2022 TIP can be viewed at <https://www.victoriatx.org/home/showdocument?id=17259>.

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, 2018.

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 in the Wells Fargo Advantage Money Market Fund, 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. The City also has the option to generate earnings on the collective balances held in each bank account based on the agreed-upon earnings credit rate (ECR). The earnings credit offsets the charges for the full suite of depository services. Any excess funds are then invested accordingly. As of the end of fiscal year 2018, the City is utilizing the sweep product as it was earning interest at a higher rate than the ECR.

The City will continue to monitor the use of the sweep arrangement versus the use of the collective balances to offset the charges for depository services. Should the earnings credit provide a more advantageous rate, the City will explore using this option 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 2018, the City had most of its liability risks covered by insurance. These coverages are summarized below:

General Liability, including EMS Errors & Omissions	\$2,000,000 occurrence \$4,000,000 aggregate \$1,000 deductible per occurrence
Police Professional Liability	\$1,000,000 occurrence \$3,000,000 aggregate \$5,000 deductible per occurrence
Public Officials' Liability	\$5,000,000 occurrence \$10,000,000 aggregate \$25,000 deductible per claim
Fleet Liability	\$2,000,000 occurrence \$1,000,000 uninsured/underinsured motorist \$25,000 medical payment per person \$0 deductible on liability \$500 deductible each vehicle on auto physical damage \$10,000 deductible each occurrence on auto physical damage \$25,000 deductible catastrophe
Cyber Liability	\$1,000,000 aggregate (information security & privacy liability; website content liability) \$25,000 aggregate (privacy breach response services- legal services/computer expert services/public relations and crisis management expenses) \$50,000 aggregate (regulatory defense & penalties, etc.)
Contractors' Equipment	\$4,468,050 (per scheduled equipment) \$1,000,000 newly purchased equipment \$5,000 deductible per occurrence
Comprehensive Property Damage	\$166,823,883 combined building and contents \$500,000 loss of revenue & rental value \$166,823,883 earth movement & flood \$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, except wind & hail \$25,000 deductible per occurrence on flood and earthquake
Electronic Data Processing Equipment	\$6,044,070 per scheduled equipment (replacement cost) \$250 deductible on computer equipment \$25,000 on flood & earthquake
Radio Towers	\$471,396 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, 2017 through December 31, 2018, the City used Aetna Life Insurance Company (AETNA) as its health plan administrator. This firm provides intensive review of claims before they are paid, including managed care, utilization review, discharge review, precertification review, and hospital audits.

Since October 1, 1989, the City has been self-insured for workers' compensation liability. The plan carries reinsurance at a \$350,000 per incident level.

Independent Audit

This report is prepared in compliance with the legal requirements imposed by Article V, Section 3(6) of the Charter of the City of Victoria, Texas, as amended. In addition to fulfilling this legal requirement, this report serves to fully disclose financial data and other statistical data on an annual basis to management, Mayor and Council, the public, investors, and other interested persons. The Victoria firm of Harrison, Waldrop & Uherek, L.L.P., was retained by the City to satisfy this requirement.

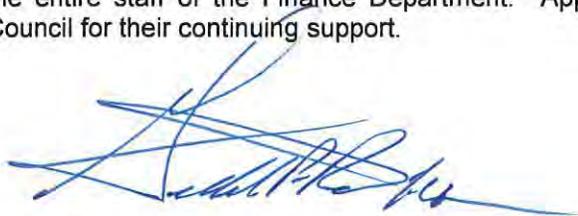
Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Victoria for its comprehensive annual financial report for the fiscal year ended September 30, 2017. This was the thirty-fifth 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.

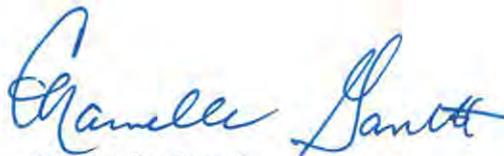
A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

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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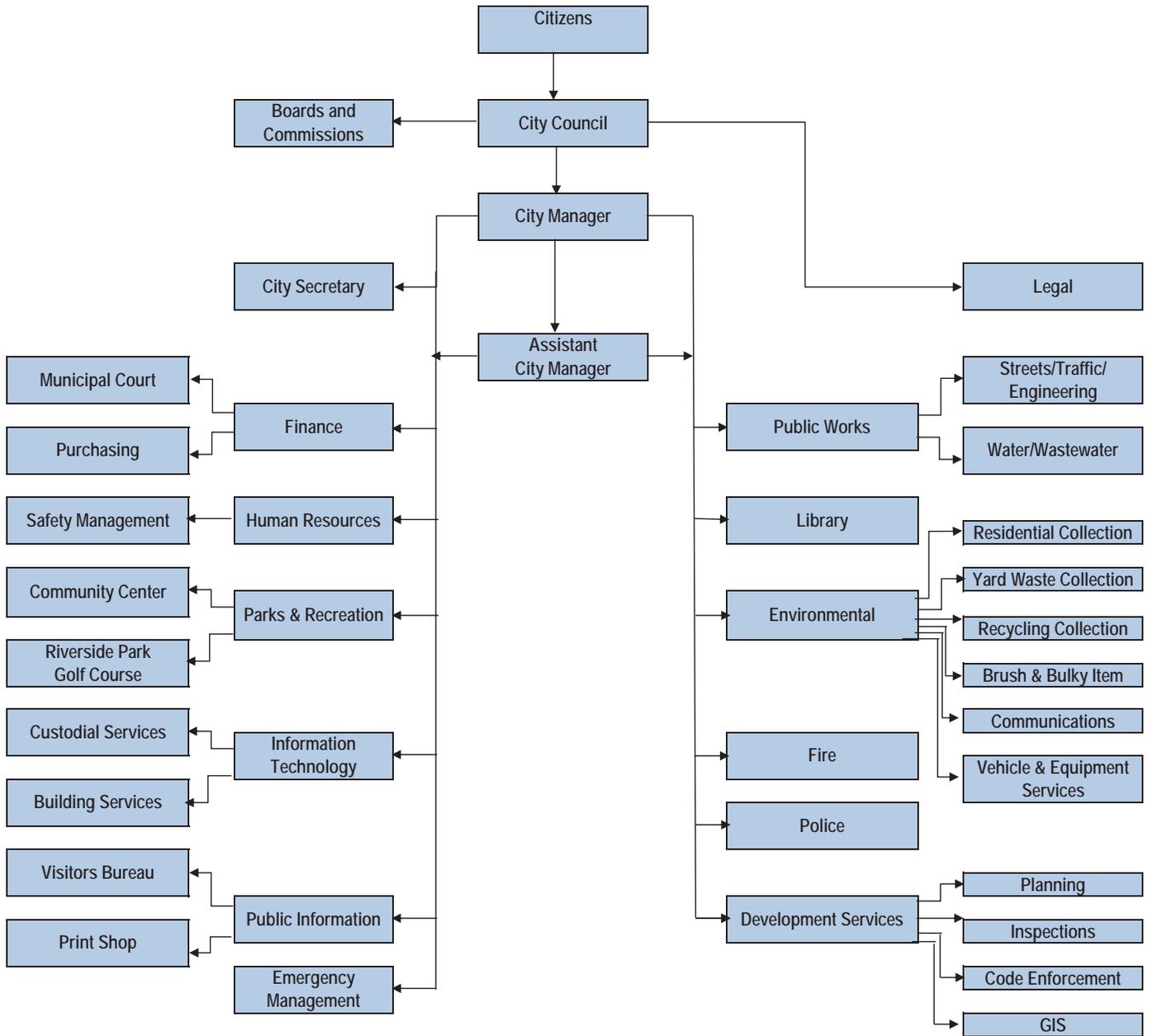
**City of Victoria
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2017

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	6	May, 2021
Paul Polasek	Mayor	12	May, 2019
Jan Scott	Council Member, District 4	3	May, 2021
<i>Back Row</i>			
Tom Halepaska	Council Member, Super District 6	14	May, 2019
Dr. Andrew Young	Council Member, District 5	5	May, 2019
Jeff Bauknight	Mayor Pro-Term, District 3	5	May, 2021
Rafael DeLaGarza, III	Council Member, District 1	2	May, 2021

ADMINISTRATIVE OFFICIALS

Name	Position	Years of Service	
		Current With City	Position
Charmelle Garrett	City Manager	28	7
John Kaminski	Assistant City Manager	30	6
Gilbert P. Reyna, Jr.	Director of Finance	23	23
Thomas Gwosdz	City Attorney	9	9
Cheryl Marthiljohni	Director of Human Resources	8	8
James Foote	Director of Information Technology	11	6
Julie Fulgham	Director of Development Services	4	1
Jeffrey Craig	Police Chief	7	7
Robert "Tracy" Fox	Fire Chief	22	1
Colby VanGundy	Director of Parks and Recreation	5	5
Dayna Williams-Capone	Director of Public Library	11	9
Donald Reese	Director of Public Works	19	1
Darryl Lesak	Director of Environmental Services	10	6
O.C. Garza	Director of Communications	17	9

FINANCIAL SECTION



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

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Victoria, Texas (the "City") as of and for the year ended September 30, 2018, 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 Special Events 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 21 to the financial statements, in 2018 the City adopted new accounting guidance from Governmental Accounting Standards Board Statement No. 75 related to accounting for other post employment benefit plans. This resulted in a restatement of prior year balances. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in net pension liability and related ratios, schedules of changes in total and net OPEB liabilities and related ratios, and the schedules of employer contributions, 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 Honorable Mayor and Members
of the City Council
City of Victoria, Texas

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2019, 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 21, 2019

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, 2018. 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.

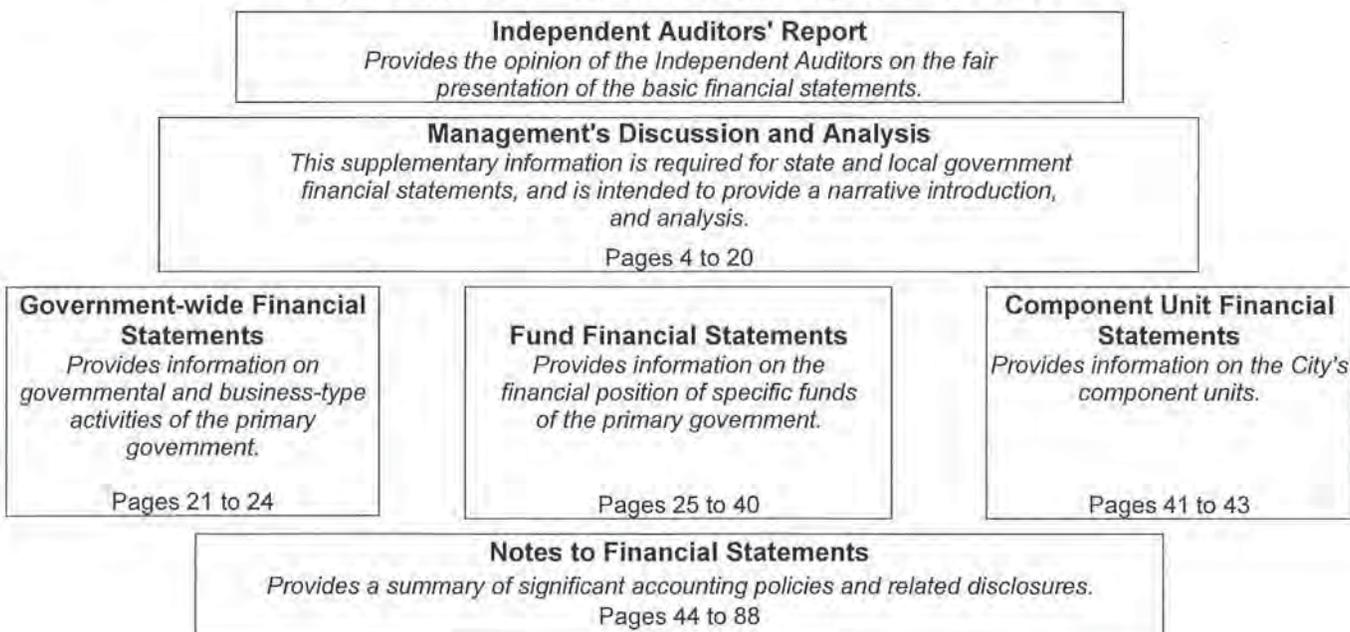
FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City exceeded its liabilities at the close of the fiscal year ended September 30, 2018, by \$168,266,856. Of this amount, \$2,413,022 of unrestricted net position is available to meet the City's ongoing obligations to citizens and creditors (see page 8 for further detail).
- At September 30, 2018, the City's governmental funds reported combined ending fund balances of \$27,556,780, an increase of \$6,018,293 (28%) in comparison with prior year. The unassigned fund balance is \$18,994,732 (see page 12 for further detail).
- At September 30, 2018, unassigned fund balance for the General Fund was \$19,275,505 or 45% of total General Fund expenditures.
- The total cost of all City activities was \$97,422,990 for the fiscal year. Net cost of all activities was \$40,504,484.
- During the year, the City's general revenues exceeded net expenses of the primary government by \$13,292,622. This represents a 9% increase in net position from the previous fiscal year.
- The City's outstanding long-term debt had a net decrease of \$22,960,959. The main reasons for the net decrease is the City paid \$14,955,000 in principal payments and the net pension liability decreased \$10,317,087(see page 16 for further detail).

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Organization and Flow of Financial Section Information



OVERVIEW OF THE FINANCIAL STATEMENTS - (Continued)

Government-wide Financial Statements

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

Statement of Net Position

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

Statement of Activities

The statement of activities presents information showing how the government's net position changed during fiscal year 2018. All changes in net position are reported as soon as the underlying event, giving rise to the change, occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected and earned, but unused vacation leave). The statement of activities can be found on pages 23 through 24.

Both of these financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, streets and highways, culture and recreation, and interest on long-term debt. The business-type activities of the City include water/wastewater utilities, environmental service operations, and other (700 Main Center and Community Center). The government-wide financial statements can be found immediately following the Management's Discussion and Analysis.

The government-wide financial statements include not only the City itself (known as the primary government) but also the component units of Sales Tax Development Corporation and Victoria Special Events Association, Inc. These component units are not included as part of the primary government.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet (pages 25 and 26) and the governmental fund statement of revenues, expenditures, and changes in fund balances (pages 28 and 29) provide reconciliations to facilitate this comparison between governmental funds and governmental activities (pages 27 and 30).

OVERVIEW OF THE FINANCIAL STATEMENTS - (Continued)

Fund Financial Statements - (Continued)

Governmental Funds - (Continued)

The City maintains several individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund 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 31 through 38).

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs/operations. The accounting used for fiduciary funds is similar to proprietary.

The basic fiduciary fund financial statements can be found on pages 39 and 40 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 44 through 88 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 liability and related ratios for the TMRS Defined Benefit Pension Plan, a schedule of employer contributions for the TMRS Defined Benefit Pension Plan, a schedule of changes in Total OPEB liability and related ratios for the TMRS Supplemental Death Benefit Plan, a schedule of employer contributions for the TMRS Supplemental Death Benefit Plan, a schedule of changes in Net OPEB liability and related ratios for the Retiree Healthcare Plan, and a schedule of employer contributions for the Retiree Healthcare Plan. 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 101 through 205 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 \$168,266,856 at the close of the fiscal year ended September 30, 2018.

At the end of fiscal year 2018, the City is able to report positive balances in all three categories of net position for the government as a whole.

City of Victoria, Texas Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	2017*	2018	2017*	2018	2017*
Current assets	\$ 42,923,120	\$ 41,372,502	\$ 30,296,116	\$ 27,907,196	\$ 73,219,236	\$ 69,279,698
Capital assets (net)	150,278,844	156,484,806	142,742,141	145,513,012	293,020,985	301,997,818
Total assets	193,201,964	197,857,308	173,038,257	173,420,208	366,240,221	371,277,516
Deferred outflows of resources	8,127,247	11,728,650	2,261,130	3,172,079	10,388,377	14,900,729
Current and other liabilities	13,424,744	16,355,360	9,790,418	10,380,191	23,215,162	26,735,551
Noncurrent liabilities	113,905,631	127,558,216	66,657,129	76,251,450	180,562,760	203,809,666
Total liabilities	127,330,375	143,913,576	76,447,547	86,631,641	203,777,922	230,545,217
Deferred inflows of resources	4,072,194	540,864	511,626	117,910	4,583,820	658,774
Net position:						
Net investment in capital assets	78,478,161	79,038,575	82,376,715	79,039,267	160,854,876	158,077,842
Restricted	4,998,958	3,666,390	-	-	4,998,958	3,666,390
Unrestricted	(13,550,477)	(17,573,447)	15,963,499	10,803,469	2,413,022	(6,769,978)
Total net position	\$ 69,926,642	\$ 65,131,518	\$ 98,340,214	\$ 89,842,736	\$ 168,266,856	\$ 154,974,254

*Net position for 2017 has been restated. See Note 21 of this report.

The largest portion of the City's fiscal year 2018 net position (96% or \$160,854,876) 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.

The City has restricted net position of \$4,998,958 consisting of \$1,846,852 for debt service, \$2,116,452 for special programs related to recreation, and \$1,035,654 for public safety programs. The remaining balance of \$2,413,022 may be used to meet the government's ongoing obligations to citizens and creditors; over all, the City's net position increased by \$13,292,602, which consists of an increase of \$4,795,124 in governmental net position and an increase of \$8,497,478 in business-type net position.

GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)

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

	Governmental Activities		Business-type Activities		Total	
	2018	2017*	2018	2017*	2018	2017*
REVENUES						
Program revenues:						
Charges for services	\$ 8,249,724	\$ 7,307,508	\$ 32,631,337	\$ 31,570,653	\$40,881,061	\$38,878,161
Operating grants and contributions	10,042,225	6,829,229	-	-	10,042,225	6,829,229
Capital grants and contributions	2,562,205	437,611	3,433,015	7,592,120	5,995,220	8,029,731
General revenues:						
Property taxes	24,869,711	24,399,108	-	-	24,869,711	24,399,108
Other taxes	24,993,716	21,795,723	-	-	24,993,716	21,795,723
Other	3,271,944	1,387,438	661,715	229,089	3,933,659	1,616,527
Total revenues	73,989,525	62,156,617	36,726,067	39,391,862	110,715,592	101,548,479
EXPENSES						
General government	4,812,954	5,632,467	-	-	4,812,954	5,632,467
Public safety	38,271,170	35,228,278	-	-	38,271,170	35,228,278
Development	18,376,562	20,187,191	-	-	18,376,562	20,187,191
Building services	624,243	727,816	-	-	624,243	727,816
Recreation	6,763,442	7,765,906	-	-	6,763,442	7,795,906
Interest on long-term debt	3,045,618	3,751,404	-	-	3,045,618	3,751,404
Water/wastewater	-	-	19,229,647	20,860,229	19,229,647	20,860,229
Environmental services	-	-	4,476,014	4,003,842	4,476,014	4,003,842
Other	-	-	1,823,340	1,146,250	1,823,340	1,146,250
Total expenses	71,893,989	73,293,062	25,529,001	26,010,321	97,422,990	99,303,383
Change in net position before transfers	2,095,536	(11,136,445)	11,197,066	13,381,541	13,292,602	2,245,096
Transfers	2,699,588	2,334,997	(2,699,588)	(2,334,997)	-	-
Change in net position	4,795,124	(8,801,448)	8,497,478	11,046,544	13,292,602	2,245,096
Net position-October 1, as restated	65,131,518	73,932,966	89,842,736	78,796,192	154,974,254	152,729,158
Net position - September 30	\$ 69,926,642	\$ 65,131,518	\$ 98,340,214	\$ 89,842,736	\$168,266,856	\$154,974,254

*Net position for 2017 has been restated. See Note 21 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)

The over-all increase in net position is \$13,292,602, which consists of an increase of \$4,795,124 in governmental activities and an increase of \$8,497,478 in business-type activities.

The increase in the governmental activities is mainly due to a \$408K increase in ad valorem taxes, \$2.2 million increase in sales tax revenue, \$546K increase in franchise tax revenue, due to Hurricane Harvey debris being disposed at the City's landfill, \$555K increase in construction permits, due to Hurricane Harvey, and reflecting a \$1.3 million net increase in revenue from FEMA and TML insurance carrier, due to the Hurricane Harvey incident.

The increase in the business-type activities is mainly due to a \$300K increase in water sales, a \$1.8 million payroll reduction in the Water and Wastewater Fund operations, mainly due to pension expense reduction, capital contribution from Sales Tax Development Corporation in the amount of \$4.5 million, gains from disposal of capital assets, \$76K reduction in debt service costs, and Environmental Services Fund revenue exceeding expenses by \$539K.

Governmental Activities

**City of Victoria, Texas
2018 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	\$ 4,812,954	6.69%	\$ 3,159,712	15.15%	(\$ 1,653,242)
Public safety	38,271,170	53.23%	12,417,133	59.54%	(25,854,037)
Development	18,376,562	25.56%	4,283,121	20.54%	(14,093,441)
Building services	624,243	0.87%	-	0.00%	(624,243)
Recreation	6,763,442	9.41%	994,188	4.77%	(5,769,254)
Interest on long-term debt	3,045,618	4.24%	-	0.00%	(3,045,618)
	<u>\$ 71,893,989</u>		<u>\$ 20,854,154</u>		<u>(\$ 51,039,835)</u>

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

<u>Description</u>	<u>Revenues</u>		<u>Revenues</u>	
	<u>2018</u>	<u>% of Total</u>	<u>2017</u>	<u>% of Total</u>
Charges for services	\$ 8,249,724	10.76%	\$ 7,307,508	11.33%
Operating grants and contributions	10,042,225	13.09%	6,829,229	10.59%
Capital grants and contributions	2,562,205	3.34%	437,611	0.68%
Property taxes	24,869,711	32.43%	24,399,108	37.83%
Sales taxes	16,879,223	22.01%	14,710,140	22.81%
Franchise taxes	6,064,289	7.91%	5,467,551	8.48%
Other taxes	2,050,204	2.67%	1,618,032	2.51%
Unrestricted investment earnings	588,901	0.77%	340,450	0.53%
Miscellaneous	2,683,043	3.50%	1,046,988	1.62%
Transfers	2,699,588	3.52%	2,334,997	3.62%
Total	<u>\$ 76,689,113</u>		<u>\$ 64,491,614</u>	

GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)

Business-type Activities

Fiscal year 2018 business-type activities increased the City's net position by \$8,497,478. 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 \$4.5 million;
- 2) Water and Wastewater Fund generated approximately \$4.6 million net earnings (net of capital contributions), which is higher than last year's net earnings (net of capital contributions), due to payroll cost reduction of \$1.8 million (\$1.2 million in pension expense reduction), increase in water sales, increase in gain of disposed assets, and a decrease in debt service costs.

**City of Victoria, Texas
2018 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	\$19,229,647	75.33%	\$29,374,366	81.45%	\$10,144,719
Environmental services	4,476,014	17.53%	5,504,057	15.26%	1,028,043
Other	<u>1,823,340</u>	7.14%	<u>1,185,929</u>	3.29%	<u>(637,411)</u>
	<u>\$25,529,001</u>		<u>\$36,064,352</u>		<u>\$10,535,351</u>

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

<u>Description</u>	<u>Revenues 2018</u>	<u>% of Total</u>	<u>Revenues 2017</u>	<u>% of Total</u>
Charges for services	\$32,631,337	95.90%	\$31,570,653	85.19%
Capital grants and contributions	3,433,015	10.09%	7,592,120	20.49%
Unrestricted investment earnings	295,333	0.87%	229,089	0.62%
Miscellaneous	366,382	1.07%	-	0.00%
Transfers	(<u>2,699,588</u>)	(7.93%)	(<u>2,334,997</u>)	(6.30%)
Total	<u>\$34,026,479</u>		<u>\$37,056,865</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 2018, the City's governmental funds reported combined ending fund balances of \$27,556,780, an increase of \$6,018,293. The main reasons for the increase in the City's combined governmental ending fund balance is due to an increase in General Fund ad valorem revenue of \$408K, sales tax receipts of \$2.2 million, franchise tax revenue of \$546K (due to Hurricane Harvey), construction permits revenue of \$555K (due to Hurricane Harvey); and, Hurricane Program Grant is reflecting a \$1.3 million net increase in revenue from FEMA and TML insurance carrier (due to Hurricane Harvey incident).

The City's governmental funds combined fund balance of \$27,556,780 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 2018, unassigned fund balance of the General Fund was \$19,275,505 while total General Fund fund balance was \$20,878,206. 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 45% of the total General Fund expenditures, while total fund balance represents 49% of that same amount.

The General Fund fund balance increased by \$4,453,671, which was mainly due to an increase in ad valorem revenue of \$408K, sales tax receipts of \$2.2 million, franchise tax revenue of \$546K (due to Hurricane Harvey), and construction permits revenue of \$555K (due to Hurricane Harvey).

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 2018, fund balance of the Debt Service Fund was \$1,138,153. The main reason for the \$8,612 decrease in the Debt Service Fund fund balance is due to an increase in debt service payments and issuance costs paid on the 2017 refunding bonds.

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>2018</u> <u>Unrestricted</u> <u>Net Position</u>	<u>2017</u> <u>Unrestricted</u> <u>Net Position</u>
Water and Wastewater	\$ 10,697,405	\$ 8,245,615
Environmental Services	3,543,994	3,143,977
Other	1,722,100	1,437,968
Total	<u>\$15,963,499</u>	<u>\$12,827,560</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 2018 General Fund original budget and fiscal year 2018 General Fund final amended budget for expenditures (including transfers) was \$3,613,894. \$867,206 represents fiscal year 2018 carryover encumbrances and a fiscal year 2018 budget amendment in the amount of \$2,806,752, of which \$2,000,000 was transferred to the Hurricane Fund, \$163,688 was transferred to the Construction Fund for the Rail Road Crossing Project, \$34,080 was an increase in personnel costs for the Finance Department, \$10,650 was an increase in personnel costs for the City Managers Department, and \$598,334 was an increase to Fire Department capital expense budget.
- The original fiscal year 2018 budget included approximately \$2,472,326 of "one-time" expenditures mainly consisting of capital acquisition and improvement projects.
- For fiscal year 2018, the General Fund revenues came in \$4.7 million higher than the General Fund amended 2018 budget, mainly due to sales tax revenue coming in \$2.2 million over budget, Republic, Inc. and Waste Management, Inc. franchise tax revenue coming in \$645K over budget, construction permit revenue came in \$663K over budget, interest income came in \$252 over budget, and transfer revenue from Construction Funds came in \$493K over budget, due to projects coming in under budget.
- For fiscal year 2018, the General Fund actual expenditures, including encumbrances, came in approximately \$912K lower than the General Fund amended fiscal year 2018 budget or \$935 lower than the General Fund projected 2018 budget. The variances are mainly the net result of personnel, maintenance, transfers, and capital coming in lower than expected.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2018, amounts to \$293,020,985 (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 \$8,976,833 or 3% (a \$6,205,962 or 4% decrease for governmental activities and \$2,770,871 or 2% decrease for business-type activities).

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

City of Victoria, Texas Capital Asset Investment Activity Schedule

Capital Asset Description	Additions Governmental Activities	Deletions Governmental Activities	Additions Business-type Activities	Deletions Business-type Activities	Net Total
Land	\$ -	\$ -	\$ -	\$ -	\$ -
Buildings	1,651,448	14,645	19,142	-	1,655,945
Other structure improvements	525,078	13,075	858,668	-	1,370,671
Infrastructure - streets, drainage, traffic, and sidewalks, etc.	10,553,523	-	-	-	10,553,523
Construction in progress	5,018,054	10,649,900	2,718,153	30,445,985	(33,359,678)
Machinery, equipment, and vehicles	2,826,666	2,548,279	841,547	160,001	959,933
Water and wastewater distribution system	-	-	<u>31,181,540</u>	-	<u>31,181,540</u>
Total	<u>\$ 20,574,769</u>	<u>\$ 13,225,899</u>	<u>\$ 35,619,050</u>	<u>\$ 30,605,986</u>	12,361,934
					FY 2018 depreciation expense (24,020,070)
					FY 2018 accumulated depreciation deletions 2,681,303
					Primary government beginning capital assets balance <u>301,997,818</u>
					Primary government ending capital assets balance <u>\$293,020,985</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, 2018:

	City of Victoria, Texas					
	Capital Assets					
	(Net of Depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 4,389,837	\$ 4,389,837	\$ 5,569,177	\$ 5,569,177	\$ 9,959,014	\$ 9,959,014
Construction in progress	2,472,337	8,104,183	1,567,083	29,294,915	4,039,420	37,399,098
Machinery and equipment	12,375,614	13,268,848	1,571,563	1,293,151	13,947,177	14,561,999
Buildings	9,976,571	9,520,045	23,711,438	25,418,292	33,688,009	34,938,337
Improvements other than buildings	2,963,502	2,765,162	2,166,588	1,333,321	5,130,090	4,098,483
Infrastructure	118,100,983	118,436,731	543,023	690,674	118,644,006	119,127,405
Water and wastewater distribution system	-	-	107,613,269	81,913,482	107,613,269	81,913,482
Total	<u>\$150,278,844</u>	<u>\$156,484,806</u>	<u>\$142,742,141</u>	<u>\$145,513,012</u>	<u>\$293,020,985</u>	<u>\$301,997,818</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 2018, the City had total bonded debt outstanding of \$131,620,000. Of this amount, \$74,705,000 comprises debt backed by the full faith and credit of the government and \$56,915,000 secured solely by specific revenue sources (i.e., revenue bonds). In addition, the City had outstanding \$368,721 in capital lease payable, \$1,591,066 in compensated absences, \$12,588,083 in OPEB liability, \$34,076,487 in net pension liability, \$4,137,543 in estimated landfill closure and post-closure care cost; and \$10,638,151 in net bond premium (discount) as of September 30, 2018.

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

	Governmental Activities		Business-type Activities		Total	
	2018	2017*	2018	2017*	2018	2017*
General obligation bonds	\$ 57,285,000	\$ 42,070,000	\$ -	\$ -	\$ 57,285,000	\$ 42,070,000
Certificates of obligation	17,420,000	41,830,000	-	-	17,420,000	41,830,000
Revenue bonds	-	-	56,915,000	64,440,000	56,915,000	64,440,000
Capital lease payable	-	-	368,721	-	368,721	-
Compensated absences	1,359,506	1,353,620	231,560	256,331	1,591,066	1,609,951
OPEB liability	10,650,777	10,632,832	1,937,306	2,008,776	12,588,083	12,641,608
Net pension liability	28,832,116	36,096,415	5,244,371	8,297,159	34,076,487	44,393,574
Estimated landfill closure and post-closure care cost	-	-	4,137,543	4,036,498	4,137,543	4,036,498
Net bond premium (discount)	<u>5,571,287</u>	<u>2,851,926</u>	<u>5,066,864</u>	<u>4,107,453</u>	<u>10,638,151</u>	<u>6,959,379</u>
Total	<u>\$121,118,686</u>	<u>\$134,834,793</u>	<u>\$ 73,901,365</u>	<u>\$ 83,146,217</u>	<u>\$ 195,020,051</u>	<u>\$ 217,981,010</u>

*2017 balances have been restated. See Note 21 of this report.

The City's debt had a net decrease of \$22,960,959 or 11%. The key factors to this net decrease are the following:

- > Debt payments of \$8,070,000 in governmental activities bonds and \$6,885,000 in business-type activities bonds were made during fiscal year 2018,
- > The City issued the 2017 General Obligation Refunding Bonds in the amount of \$21,880,000 during fiscal year 2018,
- > The City issued the 2017 Utility System Revenue Refunding Bonds in the amount of \$16,760,000 during fiscal year 2018,
- > The City entered into a capital lease for Golf Course equipment during fiscal year 2018 in the amount of \$428,298,
- > Net pension liability decreased by \$10,317,087,
- > Total OPEB liability decreased by \$53,525,
- > Landfill closure/post-closure care cost had a net increase of \$101,045, and
- > Bond premium had a net increase of \$3,678,772.

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 experienced another downshift in growth over the last two months, although the level of activity remains strong. Job growth decelerated slightly in the fourth quarter, and the Dallas Fed's Texas Business Outlook Surveys (TBOS) suggest a slowing in output growth in December and January.

Expectations have also slumped; the 2019 job growth forecast for Texas is now 1 and 2 percent, and survey contacts' outlooks have notably deteriorated since November. Headwinds include lower oil prices, a strong dollar, tariffs, higher interest rates, labor constraints and increased uncertainty. Wage and price inflation may also be moderating; survey data point to softer growth in the second half of 2018 and expectation for slower growth in 2019.

Texas added jobs at a moderate 2.5 percent pace in the fourth quarter, slightly slower than the third-quarter growth of 2.7 percent. The gap between Texas and U.S. job growth narrowed in the second half of 2018 as U.S. payroll growth increased from 1.5 in the third quarter to 2.1 in the fourth. Most Texas metros experienced slower growth in the fourth quarter, with the exception of Fort Worth and San Antonio.

While Texas activity remains robust, a broad-based deceleration was seen in December and January across the manufacturing, services and retail sectors. The latest data from TBOS show notable declines in the production and revenue indexes. While these indexes are roughly in line with their post-recession average, the recent declines point to slowing output growth from 2018 levels.

The Texas manufacturing sector remains strong, although production growth appears to be moderating for both durables and nondurables. The marked slowdown in manufacturing is not limited to Texas, as the new order indexes from the four other Federal Reserve Banks' manufacturing surveys also declined in December and January, and the national Manufacturing ISM Report Business came in weaker than expected at year-end.

The Texas Leading Index declined sharply in November and December, due in large part to slower oil prices and lower stock prices of Texas companies. The drop in the leading index coupled with slower employment growth in the fourth quarter resulted in a downward revision to the 2019 Texas employment forecast to a range of 1 to 2 percent, from 2.0 percent in December. In addition, a rather dramatic slowdown in outlooks among TBOS contracts was seen in December and January, lending further support for weaker expected growth this year.

Texas business expect wages and price growth to abate somewhat in 2019 but still remain elevated. Respondents to December TBOS special questions expect wage growth to moderate from 4.5 percent in 2018 to 4.0 percent in 2019 and input price growth to be nearly 1 percentage point lower in 2019, on average. Businesses expect to raise selling prices by 2.8 percent in 2019, on average, down slightly from 2018 and distinctly slower pace than the expected rise in labor and nonlabor costs.

The housing market appears to be slowing from elevated levels in 2018. Texas home sales began to wane in the second half of 2018, and single-family housing permits fell off sharply in October. Construction and real estate contacts expect flat housing starts and home sales in 2019 and further deceleration in house price appreciation.

The above information is from the Federal Reserve Bank of Dallas.

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

Victoria Economy

Just like the Texas economy, Victoria's economy is experiencing a recovery and/or growth, compared to prior years when Victoria's oil and natural gas industry declined/contracted. Victoria's economy is resilient and the outlook remains optimistic that it will continue to grow, but at a much slower pace.

Despite the recent increase in oil prices, Victoria's oil and natural gas industry growth (i.e. Eagle Ford Shale) has remained relatively flat, compared to the Permian Basin; and, the number of completed wells (i.e. producing wells) has remained relatively steady - Victoria's rig count for July 6, 2018 was 33 (average price of oil \$72.94), a decrease of 7 rigs compared to July 7, 2017 (average price of oil \$45.13); and, a decrease of 15 rigs compared to July 11, 2015 (average price of oil \$52.78).

Despite the current 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. Formosa has invested \$5 billion into a plant expansion that will extend into Jackson County and provide about 340 jobs. This construction began two and half years ago and is still in progress. In addition, Invista has entered into its final design phase for a \$250 million manufacturing technology upgrade, construction slated to begin in 2019; and, Agilon Energy plans to invest up to \$125 million to build two electric power plants, which will create approximately 100 temporary jobs, in Victoria County.

Victoria's unemployment rate for May 2018 was 3.8 percent, same as the U.S. rate and 0.3 percent lower than the State, and is 0.8 percent lower than a year ago, which is reflective of workers seeking jobs in an already tight labor market.

The total building permit value (i.e. new construction for commercial, multi-family units and single-family units) decreased by 1.64 percent or \$198K, comparing June 2018 to June 2017 values; the decrease is due to a decline in commercial permit values. As of June 2018, total commercial permit value was \$2.8 million, a decrease of 57.4 percent or \$3.8 million from last year's values. As of June 2018, Victoria's multi-family permit value was zero, same as last year's; and, single-family permit value was \$9.04 million, an increase of 66.9 percent or \$3.6 million from last year's values, mainly due to Hurricane Harvey repairs.

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.

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

Water Supply - (Continued)

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 renowned 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 180,000. Per capita effective buying income is 93.9% of national level; and, per capita market value of \$61,795.

City's population is expected to grow by 5.97% from 2016 thru 2021. The population is projected to grow by 7.01% from 2010 thru 2016 and 4.70% from 2000 thru 2010.

- As of the first five months of fiscal year 2019, actual sales tax revenues are exceeding the fiscal year 2019 budget by \$6,000.
- 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, 2018. The fiscal year 2018-2019 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 \$4,081,607,335; a decrease of 3.5% or \$145.9 million from last year's tax roll (adjusted for frozen taxable appraised values) of \$4,227,487,841.
- The ad valorem tax rate for fiscal year 2019 was set at 62.24¢, an increase of 2.72¢ from last year's tax rate of 59.52¢. The tax rate is allocated at 35.97¢ for General Fund maintenance and operating costs (an increase of 1.71¢), and 26.27¢ for Debt Service Fund (an increase of 1.01¢).
- The General Fund unassigned fund balance, at September 30, 2018, came in \$1,841,330 above the fiscal year 2018 minimum required unassigned fund balance of \$13,212,883, 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 on one-time/non-reoccurring expenditures, capital improvement projects, or at Council's discretion.
- The fiscal year 2019 Budget includes \$4,941,791 of General Fund one-time expenditures and \$1,704,103 of Water and Wastewater Fund one-time expenses.

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

- Due to the Fiscal Year 2018 Water and Wastewater Cost of Service and Rate Design Study, the fiscal year 2019 Budget includes a water variable-rate increase and changing the water and wastewater variable seven-tier rate table to a four-tier rate table; the water and wastewater base rates will remain the same as last year's rates. The projected monthly impact for an average residential customer with a ¾" meter, using 11,000 gallons of water and 8,000 gallons of wastewater per month, is \$2.71/month or 3.68% increase; and, the projected monthly impact for a commercial customer with a 1" meter, using 35,000 gallons of water and 30,000 gallons of wastewater per month, is \$14.81/month or 6.01% increase.

The water variable-rate increase and changing the water/wastewater variable tier rate table from a seven-tier to a four-tier is estimated to generate approximately \$1.1 million in revenue, which will be offset with new recurring maintenance program cost of \$1.03 million; new maintenance programs will consist of implementing a River Pump Replacement Program, Water Well Rehab Program, Manhole Rehab Program, Concrete Line Rehab Program, Large Valve Replacement Program, Clarifier Drive Replacement Program, Generator Maintenance Program, and increasing the life-cycle of replacing vehicles.

- The City's Capital Improvement Program Projects through 2023 consist of approximately \$169,797,388 million: in progress - \$49 million, FY 2019 - \$14 million, FY 2020 - \$16 million, FY 2021 - \$26 million, FY 2022 - \$28 million, and FY 2023 - \$37 million (more detailed information on this subject can be found in the City's Fiscal Year 2019 budget).

Requests for Information

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

CITY OF VICTORIA, TEXAS
STATEMENT OF NET POSITION
September 30, 2018

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 24,671,610	\$ 14,701,337	\$ 39,372,947	\$ 22,741,185
Investments	6,126,139	250,239	6,376,378	-
Receivables (net)	16,644,241	2,599,396	19,243,637	678,075
Internal balances	(5,173,183)	5,173,183	-	-
Due from component unit	-	2,549,419	2,549,419	-
Due from primary government	-	-	-	28,576
Inventory	595,568	160,365	755,933	-
Returned checks	24,745	1,520	26,265	-
Restricted assets				
Cash and cash equivalents	34,000	4,860,657	4,894,657	-
Investments	-	-	-	-
Total current assets	42,923,120	30,296,116	73,219,236	23,447,836
Noncurrent assets				
Capital assets				
Land and other assets not being depreciated	6,862,174	7,136,260	13,998,434	5,236,634
Buildings, improvements, and equipment (net)	143,416,670	135,605,881	279,022,551	2,514,018
Net capital assets	150,278,844	142,742,141	293,020,985	7,750,652
Total noncurrent assets	150,278,844	142,742,141	293,020,985	7,750,652
Total assets	193,201,964	173,038,257	366,240,221	31,198,488
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amount on refunding	3,999,770	1,485,731	5,485,501	-
Deferred outflow related to pension	3,319,959	628,517	3,948,476	-
Deferred outflow related to OPEB	807,518	146,882	954,400	-
Total deferred outflows of resources	8,127,247	2,261,130	10,388,377	-

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
LIABILITIES				
Current liabilities				
Accounts payable	\$ 1,311,785	\$ 721,600	\$ 2,033,385	\$ 564,021
Accounts payable (payable from restricted assets)	-	582,423	582,423	-
Accrued expenses	2,513,596	398,892	2,912,488	-
Due to other governments	106,308	36,595	142,903	-
Due to component unit	-	28,576	28,576	-
Due to primary government	-	-	-	2,549,419
Customer deposits	-	29,094	29,094	-
Claims payable	815,411	-	815,411	-
Unearned revenue	1,096,539	-	1,096,539	-
Accrued compensated absences	43,055	7,334	50,389	-
Accrued interest payable	368,050	749,002	1,117,052	-
Current portion of long-term obligations	7,170,000	7,236,902	14,406,902	-
Total current liabilities	13,424,744	9,790,418	23,215,162	3,113,440
Noncurrent liabilities				
Noncurrent portion of long-term obligations	73,106,287	55,113,683	128,219,970	-
Accrued compensated absences	1,316,451	224,226	1,540,677	-
Net pension liability	28,832,116	5,244,371	34,076,487	-
OPEB liability	10,650,777	1,937,306	12,588,083	-
Estimated landfill closure and postclosure care cost	-	4,137,543	4,137,543	-
Total noncurrent liabilities	113,905,631	66,657,129	180,562,760	-
Total liabilities	127,330,375	76,447,547	203,777,922	3,113,440
DEFERRED INFLOWS OF RESOURCES				
Deferred inflow related to pension	3,981,083	495,053	4,476,136	-
Deferred inflow related to OPEB	91,111	16,573	107,684	-
Total deferred inflows of resources	4,072,194	511,626	4,583,820	-
NET POSITION				
Net investment in capital assets	78,478,161	82,376,715	160,854,876	7,750,652
Restricted for:				
Debt service	1,846,852	-	1,846,852	-
Public safety	1,035,654	-	1,035,654	-
Recreation	2,116,452	-	2,116,452	-
Unrestricted	(13,550,477)	15,963,499	2,413,022	20,334,396
Total net position	\$ 69,926,642	\$ 98,340,214	\$ 168,266,856	\$ 28,085,048

The accompanying notes are an integral part of this statement.

CITY OF VICTORIA, TEXAS
STATEMENT OF ACTIVITIES
For the year ended September 30, 2018

Function/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government	\$ 4,812,954	\$ 2,449,863	\$ 709,849	\$ -
Public safety	38,271,170	5,359,693	7,057,440	-
Development	18,376,562	-	2,226,686	2,056,435
Building services	624,243	-	-	-
Recreation	6,763,442	440,168	48,250	505,770
Interest on long-term debt	3,045,618	-	-	-
Total governmental activities	<u>71,893,989</u>	<u>8,249,724</u>	<u>10,042,225</u>	<u>2,562,205</u>
Business-type activities				
Water/wastewater	19,229,647	25,941,351	-	3,433,015
Environmental services	4,476,014	5,504,057	-	-
Other	1,823,340	1,185,929	-	-
Total business-type activities	<u>25,529,001</u>	<u>32,631,337</u>	<u>-</u>	<u>3,433,015</u>
Total primary government	<u>\$ 97,422,990</u>	<u>\$ 40,881,061</u>	<u>\$ 10,042,225</u>	<u>\$ 5,995,220</u>
Component Units	<u>\$ 7,433,323</u>	<u>\$ 10,000</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, as restated

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
\$ (1,653,242)	\$ -	\$ (1,653,242)	\$ -
(25,854,037)	-	(25,854,037)	-
(14,093,441)	-	(14,093,441)	-
(624,243)	-	(624,243)	-
(5,769,254)	-	(5,769,254)	-
(3,045,618)	-	(3,045,618)	-
<u>(51,039,835)</u>	<u>-</u>	<u>(51,039,835)</u>	<u>-</u>
-	10,144,719	10,144,719	-
-	1,028,043	1,028,043	-
-	(637,411)	(637,411)	-
<u>-</u>	<u>10,535,351</u>	<u>10,535,351</u>	<u>-</u>
<u>(51,039,835)</u>	<u>10,535,351</u>	<u>(40,504,484)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,423,323)</u>
15,413,367	-	15,413,367	-
9,456,344	-	9,456,344	-
16,879,223	-	16,879,223	8,468,187
6,064,289	-	6,064,289	-
2,050,204	-	2,050,204	-
588,901	295,333	884,234	377,476
2,683,043	366,382	3,049,425	-
2,699,588	(2,699,588)	-	-
<u>55,834,959</u>	<u>(2,037,873)</u>	<u>53,797,086</u>	<u>8,845,663</u>
4,795,124	8,497,478	13,292,602	1,422,340
<u>65,131,518</u>	<u>89,842,736</u>	<u>154,974,254</u>	<u>26,662,708</u>
<u>\$ 69,926,642</u>	<u>\$ 98,340,214</u>	<u>\$ 168,266,856</u>	<u>\$ 28,085,048</u>

CITY OF VICTORIA, TEXAS

BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2018

	<u>General</u>	<u>Debt Service</u>	<u>Hurricane Program Grant</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 15,076,771	\$ 1,138,153	\$ -
Investments	5,137,139	-	-
Receivables (net)	7,145,819	1,076,749	7,849,461
Due from other funds	2,182,296	-	-
Inventory	430,111	-	-
Returned checks	24,745	-	-
Total assets	<u>\$ 29,996,881</u>	<u>\$ 2,214,902</u>	<u>\$ 7,849,461</u>
LIABILITIES			
Accounts payable	\$ 569,472	\$ -	\$ 5,451
Accrued expenditures	2,449,160	-	-
Accrued compensated absences	6,918	-	-
Due to other governments	106,308	-	-
Due to other funds	983,927	-	7,197,776
Unearned revenue	955,477	-	-
Total liabilities	<u>5,071,262</u>	<u>-</u>	<u>7,203,227</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	4,047,413	1,076,749	927,007
Total deferred inflows of resources	<u>4,047,413</u>	<u>1,076,749</u>	<u>927,007</u>
FUND BALANCES			
Nonspendable			
Inventory	430,111	-	-
Restricted	-	1,138,153	-
Committed	1,172,590	-	-
Unassigned	19,275,505	-	(280,773)
Total fund balances	<u>20,878,206</u>	<u>1,138,153</u>	<u>(280,773)</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 29,996,881</u>	<u>\$ 2,214,902</u>	<u>\$ 7,849,461</u>

The accompanying notes are an integral part of this statement.

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 5,552,387	\$ 21,767,311
-	5,137,139
495,027	16,567,056
749,590	2,931,886
-	430,111
-	24,745
<u>\$ 6,797,004</u>	<u>\$ 46,858,248</u>
\$ 301,232	\$ 876,155
12,058	2,461,218
-	6,918
-	106,308
521,458	8,703,161
141,062	1,096,539
<u>975,810</u>	<u>13,250,299</u>
<u>-</u>	<u>6,051,169</u>
<u>-</u>	<u>6,051,169</u>
-	430,111
5,821,194	6,959,347
-	1,172,590
-	18,994,732
<u>5,821,194</u>	<u>27,556,780</u>
<u>\$ 6,797,004</u>	<u>\$ 46,858,248</u>

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

September 30, 2018

Total governmental fund balances		\$ 27,556,780
<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.		11,983,190
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.		3,341,938
Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (for example, receivables) are offset by unavailable revenues in the governmental funds and thus are not included in fund balance.		2,709,231
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	\$ 350,910,925	
Accumulated depreciation of governmental capital assets	<u>(209,199,408)</u>	141,711,517
Deferred outflows of resources are not reported in the governmental funds:		
Deferred amount on refunding	3,999,770	
Deferred outflow related to pension	3,319,959	
Deferred outflow related to OPEB	<u>807,518</u>	8,127,247
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	(74,705,000)	
Premiums on bonds payable	(5,571,287)	
Accrued interest on the bonds	(368,050)	
Compensated absences	(1,303,837)	
Net pension liability	(28,832,116)	
OPEB liability	<u>(10,650,777)</u>	(121,431,067)
Deferred inflows of resources are not reported in the governmental funds:		
Deferred inflow related to pension	(3,981,083)	
Deferred inflow related to OPEB	<u>(91,111)</u>	(4,072,194)
Net position of governmental activities		<u>\$ 69,926,642</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, 2018

	General	Debt Service	Hurricane Program Grant
REVENUES			
Taxes	\$ 38,507,478	\$ 9,389,189	\$ -
Licenses and permits	1,569,257	-	-
Intergovernmental	2,182,246	166,513	7,585,064
Charges for services	2,814,566	-	-
Fines and forfeitures	1,073,462	-	-
Investment income	352,290	101,204	9,580
Miscellaneous	272,532	-	837,729
Total revenues	<u>46,771,831</u>	<u>9,656,906</u>	<u>8,432,373</u>
EXPENDITURES			
Current			
General government	3,480,069	-	-
Public safety	27,476,695	-	7,084,325
Development	6,616,191	-	-
Building services	534,738	-	-
Recreation	4,896,417	-	-
Capital outlay	-	-	-
Debt service			
Principal retirement	-	8,070,000	-
Interest and fiscal charges	-	2,853,773	-
Paying agents' fees, issue costs, and arbitrage rebate premiums	-	286,440	-
Total expenditures	<u>43,004,110</u>	<u>11,210,213</u>	<u>7,084,325</u>
Excess (deficiency) of revenues over expenditures	3,767,721	(1,553,307)	1,348,048
OTHER FINANCING SOURCES (USES)			
Bonds issued	-	21,880,000	-
Premium on issuance of bonds	-	3,261,804	-
Payment to escrow	-	(24,863,501)	-
Transfers in	3,921,042	1,266,392	-
Transfers out	(3,235,092)	-	-
Total other financing sources (uses)	<u>685,950</u>	<u>1,544,695</u>	<u>-</u>
Change in fund balances	4,453,671	(8,612)	1,348,048
Fund balances at beginning of year	16,424,535	1,146,765	(1,628,821)
Fund balances at end of year	<u>\$ 20,878,206</u>	<u>\$ 1,138,153</u>	<u>\$ (280,773)</u>

The accompanying notes are an integral part of this statement.

Other Governmental Funds	Total Governmental Funds
\$ 1,935,552	\$ 49,832,219
-	1,569,257
2,834,242	12,768,065
-	2,814,566
77,868	1,151,330
76,873	539,947
2,150,381	3,260,642
<u>7,074,916</u>	<u>71,936,026</u>
586,776	4,066,845
645,401	35,206,421
-	6,616,191
-	534,738
1,093,846	5,990,263
5,070,953	5,070,953
-	8,070,000
-	2,853,773
-	286,440
<u>7,396,976</u>	<u>68,695,624</u>
(322,060)	3,240,402
-	21,880,000
-	3,261,804
-	(24,863,501)
3,527,418	8,714,852
(2,980,172)	(6,215,264)
<u>547,246</u>	<u>2,777,891</u>
225,186	6,018,293
<u>5,596,008</u>	<u>21,538,487</u>
<u>\$ 5,821,194</u>	<u>\$ 27,556,780</u>

CITY OF VICTORIA, TEXAS**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES***For the year ended September 30, 2018*

Total net change in fund balances - governmental funds	\$ 6,018,293
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Amounts reported for governmental activities in the statement of activities are different because:

Internal service funds are used by the City to charge the costs of certain activities, such as insurance and vehicle and equipment services, to individual funds. The net activity of the internal service funds are reported with governmental activities.	(1,311,580)
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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	\$ 5,709,898	
Depreciation expense	<u>(13,643,035)</u>	(7,933,137)

The net effect of various transactions involving capital assets (i.e., transfers, contributions, adjustments and dispositions) is to increase (decrease) net position.	2,011,160
--	-----------

Issuance of debt provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.

Bonds at par value	(21,880,000)	
(Premium) discount	<u>(3,261,804)</u>	(25,141,804)

Payment to the escrow agent to refund bonds from refunding proceeds reduces long-term liabilities.	24,863,501
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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	8,070,000
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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	285,797	
Other revenues	<u>(920,926)</u>	(635,129)

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	(14,693)	
Decrease in accrued interest	70,951	
Decrease in loss on bond refunding	(518,799)	
Decrease in bond premium	542,443	
Net pension costs	(1,400,703)	
Net OPEB costs	<u>174,621</u>	<u>(1,146,180)</u>

Change in net position of governmental activities	\$ 4,795,124
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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, 2018

	Business-type Activities			Total	Governmental Activities Internal Service Funds
	Water and Wastewater	Environmental Services	Other Enterprise Funds		
ASSETS					
Current assets					
Cash and cash equivalents	\$ 9,305,400	\$ 3,976,843	\$ 1,419,094	\$ 14,701,337	\$ 2,904,299
Investments	250,239	-	-	250,239	989,000
Receivables (net)	2,290,258	257,219	51,919	2,599,396	77,185
Due from other funds	2,697,776	2,500,000	113,475	5,311,251	626,167
Due from component unit	2,549,419	-	-	2,549,419	-
Inventory	142,863	-	17,502	160,365	165,457
Returned checks	-	-	1,520	1,520	-
Restricted assets					
Cash and cash equivalents	1,994,002	2,583,050	283,605	4,860,657	34,000
Total current assets	19,229,957	9,317,112	1,887,115	30,434,184	4,796,108
Noncurrent assets					
Capital assets					
Land and other assets not being depreciated	4,758,029	834,981	1,543,250	7,136,260	173,175
Buildings, improvements, and equipment (net)	130,257,972	1,301,720	4,046,189	135,605,881	8,394,152
Net capital assets	135,016,001	2,136,701	5,589,439	142,742,141	8,567,327
Total noncurrent assets	135,016,001	2,136,701	5,589,439	142,742,141	8,567,327
Total assets	154,245,958	11,453,813	7,476,554	173,176,325	13,363,435
DEFERRED OUTFLOWS OF RESOURCES					
Deferred amount on refunding	1,485,731	-	-	1,485,731	-
Deferred outflow related to pension	515,817	112,700	-	628,517	-
Deferred outflow related to OPEB	120,350	26,532	-	146,882	-
Total deferred outflows of resources	2,121,898	139,232	-	2,261,130	-

	Business-type Activities			Total	Governmental Activities Internal Service Funds
	Water and Wastewater	Environmental Services	Other Enterprise Funds		
LIABILITIES					
Current liabilities					
Accounts payable	\$ 475,536	\$ 185,035	\$ 61,029	\$ 721,600	\$ 435,630
Accounts payable (payable from restricted assets)	582,423	-	-	582,423	-
Accrued expenses	292,019	64,348	42,525	398,892	52,378
Accrued compensated absences	6,142	1,072	120	7,334	1,544
Due to other governments	-	36,595	-	36,595	-
Due to other funds	89,127	20,366	28,575	138,068	28,075
Due to component unit	-	28,576	-	28,576	-
Customer deposits	-	-	29,094	29,094	-
Claims payable	-	-	-	-	815,411
Accrued interest payable	749,002	-	-	749,002	-
Current portion of revenue bonds	7,155,000	-	-	7,155,000	-
Current portion of capital lease	-	-	81,902	81,902	-
Total current liabilities	9,349,249	335,992	243,245	9,928,486	1,333,038
Noncurrent liabilities					
Revenue bonds (net of unamortized deferred amounts)	54,826,864	-	-	54,826,864	-
Capital lease payable	-	-	286,819	286,819	-
Accrued compensated absences	187,787	32,767	3,672	224,226	47,207
Net pension liability	4,297,045	947,326	-	5,244,371	-
OPEB liability	1,587,357	349,949	-	1,937,306	-
Estimated landfill closure and postclosure care cost	-	4,137,543	-	4,137,543	-
Total noncurrent liabilities	60,899,053	5,467,585	290,491	66,657,129	47,207
Total liabilities	70,248,302	5,803,577	533,736	76,585,615	1,380,245
DEFERRED INFLOWS OF RESOURCES					
Deferred inflow related to pension	389,274	105,779	-	495,053	-
Deferred inflow related to OPEB	13,579	2,994	-	16,573	-
Total deferred inflows of resources	402,853	108,773	-	511,626	-
NET POSITION					
Net investment in capital assets	75,019,296	2,136,701	5,220,718	82,376,715	8,567,327
Unrestricted net position	10,697,405	3,543,994	1,722,100	15,963,499	3,415,863
Total net position	\$ 85,716,701	\$ 5,680,695	\$ 6,942,818	\$ 98,340,214	\$ 11,983,190

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, 2018

	Business-type Activities		
	Water and Wastewater	Environmental Services	Other Enterprise Funds
OPERATING REVENUES			
Charges for services	\$ 25,930,519	\$ 4,542,379	\$ 1,185,929
Miscellaneous	10,832	961,678	-
Total operating revenues	<u>25,941,351</u>	<u>5,504,057</u>	<u>1,185,929</u>
OPERATING EXPENSES			
Personnel	4,427,979	1,189,519	709,646
Materials and supplies	1,352,061	220,001	172,160
Maintenance	993,501	20,160	63,747
Heat, lights and power	1,142,503	15,695	157,974
Reinsurance premiums	-	-	-
Miscellaneous services	1,143,699	1,332,750	130,089
Contractual services	712,308	142,654	63,868
Computer services	128,203	50,639	15,237
Court costs, judgments and damages	-	-	-
Claims expense	-	-	-
OPEB trust expense	-	-	-
Wellness program	-	-	-
Tipping fees	-	1,063,469	-
Landfill closure and postclosure care cost	-	101,045	-
Depreciation	7,099,157	340,082	500,079
Total operating expenses	<u>16,999,411</u>	<u>4,476,014</u>	<u>1,812,800</u>
Operating income (loss) before nonoperating revenues (expenses), contributions and transfers	8,941,940	1,028,043	(626,871)
NONOPERATING REVENUES (EXPENSES)			
Investment income	177,060	105,724	12,549
Interest and fiscal charges	(2,230,236)	-	(10,540)
Gain (loss) on disposition of capital assets	365,502	161	719
Net nonoperating revenues (expenses)	<u>(1,687,674)</u>	<u>105,885</u>	<u>2,728</u>
Income before contributions and transfers	7,254,266	1,133,928	(624,143)
Contributions and transfers			
Capital contributions	3,433,015	-	-
Transfers in	-	-	590,300
Transfers out	<u>(2,624,900)</u>	<u>(595,167)</u>	<u>(69,821)</u>
Total contributions and transfers	<u>808,115</u>	<u>(595,167)</u>	<u>520,479</u>
Change in net position	8,062,381	538,761	(103,664)
Total net position at beginning of year, as restated	<u>77,654,320</u>	<u>5,141,934</u>	<u>7,046,482</u>
Total net position at end of year	<u>\$ 85,716,701</u>	<u>\$ 5,680,695</u>	<u>\$ 6,942,818</u>

The accompanying notes are an integral part of this statement.

<u>Total</u>	<u>Governmental Activities Internal Service Funds</u>
\$ 31,658,827	\$ 14,468,432
972,510	267,161
<u>32,631,337</u>	<u>14,735,593</u>
6,327,144	1,245,070
1,744,222	1,139,741
1,077,408	715,695
1,316,172	23,291
-	1,099,896
2,606,538	861,449
918,830	1,614,303
194,079	51,223
-	32,847
-	6,872,030
-	200,000
-	13,309
1,063,469	-
101,045	-
7,939,318	2,437,718
<u>23,288,225</u>	<u>16,306,572</u>
9,343,112	(1,570,979)
295,333	48,954
(2,240,776)	-
366,382	10,445
<u>(1,579,061)</u>	<u>59,399</u>
7,764,051	(1,511,580)
3,433,015	-
590,300	200,000
<u>(3,289,888)</u>	<u>-</u>
733,427	200,000
8,497,478	(1,311,580)
89,842,736	13,294,770
<u>\$ 98,340,214</u>	<u>\$ 11,983,190</u>

CITY OF VICTORIA, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended September 30, 2018

	Business-type Activities		
	Water and Wastewater	Environmental Services	Other Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers/other funds	\$ 25,839,402	\$ 5,574,447	\$ 1,137,397
Cash paid to suppliers for goods and services	(5,712,957)	(2,782,017)	(662,794)
Cash paid to employees for services	(5,721,145)	(1,357,133)	(682,296)
Net cash provided (used) by operating activities	<u>14,405,300</u>	<u>1,435,297</u>	<u>(207,693)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Increase (decrease) in customer deposits	-	-	(2,336)
Borrowings from (to) other funds	(2,899,691)	(2,230,529)	28,724
Borrowings from (to) component unit	-	2,098	-
Transfers in from other funds	-	-	590,300
Transfers out to other funds	(2,624,900)	(595,167)	(69,821)
Net cash provided (used) by noncapital financing activities	<u>(5,524,591)</u>	<u>(2,823,598)</u>	<u>546,867</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(5,215,298)	(115,700)	(52,706)
Proceeds from capital grants and contributions	883,596	-	-
Proceeds from sale of capital assets	370,150	161	719
Principal paid on capital debt	(6,885,000)	-	(59,577)
Interest paid on capital debt	(2,372,575)	-	(10,540)
Net cash provided (used) by capital and related financing activities	<u>(13,219,127)</u>	<u>(115,539)</u>	<u>(122,104)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	-	-	-
Proceeds from sales and maturities of investments	5,416,530	1,248,000	-
Investment income	177,060	105,724	12,549
Net cash provided (used) by investing activities	<u>5,593,590</u>	<u>1,353,724</u>	<u>12,549</u>
Net increase (decrease) in cash and cash equivalents	1,255,172	(150,116)	229,619
Cash and cash equivalents at beginning of year	<u>10,044,230</u>	<u>6,710,009</u>	<u>1,473,080</u>
Cash and cash equivalents at end of year	<u>\$ 11,299,402</u>	<u>\$ 6,559,893</u>	<u>\$ 1,702,699</u>

The accompanying notes are an integral part of this statement.

<u>Total</u>	<u>Governmental Activities Internal Service Funds</u>
\$ 32,551,246	\$ 14,874,406
(9,157,768)	(13,132,244)
<u>(7,760,574)</u>	<u>(1,269,547)</u>
15,632,904	472,615
(2,336)	-
(5,101,496)	-
2,098	-
590,300	200,000
<u>(3,289,888)</u>	<u>-</u>
(7,801,322)	200,000
(5,383,704)	(2,158,537)
883,596	-
371,030	15,252
(6,944,577)	-
<u>(2,383,115)</u>	<u>-</u>
(13,456,770)	(2,143,285)
-	(493,000)
6,664,530	1,987,391
295,333	48,954
<u>6,959,863</u>	<u>1,543,345</u>
1,334,675	72,675
<u>18,227,319</u>	<u>2,865,624</u>
\$ 19,561,994	\$ 2,938,299

(continued)

CITY OF VICTORIA, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended September 30, 2018

	Business-type Activities		
	Water and Wastewater	Environmental Services	Other Enterprise Funds
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 8,941,940	\$ 1,028,043	\$ (626,871)
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation	7,099,157	340,082	500,079
Changes in assets and liabilities			
(Increase) decrease in accounts receivable	(100,148)	40,139	-
(Increase) decrease in other receivables	(1,801)	30,251	(48,532)
(Increase) decrease in inventory	29,732	-	(17,502)
(Increase) decrease in due from other funds	-	-	-
(Increase) decrease in prepaid items	-	-	-
(Increase) decrease in deferred outflows related to pension	1,121,434	216,195	-
(Increase) decrease in deferred outflows related to OPEB	(41,013)	(9,156)	-
Increase (decrease) in accounts payable	(270,414)	73,848	(42,217)
Increase (decrease) in accrued expenses	11,614	(6,320)	29,129
Increase (decrease) in due to other funds	-	-	-
Increase (decrease) in compensated absences	(12,972)	(10,020)	(1,779)
Increase (decrease) in due to other governments	-	(10,497)	-
Increase (decrease) in claims payable	-	-	-
Increase (decrease) in net pension liability	(2,615,034)	(437,754)	-
Increase (decrease) in OPEB liability	(63,467)	(8,003)	-
Increase (decrease) in landfill closure and postclosure care cost	-	101,045	-
Increase (decrease) in deferred inflows related to pension	292,693	84,450	-
Increase (decrease) in deferred inflows related to OPEB	13,579	2,994	-
Total adjustments	<u>5,463,360</u>	<u>407,254</u>	<u>419,178</u>
Net cash provided (used) by operating activities	<u>\$ 14,405,300</u>	<u>\$ 1,435,297</u>	<u>\$ (207,693)</u>
Reconciliation of cash and cash equivalents			
Unrestricted			
Cash and cash equivalents	\$ 9,305,400	\$ 3,976,843	\$ 1,419,094
Restricted			
Cash and cash equivalents	<u>1,994,002</u>	<u>2,583,050</u>	<u>283,605</u>
Total	<u>\$ 11,299,402</u>	<u>\$ 6,559,893</u>	<u>\$ 1,702,699</u>
Noncash capital and related financing activities			
Assets acquired from capital lease	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 428,298</u>

The accompanying notes are an integral part of this statement.

<u>Total</u>	<u>Governmental Activities Internal Service Funds</u>
\$ 9,343,112	\$ (1,570,979)
7,939,318	2,437,718
(60,009)	-
(20,082)	352,238
12,230	(18,521)
-	(222,271)
-	74,133
1,337,629	-
(50,169)	-
(238,783)	112,943
34,423	(16,990)
-	8,846
(24,771)	(7,487)
(10,497)	-
-	(677,015)
(3,052,788)	-
(71,470)	-
101,045	-
377,143	-
16,573	-
<u>6,289,792</u>	<u>2,043,594</u>
<u>\$ 15,632,904</u>	<u>\$ 472,615</u>
\$ 14,701,337	\$ 2,904,299
<u>4,860,657</u>	<u>34,000</u>
<u>\$ 19,561,994</u>	<u>\$ 2,938,299</u>
<u>\$ 428,298</u>	<u>\$ -</u>

(concluded)

CITY OF VICTORIA, TEXAS

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

September 30, 2018

	Retiree Health Care Plan Trust	Agency
ASSETS		
Cash and cash equivalents	\$ 18,679	\$ 74,324
Investments	1,826,610	-
Receivables (net)		
Accrued income	9	-
Prepaid items	-	488
Total assets	<u>1,845,298</u>	<u>\$ 74,812</u>
LIABILITIES		
Liabilities		
Accounts payable	-	\$ 2,167
Due to other agencies	-	72,645
Total liabilities	<u>-</u>	<u>\$ 74,812</u>
NET POSITION		
Restricted for OPEB	<u>\$ 1,845,298</u>	

The accompanying notes are an integral part of this statement.

CITY OF VICTORIA, TEXAS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUNDS

For the year ended September 30, 2018

	<u>Retiree Health Care Plan Trust</u>
ADDITIONS	
Miscellaneous	
Employer contributions	\$ 1,000,080
Investment income	
Net appreciation in fair value of investments	197,923
Dividends	36,915
Interest income	91
Total additions	<u>1,235,009</u>
DEDUCTIONS	
Benefit payments	858,080
OPEB Plan administrative expense	8,160
Total deductions	<u>866,240</u>
Changes in net position	368,769
Net position - beginning	<u>1,476,529</u>
Net position - ending	<u>\$ 1,845,298</u>

The accompanying notes are an integral part of this statement.

CITY OF VICTORIA, TEXAS
STATEMENT OF NET POSITION
COMPONENT UNITS
September 30, 2018

	Sales Tax Development Corporation	Victoria Special Events Assoc., Inc.	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 22,740,185	\$ 1,000	\$ 22,741,185
Receivables (net)			
Sales taxes	678,075	-	678,075
Due from primary government	28,576	-	28,576
Total current assets	<u>23,446,836</u>	<u>1,000</u>	<u>23,447,836</u>
Noncurrent assets			
Capital assets			
Land and other assets not being depreciated	5,236,634	-	5,236,634
Buildings, improvements, and equipment (net)	2,453,799	60,219	2,514,018
Total noncurrent assets	<u>7,690,433</u>	<u>60,219</u>	<u>7,750,652</u>
Total assets	<u>31,137,269</u>	<u>61,219</u>	<u>31,198,488</u>
LIABILITIES			
Current liabilities			
Accounts payable	564,021	-	564,021
Due to primary government	2,549,419	-	2,549,419
Total liabilities	<u>3,113,440</u>	<u>-</u>	<u>3,113,440</u>
NET POSITION			
Net investment in capital assets	7,690,433	60,219	7,750,652
Unrestricted	20,333,396	1,000	20,334,396
Total net position	<u>\$ 28,023,829</u>	<u>\$ 61,219</u>	<u>\$ 28,085,048</u>

The accompanying notes are an integral part of this statement.



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CITY OF VICTORIA, TEXAS
STATEMENT OF ACTIVITIES
COMPONENT UNITS
For the year ended September 30, 2018

<u>Function/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Component Units				
Sales Tax Development Corporation	\$ 7,400,171	\$ -	\$ -	\$ -
Victoria Special Events Assoc., Inc.	33,152	10,000	-	-
Total component units	<u>\$ 7,433,323</u>	<u>\$ 10,000</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 Special Events Assoc., Inc.	Total
\$ (7,400,171)	\$ -	\$ (7,400,171)
<u>-</u>	<u>(23,152)</u>	<u>(23,152)</u>
<u>(7,400,171)</u>	<u>(23,152)</u>	<u>(7,423,323)</u>
8,468,187	-	8,468,187
<u>377,476</u>	<u>-</u>	<u>377,476</u>
<u>8,845,663</u>	<u>-</u>	<u>8,845,663</u>
1,445,492	(23,152)	1,422,340
<u>26,578,337</u>	<u>84,371</u>	<u>26,662,708</u>
<u>\$ 28,023,829</u>	<u>\$ 61,219</u>	<u>\$ 28,085,048</u>

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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

The City's basic financial statements include the accounts of all City operations. The criteria for including legally separate organizations as component units within the City's reporting entity are set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

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, Victoria Health Facilities Development Corporation, and Health Authority for Victoria County Public Health Department. The advisory boards and commissions are appointed, partially or entirely, by the City Council; however, these boards and commissions do not perform any financial activity.

Included in the reporting entity:

The component units column in the financial statements includes the financial data from two component units. These component units are reported in a separate column to emphasize that they are legally separate from the City. The component unit column is made of the following:

1. The Sales Tax Development Corporation was created for the purpose of aiding, assisting and acting on behalf of the City in undertaking and completing projects to acquire and improve drainage, water and sewage, streets and roads, parks and recreational facilities, and public safety facilities. All powers of the Corporation are vested in the Board of Directors consisting of three members of the City Council and four individuals appointed by the City Council. The Board of Directors operates at the direction of the City Council. The City is able to impose its will on the Corporation by approving its annual budgets and bonded debt issuance. This entity is reported as a governmental fund type.

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

A. Reporting Entity - (Continued)

2. The Victoria Special Events 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 Special Events 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.

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.

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers property taxes as available if they are collected within 60 days after year-end. A 120-day availability period is used for recognition of all other Governmental Fund revenues. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, fines, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

The Hurricane Program Grant, a special revenue fund, accounts 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 fund also accounts for insurance proceeds for recovery of damages to City assets. The current funds received were for Hurricane Harvey.

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.

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

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

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.

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.

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

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

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 \$2,806,752. In addition, the encumbrances outstanding at September 30, 2017 were carried forward to fiscal year 2018 through a supplemental budgetary allocation which amounted to \$867,206.
5. Budgets for the General, Special Revenue, Debt Service, Capital Projects, and all Proprietary Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended by the City Council during the fiscal year. Unlike the governmental funds, the proprietary funds use the accrual basis of accounting in adopting its budget. Budget comparisons are presented in the accompanying financial statements for the funds with appropriated budgets, which are the General Fund, Debt Service Fund, and Capital Project Funds.
6. The Debt Service Fund is budgeted by debt service issues.
7. The Capital Project Funds are budgeted on a project basis. Annually the City Council budgets only those portions of projects that have not been previously appropriated, along with new appropriations for new projects.

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

D. Budgets and Budgetary Accounting - (Continued)

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, 2018, 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.

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

Certain payments to vendors reflect costs applicable to future accounting periods. These payments are reported as prepaid items in the fund financial statements and in the government-wide statements.

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

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.

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.

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

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

In addition to assets, the statement of financial position and/or balance sheet reports a separate section for deferred outflows of resources. 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 the following items that qualify for reporting in this category.

- Deferred charges on refunding – A deferred charge 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.
- Pension/OPEB contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.
- Differences between actuarial assumptions used and actual experience for determination of pension or OPEB liability – These differences are deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Changes in actuarial assumptions used to determine pension or OPEB liability – This difference is deferred and amortized over the estimated average remaining lives of all members determined as of the measurement date.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report 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. This year, the City has the following items that qualify for reporting in this category.

- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five year period.
- Difference in expected and actual pension or OPEB experience is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Changes in actuarial assumptions used to determine pension or OPEB liability – This difference is deferred and amortized over the estimated average remaining lives of all members determined as of the measurement date.

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

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.

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.

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

O. Fund Balance Policies - (Continued)

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 Capital Project Funds. There were several situations of expenditures exceeding the amount appropriated during the fiscal year 2017-2018.

<u>Fund/Department</u>	<u>Budget</u>	<u>Actual</u>	<u>Negative Variance</u>
General Fund			
City Manager and Council	\$ 593,482	\$ 594,193	\$ 711
Finance	621,011	638,731	17,720
Non-departmental	943,966	954,918	10,952
Municipal Court	357,161	366,920	9,759
Nonmajor Funds			
Capital Const. Fund (3035)			
Capital outlay	896,897	905,574	8,677
Transfers out	163,688	170,612	6,924

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, 2018, encumbrances in the amount of \$1,172,590 were reported as committed fund balance in the General Fund.

Deficit Fund Equity

As of September 30, 2018, the Hurricane Program Grant Fund (a Major Special Revenue Fund) had a deficit fund equity balance of \$280,773 and the Safety Management Fund (an Internal Service Fund) had a deficit fund equity balance of \$3,378. These deficits will be eliminated in the 2019 fiscal year.

NOTE 3: DEPOSITS AND INVESTMENTS

Deposits

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 \$15,165,007.

At September 30, 2018, the carrying amount of the City's deposits was \$11,989,272 and the respective bank balances totaled \$9,957,904. The City's cash on hand totaled \$5,800.

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, 2018, 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	\$ 4,395,479	\$ -	\$ 4,395,479	\$ -
Negotiable Certificates of Deposits	989,000	-	989,000	-
U.S. Agencies	991,899	-	991,899	-
Total	\$ 6,376,378	\$ -	\$ 6,376,378	\$ -

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, 2018, 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	\$ 4,395,479	\$ 1,680,000	\$ 2,715,479	\$ -	\$ -
Negotiable Certificates of Deposits	989,000	-	989,000	-	-
U.S. Agencies	991,899	991,899	-	-	-
Total	\$ 6,376,378	\$ 2,671,899	\$ 3,704,479	\$ -	\$ -

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, 2018, the Reporting Entity's investments had the following quality ratings:

Investment Type	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
Municipal/Public Bonds	\$ 4,395,479	\$ 255,000	\$ 2,460,479	\$ 1,680,000	\$ -
Negotiable Certificates of Deposits	989,000	-	-	-	989,000
U.S. Agencies	991,899	991,989	-	-	-
Total	\$ 6,376,378	\$ 1,246,989	\$ 2,460,479	\$ 1,680,000	\$ 989,000

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, 2018, and for the year then ended, the City was not exposed to any custodial credit risk.

NOTE 4: RECEIVABLES

Receivables at September 30, 2018 consist of the following:

	General	Debt Service	Hurricane Program Grant	Water and Wastewater	Environmental Services	Nonmajor and Other Funds	Total
Gross receivables:							
Accounts	\$ -	\$ -	\$ -	\$ 2,375,039	\$ 269,683	\$ -	\$ 2,644,722
Ad valorem taxes	2,970,022	1,133,420	-	-	-	-	4,103,442
Franchise taxes	837,547	-	-	-	-	-	837,547
Sales taxes	1,356,150	-	-	-	-	-	1,356,150
Weedy lots	2,681,736	-	-	-	-	-	2,681,736
Ambulance	1,779,001	-	-	-	-	-	1,779,001
Fines	1,713,799	-	-	-	-	-	1,713,799
Other	1,033,914	-	7,849,461	13,871	19,450	624,131	9,540,827
Total gross receivables	12,372,169	1,133,420	7,849,461	2,388,910	289,133	624,131	24,657,224
Less: allowances	5,226,350	56,671	-	98,652	31,914	-	5,413,587
Total net receivables	\$ 7,145,819	\$ 1,076,749	\$ 7,849,461	\$ 2,290,258	\$ 257,219	\$ 624,131	\$ 19,243,637

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, 2018, was \$0.5952 per \$100, which means that the City has a tax margin of \$1.4048 per \$100 and could raise up to \$59,422,614 on \$4,229,969,698 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	\$ 2,265,189	\$ -	\$ 2,265,189
Weedy lots	397,377	-	397,377
Ambulance	782,761	-	782,761
Fines	602,086	-	602,086
Franchise fees	-	955,477	955,477
Grants	927,007	-	927,007
Debt Service Fund			
Ad valorem taxes receivable	1,076,749	-	1,076,749
Nonmajor Funds			
Grants	-	141,062	141,062
	<u>\$ 6,051,169</u>	<u>\$ 1,096,539</u>	<u>\$ 7,147,708</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, 2018, total assets were \$378,311, total liabilities were \$37,316, total fund net position was \$340,995, total support and revenues were \$706,109 and total expenses were \$689,756. Excess revenue over expenses resulted in a net income of \$16,353. The amount contributed by the City for years ended September 30, 2018 and 2017, was \$125,000 and \$182,643, 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, 2018, 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	<u>8,104,183</u>	<u>5,018,054</u>	<u>10,649,900</u>	<u>2,472,337</u>
Total capital assets not being depreciated	<u>12,494,020</u>	<u>5,018,054</u>	<u>10,649,900</u>	<u>6,862,174</u>
Capital assets, being depreciated				
Machinery and equipment	58,533,062	2,826,666	2,548,279	58,811,449
Buildings	19,664,558	1,651,448	14,645	21,301,361
Improvements other than buildings	7,326,455	525,078	13,075	7,838,458
Infrastructure	<u>275,862,628</u>	<u>10,553,523</u>	<u>-</u>	<u>286,416,151</u>
Total capital assets being depreciated	<u>361,386,703</u>	<u>15,556,715</u>	<u>2,575,999</u>	<u>374,367,419</u>
Less accumulated depreciation for				
Machinery and equipment	45,264,214	3,676,481	2,504,860	46,435,835
Buildings	10,144,513	1,194,922	14,645	11,324,790
Improvements other than buildings	4,561,293	320,078	6,415	4,874,956
Infrastructure	<u>157,425,897</u>	<u>10,889,271</u>	<u>-</u>	<u>168,315,168</u>
Total accumulated depreciation	<u>217,395,917</u>	<u>16,080,752</u>	<u>2,525,920</u>	<u>230,950,749</u>
Total capital assets being depreciated, net	<u>143,990,786</u>	<u>(524,037)</u>	<u>50,079</u>	<u>143,416,670</u>
Governmental activities capital assets, net	<u>\$156,484,806</u>	<u>\$ 4,494,017</u>	<u>\$10,699,979</u>	<u>\$150,278,844</u>

NOTE 6: CAPITAL ASSETS - (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets, not being depreciated				
Land	\$ 5,569,177	\$ -	\$ -	\$ 5,569,177
Construction in progress	<u>29,294,915</u>	<u>2,718,153</u>	<u>30,445,985</u>	<u>1,567,083</u>
Total capital assets not being depreciated	<u>34,864,092</u>	<u>2,718,153</u>	<u>30,445,985</u>	<u>7,136,260</u>
Capital assets, being depreciated				
Machinery and equipment	5,828,346	841,547	160,001	6,509,892
Buildings	47,170,387	19,142	-	47,189,529
Improvements other than buildings	3,195,251	858,668	-	4,053,919
Infrastructure	1,793,382	-	-	1,793,382
Water and wastewater distribution system	<u>169,239,439</u>	<u>31,181,540</u>	<u>-</u>	<u>200,420,979</u>
Total capital assets being depreciated	<u>227,226,805</u>	<u>32,900,897</u>	<u>160,001</u>	<u>259,967,701</u>
Less accumulated depreciation for				
Machinery and equipment	4,535,195	558,517	155,383	4,938,329
Buildings	21,752,095	1,725,996	-	23,478,091
Improvements other than buildings	1,861,930	25,401	-	1,887,331
Infrastructure	1,102,708	147,651	-	1,250,359
Water and wastewater distribution system	<u>87,325,957</u>	<u>5,481,753</u>	<u>-</u>	<u>92,807,710</u>
Total accumulated depreciation	<u>116,577,885</u>	<u>7,939,318</u>	<u>155,383</u>	<u>124,361,820</u>
Total capital assets being depreciated, net	<u>110,648,920</u>	<u>24,961,579</u>	<u>4,618</u>	<u>135,605,881</u>
Business-type activities capital assets, net	<u>\$145,513,012</u>	<u>\$ 27,679,732</u>	<u>\$30,450,603</u>	<u>\$142,742,141</u>

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

Governmental activities

General government	\$ 38,280
Public safety	1,352,591
Development	11,413,903
Building services	51,846
Recreation	786,414
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>2,437,718</u>
Total depreciation expense - governmental activities	<u>\$ 16,080,752</u>

Business-type activities

Water/wastewater	\$ 7,099,157
Environmental services	340,082
Other	500,079
Total depreciation expense - business-type activities	<u>\$ 7,939,318</u>

NOTE 6: CAPITAL ASSETS - (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Sales Tax Development Corporation				
Capital assets, not being depreciated				
Land	\$ 3,928,244	\$ -	\$ -	\$ 3,928,244
Construction in progress	<u>1,205,632</u>	<u>2,159,194</u>	<u>2,056,436</u>	<u>1,308,390</u>
Total capital assets not being depreciated	<u>5,133,876</u>	<u>2,159,194</u>	<u>2,056,436</u>	<u>5,236,634</u>
Capital assets, being depreciated				
Improvements other than buildings	9,913,733	-	-	9,913,733
Infrastructure	<u>1,714,085</u>	<u>-</u>	<u>-</u>	<u>1,714,085</u>
Total capital assets being depreciated	<u>11,627,818</u>	<u>-</u>	<u>-</u>	<u>11,627,818</u>
Less accumulated depreciation for				
Improvements other than buildings	<u>8,096,941</u>	<u>1,077,078</u>	<u>-</u>	<u>9,174,019</u>
Total accumulated depreciation	<u>8,096,941</u>	<u>1,077,078</u>	<u>-</u>	<u>9,174,019</u>
Total capital assets being depreciated, net	<u>3,530,877</u>	<u>(1,077,078)</u>	<u>-</u>	<u>2,453,799</u>
Sales Tax Development Corporation capital assets, net	<u>8,664,753</u>	<u>1,082,116</u>	<u>2,056,436</u>	<u>7,690,433</u>
Victoria Special Events Assoc., Inc.				
Capital assets, being depreciated				
Machinery and equipment	\$ 36,153	\$ -	\$ -	\$ 36,153
Improvements other than buildings	<u>461,588</u>	<u>-</u>	<u>-</u>	<u>461,588</u>
Total capital assets being depreciated	<u>497,741</u>	<u>-</u>	<u>-</u>	<u>497,741</u>
Less accumulated depreciation for				
Machinery and equipment	36,153	-	-	36,153
Improvements other than buildings	<u>378,217</u>	<u>23,152</u>	<u>-</u>	<u>401,369</u>
Total accumulated depreciation	<u>414,370</u>	<u>23,152</u>	<u>-</u>	<u>437,522</u>
Total capital assets being depreciated, net	<u>83,371</u>	<u>(23,152)</u>	<u>-</u>	<u>60,219</u>
Victoria Special Events Assoc., Inc. capital assets, net	<u>83,371</u>	<u>(23,152)</u>	<u>-</u>	<u>60,219</u>
Discretely presented component units capital assets, net	<u>\$ 8,748,124</u>	<u>\$ 1,058,964</u>	<u>\$ 2,056,436</u>	<u>\$ 7,750,652</u>

NOTE 7: DEFINED BENEFIT PENSION PLAN

Plan Description

The City participates as one of 883 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the TMRS. TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the TMRS with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

All eligible employees of the City are required to participate in TMRS.

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a partial lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions of the City for plan year 2018 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, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	459
Inactive employees entitled to but not yet receiving benefits	370
Active employees	<u>579</u>
	<u>1,408</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 16.49% and 16.54% in calendar years 2017 and 2018, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2018 were \$4,967,335, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2017, 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, 2017 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, 2017, 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 2018 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%	3.90%
Real Return	10.00%	3.80%
Real Estate	10.00%	4.50%
Absolute Return	10.00%	3.75%
Private Equity	<u>5.00%</u>	7.50%
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 12/31/2016	\$ 189,284,673	\$ 144,891,099	\$ 44,393,574
Changes for the year:			
Service cost	4,100,496	-	4,100,496
Interest	12,600,532	-	12,600,532
Difference between expected and actual experience	(325,250)	-	(325,250)
Change of assumptions	-	-	-
Contributions - Employer	-	4,928,367	(4,928,367)
Contributions - Employee	-	1,793,220	(1,793,220)
Net investment income	-	20,080,623	(20,080,623)
Benefit payments, including refunds of employee contributions	(9,320,736)	(9,320,736)	-
Administrative expense	-	(104,070)	104,070
Other changes	-	(5,275)	5,275
Net changes	<u>7,055,042</u>	<u>17,372,129</u>	<u>(10,317,087)</u>
Balance at 12/31/2017	<u>\$ 196,339,715</u>	<u>\$ 162,263,228</u>	<u>\$ 34,076,487</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:	\$62,049,230	\$34,076,487	\$11,302,823

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, 2018 the City recognized pension expense of \$5,030,023.

At September 30, 2018, 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	\$ 296,299	\$ 370,781
Changes in actuarial assumptions	57,912	-
Difference between projected and actual investment earnings	-	4,105,355
Contributions subsequent to the measurement date	3,594,265	-
Total	\$ 3,948,476	\$ 4,476,136

\$3,594,265 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, 2019. 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
2018	\$ 176,640
2019	(101,232)
2020	(2,137,241)
2021	(2,060,094)
2022	-
Thereafter	-
Total	(\$4,121,927)

NOTE 8: SUPPLEMENTAL DEATH BENEFIT PLAN (OPEB)

Plan Description and Benefits Provided

TMRS administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. 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). The death benefit for retirees is considered an other postemployment benefit (OPEB) and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

Membership

At the December 31, 2017 valuation and measurement date, the following is the number of members in the plan:

Inactive employees currently receiving benefits	365
Inactive employees entitled to but not yet receiving benefits	112
Active employees	<u>579</u>
Total	<u>1,056</u>

Contributions

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. Therefore, there are no assets that are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits. The SDBF is considered an unfunded OPEB plan and benefit payments made by the City are treated as being equal to the City's yearly contribution for retirees.

The City's contribution rates for the program are as follows:

Plan/Calendar Year	Total SDB Contribution (Rate)	Retiree Portion of SDB Contribution (Rate)
2017	0.17%	0.06%
2018	0.18%	0.07%

NOTE 8: SUPPLEMENTAL DEATH BENEFIT PLAN (OPEB) - (Continued)

Total OPEB Liability

The City's total OPEB liability and the OPEB expense is recognized on the City's financial statements. The OPEB expense recognized each fiscal year is equal to the change in the total OPEB liability from the beginning of the year to the end of the year, adjusted for deferred recognition of certain changes in the liability.

Actuarial Assumptions

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

Inflation	2.5%
Salary increases	3.5% to 10.5 % including inflation
Discount rate	3.31%; based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2017
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68
Mortality rates-service retirees	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
Mortality rates-disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

Implementing GASB Statement No. 75

In the year of implementation (fiscal year ended September 30, 2018), the City made a prior period adjustment for the Total OPEB Liability as of the 12/31/16 measurement date and recorded a deferred outflow of resources for contributions recorded by the City (retiree portion of SDB rate only) from December 31, 2016 to September 30, 2017. TMRS elected not to calculate other deferrals as of the December 31, 2016 measurement date.

NOTE 8: SUPPLEMENTAL DEATH BENEFIT PLAN (OPEB) - (Continued)

Total OPEB Liability - (Continued)

Changes in Total OPEB Liability

The following details the changes in the Total OPEB liability:

Balance at 12/31/16	\$ 1,916,118
Changes for the year:	
Service cost	50,808
Interest	73,051
Change of benefit terms	-
Difference between expected and actual experience	-
Change of assumptions	173,869
Benefit payments	<u>(17,932)</u>
Net changes	<u>279,796</u>
Balance at 12/31/17	<u>\$ 2,195,914</u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the Total OPEB Liability of the City, calculated using the discount rate of 3.31%, as well as what the City's Total OPEB Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.31%) or 1-percentage-point higher (4.31%) than the current rate:

	1.0% Decrease in Discount Rate (2.31%)	Discount Rate (3.31%)	1.0% Increase in Discount Rate (4.31%)
City's Total OPEB Liability:	\$2,645,435	\$2,195,914	\$1,849,660

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2018, the City recognized OPEB expense of \$158,425.

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in actuarial assumptions	139,303	-
Contributions subsequent to the measurement date	39,115	-
Total	\$ 178,418	\$ -

NOTE 9: RETIREE HEALTH BENEFIT PLAN (OPEB)

Plan Description and Funding Policy

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"). Management of the plan is vested in the City of Victoria OPEB Advisory Board (the "Board"), which consists of four members - the City's Finance Director, Assistant Finance Director, and two City department directors. The City's Finance Director has the authority to recommend amendments to benefit terms to be voted on by the City Council.

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.

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-\$90.97 or HDHP-\$74.79, without Medicare, PPO-\$181.93 or HDHP-\$149.58; with 20 to 29 years of service and with Medicare coverage pay a monthly health premium of PPO-\$171.45 or HDHP-\$141.46, without Medicare, PPO-\$342.90 or HDHP-\$282.91.

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-\$108.81 or HDHP-\$62.46, without Medicare, PPO-\$217.62 or HDHP-\$124.92; with 10 to 19 years of service and with Medicare disability coverage pay a monthly health premium of PPO-\$185.30 or HDHP-\$131.79, without Medicare, PPO-\$370.59 or HDHP-\$263.58; with less than 10 years of service and with Medicare disability coverage pay a monthly health premium of PPO-\$222.99 or HDHP-\$166.46, without Medicare PPO-\$445.97 or HDHP-\$332.91.

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.

At the December 31, 2017 valuation and measurement date, the following represents the participants in the plan:

Inactive plan members or beneficiaries	
currently receiving benefits	158
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	<u>569</u>
Total plan members	<u>727</u>

NOTE 9: RETIREE HEALTH BENEFIT PLAN (OPEB) - (Continued)Investments

The plan's policy in regard to the allocation of invested assets is established and may be amended by the Board by a majority vote of its members. It is the policy of the Board (1) to invest assets of the plan in a manner consistent with the following standards: (a) all transactions undertaken must be for the sole interest of plan beneficiaries, and (b) assets are to be diversified in order to minimize the impact of large losses from individual investments; (2) to provide for funding and anticipated withdrawals on a continuing basis for payment of benefits and reasonable expenses of operation of the plan; (3) to enhance the value of plan assets in real terms over the long-term, to minimize principal fluctuations over the time horizon of five years or longer; and (4) to achieve a long-term level of return commensurate with contemporary economic conditions and equal to or exceeding the investment objective set forth in the performance expectations included in the plan's investment policy. In order to meet the plan's investment objectives and the best balance between risk and return for optimal diversification, the Board has adopted the following asset allocation policy:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Range</u>
Domestic Equity	39%	19%-59%
International Equity	21%	1%-41%
Other Growth Assets	0%	0%-20%
Fixed Income	40%	20%-60%
Other Income Assets	0%	0%-20%
Real Return Assets	0%	0%-20%
Cash Equivalents	0%	0%-20%
Total	100%	

There were no changes in the plan's investment policy during this reporting period. Fair value of the investments was determined by using the market approach and level one inputs were obtained to determine fair value under this approach. The internal rate of return on the plan investments was 23.59%. As of December 31, 2017, the plan had investments in one domestic equity mutual fund, three international equity mutual funds, and three fixed income mutual funds that exceeded 5% of the plan's fiduciary net position.

Net OPEB Liability*Actuarial Methods and Assumptions*

Actuarial values of the program involve estimates of the value of reported amounts and assumptions of the probability of occurrence of events far into the future. The actuarial methods and assumptions used in the December 31, 2017 valuation are as follows:

Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level Dollar
Amortization Period	Closed, 20 years as of FYE18
Asset Valuation	Market Value
Investment Rate of Return	6.50 %, net of investment expenses, including inflation
Inflation	2.5%
Salary Increases	3.50% to 10.5%, including inflation

NOTE 9: RETIREE HEALTH BENEFIT PLAN (OPEB) - (Continued)

Net OPEB Liability - (Continued)

Actuarial Methods and Assumptions - (Continued)

Demographic Assumptions	Based on the experience study covering the four-year period ending December 31, 2014 as conducted for TMRS.
Mortality	For healthy retirees, the gender-distinct RP-2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used 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.
Participation Rates	It was assumed that retirees would choose to receive retiree health care benefits through the City of Victoria according to the schedule below:

Service with Victoria as of 1/1/2009	Pre-65 Election Percentage
<10	15%
10-19	35%
20+	70%

Since retirees must be on the City's plan upon attainment of age 65 in order to be eligible for City contributions to a Retiree Reimbursement Account (RRA), the rates above were multiplied by 120% at ages 63 and 64 for those eligible for RRA contributions. In addition, it was assumed that 100% of employees retiring after the age of 65, who are eligible to receive a RRA contribution from the City, would participate.

Healthcare Cost Trend Rates	Initial rates of 7.50% declining to ultimate rates of 4.25% after 15 years.
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Implementing GASB Statement No. 75

In the year of implementation (fiscal year ended September 30, 2018), the City made a prior period adjustment for the Net OPEB Liability as of September 30, 2017.

NOTE 9: RETIREE HEALTH BENEFIT PLAN (OPEB) - (Continued)

Net OPEB Liability - (Continued)

Changes in Net OPEB Liability

The following details the changes in the Net OPEB liability:

	Total OPEB Liability	Increase (Decrease) Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2016	\$ 12,202,018	\$ 1,476,529	\$ 10,725,489
Changes for the year:			
Service cost	124,247	-	124,247
Interest	769,282	-	769,282
Difference between expected and actual experience	-	-	-
Change of assumptions	-	-	-
Employer contributions	-	1,000,080	(1,000,080)
Net investment income	-	234,929	(234,929)
Benefit payments	(858,080)	(858,080)	-
Administrative expense	-	(8,160)	8,160
Other changes	-	-	-
Net changes	<u>35,449</u>	<u>368,769</u>	<u>(333,320)</u>
Balance at 12/31/2017	<u>\$ 12,237,467</u>	<u>\$ 1,845,298</u>	<u>\$ 10,392,169</u>

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

The following presents the Net OPEB Liability of the City, calculated using the discount rate of 6.50%, as well as what the City's Net OPEB Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50%) or 1-percentage-point higher (7.50%) than the current rate:

	1.0% Decrease in Discount Rate (5.50%)	Discount Rate (6.50%)	1.0% Increase in Discount Rate (7.50%)
City's Net OPEB Liability:	\$11,357,509	\$10,392,169	\$9,537,762

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Trend Rate

The following presents the Net OPEB Liability of the City, calculated using the trend rate, as well as what the City's Total OPEB Liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1.0% Decrease in Trend Rate	Trend Rate	1.0% Increase in Trend Rate
City's Net OPEB Liability:	\$9,921,935	\$10,392,169	\$10,928,201

NOTE 9: RETIREE HEALTH BENEFIT PLAN (OPEB) - (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2018, the City recognized OPEB expense of \$774,444.

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 107,684
Changes in actuarial assumptions	-	-
Differences between projected and actual investments	-	-
Contributions subsequent to the measurement date	775,982	
Total	\$ 775,982	\$ 107,684

Deferred outflows and inflows of resources to be recognized in future OPEB expense (excluding City contributions subsequent to the measurement date) are as follows:

Year ended September 30:	OPEB Expense Amount
2019	\$ (26,921)
2020	(26,921)
2021	(26,821)
2022	(26,921)
2023	-
Thereafter	-
Total	\$ (107,684)

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 \$488,361 and \$520,050 for the fiscal years ended September 30, 2018 and 2017, 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, 2018 and 2017, the City paid health claims of \$6,765,715 and \$6,792,828. The fund incurred a net loss for the year of \$1,181,561 compared to a net loss of \$1,199,381 for the prior year.

NOTE 10: SELF-INSURANCE - (Continued)

Settlements of claims did not exceed insurance coverage for any of the past three fiscal years.

	<u>Beginning Liability</u>	<u>Current Year Claims and Changes In Estimates</u>	<u>Claim Payments</u>	<u>Ending Liability</u>
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
Fiscal Year 2018	1,287,523	6,765,715	7,382,617	670,621

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 \$144,790 and \$204,903, for the fiscal years 2017-2018 and 2016-2017, 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 of \$275,977 and \$264,291 in the fiscal years 2018 and 2017, respectively. Settlements of claims did not exceed insurance coverage for any of the past three fiscal years.

	<u>Beginning Liability</u>	<u>Current Year Claims and Changes In Estimates</u>	<u>Claim Payments</u>	<u>Ending Liability</u>
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
Fiscal Year 2018	204,903	106,315	166,428	144,790

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 2018 and 2017, total contributions from the various City funds totaled \$762,600 and \$692,409, respectively. During the fiscal years 2018 and 2017, the City paid \$611,535 and \$611,737 in reinsurance premiums and \$32,847 and \$11,881 in legal fees and claims. In addition to this, the fund incurred a net loss of (\$16,793), compared to a net loss of (\$38,807) for the prior year. Full insurance coverage was in effect for the year ended September 30, 2018. 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 2018. 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, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Bonds and certificates payable					
Certificates of obligation	\$ 41,830,000	\$ -	\$ 24,410,000	\$ 17,420,000	\$ 865,000
General obligation bonds	42,070,000	21,880,000	6,665,000	57,285,000	6,305,000
Less deferred amounts:					
Issuance premiums	<u>2,851,926</u>	<u>3,261,804</u>	<u>542,443</u>	<u>5,571,287</u>	<u>-</u>
Net bonds and certificates payable	86,751,926	25,141,804	31,617,443	80,276,287	7,170,000
Net pension liability	36,096,415	-	7,264,299	28,832,116	-
OPEB liability	10,632,832	17,945	-	10,650,777	-
Compensated absences	<u>1,353,620</u>	<u>1,952,390</u>	<u>1,946,504</u>	<u>1,359,506</u>	<u>43,055</u>
Total governmental activity long-term liabilities	<u>\$ 134,834,793</u>	<u>\$ 27,112,139</u>	<u>\$ 40,828,246</u>	<u>\$ 121,118,686</u>	<u>\$ 7,213,055</u>
Business-type activities					
Bonds payable					
Revenue bonds	\$ 64,440,000	\$ 16,760,000	\$ 24,285,000	\$ 56,915,000	\$ 7,155,000
Less deferred amounts:					
Issuance premiums	<u>4,107,453</u>	<u>2,907,261</u>	<u>1,947,850</u>	<u>5,066,864</u>	<u>-</u>
Net bonds payable	68,547,453	19,667,261	26,232,850	61,981,864	7,155,000
Capital lease payable	-	428,298	59,577	368,721	81,902
Estimated landfill closure and postclosure care cost	4,036,498	101,045	-	4,137,543	-
Net pension liability	8,297,159	-	3,052,788	5,244,371	-
OPEB liability	2,008,776	-	71,470	1,937,306	-
Compensated absences	<u>256,331</u>	<u>372,040</u>	<u>396,811</u>	<u>231,560</u>	<u>7,334</u>
Total business-type activity long-term liabilities	<u>\$ 83,146,217</u>	<u>\$ 20,568,644</u>	<u>\$ 29,813,496</u>	<u>\$ 73,901,365</u>	<u>\$ 7,244,236</u>

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

Bonds and certificates payable at September 30, 2018, are comprised of the following individual issues:

\$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%.	\$ 3,695,000
\$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%.	4,225,000
\$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%.	1,870,000
\$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%.	2,880,000
\$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%.	7,260,000
\$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%.	8,510,000
\$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%.	7,390,000
\$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%.	4,965,000
\$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%.	11,150,000
\$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%.	2,185,000
\$21,880,000 2017 General Obligation Refunding Bonds due in annual installments ranging from \$840,000 to \$2,280,000 through August 15, 2030; interest varying between 4.00% and 5.00%.	<u>20,575,000</u>
Total General Obligation Certificates and Bonds	<u>\$ 74,705,000</u>

NOTE 12: LONG-TERM DEBT - (Continued)

B. General Obligation Certificates and Bonds - (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
2019	\$ 7,170,000	\$ 2,918,398	\$ 10,088,398
2020	7,305,000	2,652,543	9,957,543
2021	7,610,000	2,376,568	9,986,568
2022	7,885,000	2,094,042	9,979,042
2023	8,175,000	1,795,907	9,970,907
2024-2028	24,830,000	5,188,735	30,018,735
2029-2033	11,000,000	1,291,443	12,291,443
2034-2035	730,000	36,000	766,000
Total	<u>\$ 74,705,000</u>	<u>\$ 18,353,636</u>	<u>\$ 93,058,636</u>

Internal service funds predominantly serve the governmental funds. Accordingly, the long-term liabilities for internal service funds are included as part of the above totals for governmental activities. At year-end, \$48,751 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**

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%.	\$ 1,150,000
\$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%.	675,000
\$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%.	8,210,000
\$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%.	1,410,000
\$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%.	6,350,000
\$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%.	5,320,000
\$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%.	4,395,000
\$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%.	3,750,000
\$9,150,000 2016 Utility System Revenue Refunding Bonds, Series 2016 due in annual installments ranging from \$80,000 to \$2,285,000 through December 1, 2027; interest varying between 2.00% and 4.00%.	8,895,000
\$16,760,000 2017 Utility System Revenue Refunding Bonds, Series 2017 due in annual installments ranging from \$235,000 to \$1,665,000 through December 1, 2034; interest varying between 4.00% and 5.00%.	<u>16,760,000</u>
Total Revenue Bonds	<u>\$ 56,915,000</u>

NOTE 12: LONG-TERM DEBT - (Continued)**C. Revenue Bonds - (Continued)**

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

Year Ending September 30	Business-type Activities		
	Principal	Interest	Total
2019	\$ 7,155,000	\$ 2,098,990	\$ 9,253,990
2020	7,425,000	1,809,495	9,234,495
2021	6,490,000	1,546,338	8,036,338
2022	5,785,000	1,335,087	7,120,087
2023	4,585,000	1,174,212	5,759,212
2024-2028	14,660,000	4,069,827	18,729,827
2029-2033	8,130,000	1,462,241	9,592,241
2034-2035	2,685,000	108,500	2,793,500
Total	\$ 56,915,000	\$ 13,604,690	\$ 70,519,690

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 \$56.9 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 (\$4,148,217) are expected to require approximately 34 percent of net revenues. Principal and interest paid for the current year and total net revenues were \$9,251,072 and \$15,401,343, respectively. The total principal and interest remaining to be paid on the bonds is \$70,519,690.

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, 2018.

D. Capital Lease

The City has entered into a lease agreement to purchase turf equipment for the Golf Course. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of inception.

The assets acquired through the capital lease are as follows:

	Business-type Activities
Machinery and equipment	\$ 428,298
	428,298
Less: Accumulated depreciation	(64,245)
	\$ 364,053

NOTE 12: LONG-TERM DEBT - (Continued)

D. Capital Lease - (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2018, are as follows:

<u>Year Ending September 30</u>	<u>Business-type Activities</u>
2019	\$ 93,489
2020	93,489
2021	93,489
2022	93,489
2023	23,372
Thereafter	<u>-</u>
Total minimum lease payments	397,328
Less: Amount representing interest	<u>(28,607)</u>
Present value of minimum lease payments	<u>\$ 368,721</u>

E. Rebatable Arbitrage

The Federal Tax Reform Act of 1986 requires issuers of tax-exempt debt to make payments to the United States Treasury of investment income received at yields that exceed the issuer's tax-exempt borrowing rates. The U.S. Treasury requires payment for each issue every five years. The estimated liability is updated annually for any tax-exempt issuances or changes in yields until such time payment of the calculated liability is due. The rebatable arbitrage liability is \$0 at September 30, 2018.

F. Refunding Bonds

In November 2017, the City issued \$16,760,000 Utility System Revenue Refunding Bonds with interest varying between 4.00% and of 5.00% to advance refund \$3,495,000 of the City's Utility System Revenue Bonds, Series 2007, which were still outstanding in the amount of \$5,740,000 with interest rates ranging from 4.40% to 5.50%, \$2,390,000 of the City's Utility System Revenue Refunding Bonds, Series 2010, which were still outstanding in the amount of \$3,495,000 with interest rates ranging from 3.375% to 4.125%, and \$11,515,000 of the City's Utility System Revenue Bonds, Series 2014, which were still outstanding in the amount of \$17,505,000 with interest rates of 5.00%. 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 \$19,425,886 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 \$927,246 and an increase in cash flow of \$1,159,339.

In December 2017, the City issued \$21,880,000 General Obligation Refunding Bonds with interest varying between 4.00% and of 5.00% to advance refund \$23,005,000 of the City's Certificates of Obligation, Taxable Series 2009B Bonds, which were still outstanding in the amount of \$23,005,000 with interest rates ranging from 4.449% to 6.124%. 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 governmental-type activities column of the statement of net position. The net proceeds available for refunding bonds in the amount of \$24,863,501 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 \$3,770,969 and an increase in cash flow of \$4,156,186.

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, 2018, were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Hurricane Program Grant	\$ 2,000,000
	Nonmajor Governmental	180,995
	Other	1,301
Water and Wastewater	Hurricane Program Grant	2,697,776
Environmental Services	Hurricane Program Grant	2,500,000
Nonmajor Governmental	General	525,586
	Nonmajor Governmental	224,004
Nonmajor Business-type	General	975
	Nonmajor Governmental	112,500
Internal Service	General	457,366
	Water and Wastewater	89,127
	Environmental Services	20,366
	Nonmajor Governmental	3,959
	Nonmajor Business-type	28,575
	Other	26,774
		<u>\$ 8,869,304</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	\$ -	\$ -	\$ 2,994,792	\$ 82,300	\$ 158,000	\$ 3,235,092
Nonmajor Govt.	671,154	1,266,392	532,626	508,000	2,000	2,980,172
Water and Wwater.	2,594,900	-	-	-	30,000	2,624,900
Environmental Srvs.	587,167	-	-	-	8,000	595,167
Nonmajor Bus.-type	67,821	-	-	-	2,000	69,821
	<u>\$ 3,921,042</u>	<u>\$ 1,266,392</u>	<u>\$ 3,527,418</u>	<u>\$ 590,300</u>	<u>\$ 200,000</u>	<u>\$ 9,505,152</u>

NOTE 14: RELATED PARTY TRANSACTIONS

During fiscal year 2018, the Sales Tax Development Corporation, a discretely presented component unit of the City, contributed \$4,637,421 to the City. The contributions consisted of \$4,487,421 to the Water and Wastewater Capital Construction Fund, and \$150,000 to the Capital Construction Fund (3035) (a nonmajor capital project fund) for the Ethel Lee Tracy Splash Pad. In addition to cash transfers, the Sales Tax Development Corporation paid \$1,056,524 towards the rehabilitation of Water Tower #5, Red River utility and reconstruction project, Nursery Drive rehabilitation, and the Mallette Drive traffic signal.

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, 2018, \$41,225,000 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, 2018, 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, 2018, is 20 years.

As of September 30, 2018, 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:

NOTE 17: CLOSURE AND POSTCLOSURE CARE COSTS - (Continued)

- 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, 2018: \$0
 - Post-closure liability, as of September 30, 2018: \$1,712,459
 - 26.1 acres (50%) has approximately 7 years useful life left.
 - Closure cost liability, as of September 30, 2018: \$1,551,670
 - Post-closure liability, as of September 30, 2018: \$873,414
- 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 \$4,137,543, \$4,036,498, and \$4,172,280 as of September 30, 2018, 2017, and 2016 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, 2018:

	Governmental Fund Balances				Total
	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Unassigned</u>	
General					
Inventory	\$ 430,111	\$ -	\$ -	\$ -	\$ 430,111
Outstanding encumbrances					
General government (Finance; City Secretary)	-	-	8,459	-	8,459
Public safety (Police; Fire)	-	-	566,280	-	566,280
Development (Streets; Traffic Control; GIS; Engineering)	-	-	469,092	-	469,092
Parks and recreation (Library; Parks)	-	-	128,759	-	128,759
Unassigned	-	-	-	19,275,505	19,275,505
Debt Service					
Retirement of long-term debt	-	1,138,153	-	-	1,138,153
Hurricane Program Grant					
Unassigned	-	-	-	(280,773)	(280,773)
Nonmajor Governmental					
Arts, tourism and conventions	-	2,116,452	-	-	2,116,452
Police department	-	245,808	-	-	245,808
Fire department	-	10,517	-	-	10,517
Emergency management	-	55,969	-	-	55,969
Municipal court security and technology	-	77,126	-	-	77,126
Various capital projects	-	3,315,322	-	-	3,315,322
	<u>\$ 430,111</u>	<u>\$ 6,959,347</u>	<u>\$ 1,172,590</u>	<u>\$ 18,994,732</u>	<u>\$ 27,556,780</u>

NOTE 21: RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS

The GASB has issued the following statement which became effective for fiscal year 2018:

GASB Statement No. 75: Accounting and Financial Reporting for Post-employment Benefits Other than Pensions replaces previous authoritative literature. For plans that do not have formal trusts, GASB Statement No. 75 requires state and local government employers to recognize the total OPEB liability and the related OPEB expense on their financial statements along with the related deferred outflows and inflows of resources. In addition to the deferred outflows/inflows associated with plan experience and assumption changes, the standard requires the benefit payments and administrative costs incurred subsequent to the measurement date and before the end of the employer's reporting period to be reported as a deferred outflow of resources.

The implementation of GASB No. 75 resulted in the restatement of beginning net position for the recording of the beginning OPEB liability and the beginning deferred outflow for contributions made after the measurement date. Prospectively applying the change results in the adjustments below.

	Fund Level			
	Government-wide Statement of Activities		Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund	
	Governmental Activities	Business-type Activities	Water and Wastewater	Environmental Services
Net position at September 30, 2017, as previously reported	\$ 75,839,571	\$ 91,866,827	\$ 79,315,285	\$ 5,505,060
Recording of Total OPEB - Health liability as of September 30, 2017	(9,673,897)	(1,762,681)	(1,441,962)	(320,719)
Deferral for OPEB - Health contributions made after the measurement date	494,038	89,862	73,630	16,232
Recording of Total OPEB - SDB liability as of September 30, 2017	(1,557,996)	(358,123)	(298,340)	(59,783)
Deferral for OPEB - SDB contributions made after the measurement date	<u>29,802</u>	<u>6,851</u>	<u>5,707</u>	<u>1,144</u>
Net position at September 30, 2017, as restated	<u>\$ 65,131,518</u>	<u>\$ 89,842,736</u>	<u>\$ 77,654,320</u>	<u>\$ 5,141,934</u>

Required Supplementary Information

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, 2018

With comparative totals for the year ended September 30, 2017

	2018			Variance Positive (Negative)	2017 Actual
	Original Budget	Final Budget	Actual		
REVENUES					
Taxes	\$ 35,795,149	\$ 35,795,149	\$ 38,507,478	\$ 2,712,329	\$ 35,429,238
Licenses and permits	859,908	859,908	1,569,257	709,349	962,162
Intergovernmental	2,152,090	2,152,090	2,182,246	30,156	2,070,878
Charges for services	2,296,825	2,296,825	2,814,566	517,741	2,858,658
Fines and forfeitures	1,204,000	1,204,000	1,073,462	(130,538)	1,149,982
Investment income	100,000	100,000	352,290	252,290	185,800
Miscellaneous	358,118	358,118	272,532	(85,586)	903,682
Total revenues	<u>42,766,090</u>	<u>42,766,090</u>	<u>46,771,831</u>	<u>4,005,741</u>	<u>43,560,400</u>
EXPENDITURES					
General government	3,553,315	3,556,046	3,480,069	75,977	3,431,126
Public safety	27,424,130	28,587,178	27,476,695	1,110,483	27,015,807
Development	7,452,960	7,691,690	6,616,191	1,075,499	7,812,905
Building services	650,445	650,445	534,738	115,707	612,441
Recreation	5,196,849	5,242,544	4,896,417	346,127	5,266,474
Total expenditures	<u>44,277,699</u>	<u>45,727,903</u>	<u>43,004,110</u>	<u>2,723,793</u>	<u>44,138,753</u>
Excess (deficiency) of revenues over expenditures	(1,511,609)	(2,961,813)	3,767,721	6,729,534	(578,353)
OTHER FINANCING SOURCES (USES)					
Transfers in	3,249,888	3,249,888	3,921,042	671,154	3,725,544
Transfers out	(4,036,041)	(6,199,729)	(3,235,092)	2,964,637	(3,504,757)
Total other financing sources (uses)	<u>(786,153)</u>	<u>(2,949,841)</u>	<u>685,950</u>	<u>3,635,791</u>	<u>220,787</u>
Change in fund balance	(2,297,762)	(5,911,654)	4,453,671	10,365,325	(357,566)
Fund balance at beginning of year	<u>16,424,535</u>	<u>16,424,535</u>	<u>16,424,535</u>	-	<u>16,782,101</u>
Fund balance at end of year	<u>\$ 14,126,773</u>	<u>\$ 10,512,881</u>	<u>\$ 20,878,206</u>	<u>\$ 10,365,325</u>	<u>\$ 16,424,535</u>

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



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CITY OF VICTORIA, TEXAS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

TEXAS MUNICIPAL RETIREMENT SYSTEM - PENSION

Last ten years

	Measurement Year		
	2014	2015	2016
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 Payroll	\$ 27,030,262	\$ 29,535,465	\$ 30,165,336
Net Pension Liability as a Percentage of Covered Payroll	129.54%	147.62%	147.17%

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

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

Measurement Year

2017

\$ 4,100,496
12,600,532
(325,250)

(9,320,736)

7,055,042

189,284,673

\$ 196,339,715

\$ 4,928,367
1,793,220
20,080,623

(9,320,736)

(104,070)

(5,275)

17,372,129

144,891,099

\$ 162,263,228

\$ 34,076,487

82.64%

\$ 29,887,001

114.02%

CITY OF VICTORIA, TEXAS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM - PENSION
Last ten fiscal years

	Fiscal Year		
	2015	2016	2017
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 payroll	\$ 27,967,308	\$ 29,953,292	\$ 29,977,506
Contributions as a percentage of covered payroll	17.61%	17.05%	16.72%

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

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

Fiscal Year

2018

\$ 4,967,335

(5,020,606)

\$ (53,271)

\$ 30,057,425

16.70%

CITY OF VICTORIA, TEXAS**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM - SUPPLEMENTAL DEATH BENEFIT
Last ten years**

	<u>Measurement Year</u>
	<u>2017</u>
Total OPEB Liability	
Service cost	\$ 50,808
Interest (on the total OPEB liability)	73,051
Change of benefit terms	-
Difference between expected and actual experience	-
Change of assumptions	173,869
Benefit payments	<u>(17,932)</u>
Net Change in Total OPEB Liability	279,796
Total OPEB Liability - Beginning	<u>1,916,118</u>
Total OPEB Liability - Ending	<u>\$ 2,195,914</u>
Covered Payroll	\$ 29,887,001
Total OPEB Liability as a Percentage of Covered Payroll	7.35%

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

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

CITY OF VICTORIA, TEXAS

SCHEDULE OF EMPLOYER CONTRIBUTIONS

TEXAS MUNICIPAL RETIREMENT SYSTEM - SUPPLEMENTAL DEATH BENEFIT

Last ten fiscal years

	<u>Fiscal Year</u>
	<u>2018</u>
Actuarially Determined Contribution	\$ 20,208
Contribution in relation to the actuarially determined contribution	<u>(20,208)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered payroll	\$ 30,057,425
Contributions as a percentage of covered payroll	0.0672%

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

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

CITY OF VICTORIA, TEXAS**SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS****RETIREE HEALTHCARE**

Last ten years

	<u>Measurement Year</u>
	<u>2017</u>
Total OPEB Liability	
Service cost	\$ 124,247
Interest (on the total OPEB liability)	769,282
Difference between expected and actual experience	-
Change of assumptions	-
Benefit payments	<u>(858,080)</u>
Net Change in Total OPEB Liability	35,449
Total OPEB Liability - Beginning	<u>12,202,018</u>
Total OPEB Liability - Ending (a)	<u>\$ 12,237,467</u>
Plan Fiduciary Net Position	
Employer contributions	\$ 1,000,080
OPEB plan net investment income	234,929
Benefit payments	(858,080)
OPEB plan administrative expense	(8,160)
Other	<u>-</u>
Net Change in Plan Fiduciary Net Position	368,769
Plan Fiduciary Net Position - Beginning	<u>1,476,529</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 1,845,298</u>
Net OPEB Liability - Ending (a) - (b)	<u>\$ 10,392,169</u>
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	15.08%
Covered Payroll	\$ 30,181,968
Net OPEB Liability as a Percentage of Covered Payroll	34.43%

NOTE: Information for the prior nine years was not readily available. The City will compile the respective information over the next nine years as provided by actuaries 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
RETIREE HEALTHCARE
Last ten fiscal years

	Fiscal Year
	<u>2018</u>
Actuarially Determined Contribution	\$ 1,050,147
Contribution in relation to the actuarially determined contribution	<u>(1,192,162)</u>
Contribution deficiency (excess)	<u>\$ (142,015)</u>
Covered payroll	\$ 30,414,370
Contributions as a percentage of covered payroll	3.9197%

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

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

NOTE 1: BUDGETARY INFORMATION

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

The Required Supplementary Information does not include a budgetary comparison schedule for the Major Special Revenue Fund, Hurricane Program Grant. The activity of the fund is funded by the federal government, thereby no local control over appropriating funds is possible. Therefore, there is no requirement of presenting a budgetary comparison schedule.

NOTE 2: BUDGETARY LEGAL COMPLIANCE

Budgetary compliance is monitored at the departmental level in the General Fund. There were several situations of expenditures exceeding the amounts appropriated during the fiscal year 2017-2018.

<u>Fund/Department</u>	<u>Budget</u>	<u>Actual</u>	<u>Negative Variance</u>
General Fund			
City Manager and Council	\$ 593,482	\$ 594,193	\$ 711
Finance	621,011	638,731	17,720
Non-departmental	943,966	954,918	10,952
Municipal Court	357,161	366,920	9,759

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

NOTE 3: DEFINED BENEFIT PENSION PLAN

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	28 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

NOTE 3: DEFINED BENEFIT PENSION PLAN - (Continued)

Methods and Assumptions Used to Determine Contribution Rates - (Continued)

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.
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Other Information

There were no benefit changes during the year.

NOTE 4: SUPPLEMENTAL DEATH BENEFIT PLAN - OPEB

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

There were no changes in plan provisions or assumptions during the year.

NOTE 5: RETIREE HEALTH BENEFIT PLAN - OPEB

Valuation Date

December 31, 2017

Methods and Assumptions

Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level Dollar
Amortization Period	Closed, 20 years as of FYE18
Asset Valuation	Market Value
Investment Rate of Return	6.50 %, net of investment expenses, including inflation
Inflation	2.5%
Salary Increases	3.50% to 10.5%, including inflation
Demographic Assumptions	Based on the experience study covering the four-year period ending December 31, 2014 as conducted for TMRS.
Mortality	For healthy retirees, the gender-distinct RP-2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used 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.

CITY OF VICTORIA, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2018

NOTE 5: RETIREE HEALTH BENEFIT PLAN - OPEB - (Continued)

Methods and Assumptions - (Continued)

Participation Rates

It was assumed that retirees would choose to receive retiree health care benefits through the City of Victoria according to the schedule below:

Service with Victoria as of 1/1/2009	Pre-65 Election Percentage
<10	15%
10-19	35%
20+	70%

Since retirees must be on the City's plan upon attainment of age 65 in order to be eligible for City contributions to a Retiree Reimbursement Account (RRA), the rates above were multiplied by 120% at ages 63 and 64 for those eligible for RRA contributions. In addition, it was assumed that 100% of employees retiring after the age of 65, who are eligible to receive a RRA contribution from the City, would participate.

Healthcare Cost Trend Rates

Initial rates of 7.50% declining to ultimate rates of 4.25% after 15 years.

Combining and Individual Fund Statements

CITY OF VICTORIA, TEXAS
ALL NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
September 30, 2018

	Total Nonmajor Special Revenue Funds	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
ASSETS			
Current assets			
Cash and cash equivalents	\$ 2,630,488	\$ 2,921,899	\$ 5,552,387
Receivables (net)	495,027	-	495,027
Due from other funds	111,971	637,619	749,590
Total assets	<u>\$ 3,237,486</u>	<u>\$ 3,559,518</u>	<u>\$ 6,797,004</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 226,448	\$ 74,784	\$ 301,232
Accrued expenditures	12,058	-	12,058
Due to other funds	352,046	169,412	521,458
Unearned revenue	141,062	-	141,062
Total liabilities	<u>731,614</u>	<u>244,196</u>	<u>975,810</u>
Fund balances			
Restricted			
Arts, tourism and conventions	2,116,452	-	2,116,452
Public safety	312,294	-	312,294
Municipal court	77,126	-	77,126
Various capital projects	-	3,315,322	3,315,322
Total fund balances	<u>2,505,872</u>	<u>3,315,322</u>	<u>5,821,194</u>
Total liabilities and fund balances	<u>\$ 3,237,486</u>	<u>\$ 3,559,518</u>	<u>\$ 6,797,004</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, 2018

	Total Nonmajor Special Revenue Funds	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
REVENUES			
Taxes	\$ 1,935,552	\$ -	\$ 1,935,552
Intergovernmental	774,069	2,060,173	2,834,242
Fines and forfeitures	77,868	-	77,868
Investment income	12,781	64,092	76,873
Miscellaneous	547,415	1,602,966	2,150,381
Total revenues	<u>3,347,685</u>	<u>3,727,231</u>	<u>7,074,916</u>
EXPENDITURES			
Current			
General government	586,776	-	586,776
Public safety	645,401	-	645,401
Recreation	1,093,846	-	1,093,846
Capital outlay	-	5,070,953	5,070,953
Total expenditures	<u>2,326,023</u>	<u>5,070,953</u>	<u>7,396,976</u>
Excess (deficiency) of revenues over expenditures	1,021,662	(1,343,722)	(322,060)
OTHER FINANCING SOURCES (USES)			
Transfers in	873,340	2,654,078	3,527,418
Transfers out	(1,155,702)	(1,824,470)	(2,980,172)
Total other financing sources (uses)	<u>(282,362)</u>	<u>829,608</u>	<u>547,246</u>
Change in fund balances	739,300	(514,114)	225,186
Fund balances at beginning of year	<u>1,766,572</u>	<u>3,829,436</u>	<u>5,596,008</u>
Fund balances at end of year	<u>\$ 2,505,872</u>	<u>\$ 3,315,322</u>	<u>\$ 5,821,194</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.

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 2018, \$1,481,119 was budgeted as follows: for payroll and professional services \$64,053; for operations of the Community Center not to exceed \$300,000; 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 \$271,500.

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.

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.

NONMAJOR SPECIAL REVENUE FUNDS - (Continued)

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.

Fire Academy - Used to account for funds received to support the fire academy. The Victoria Fire Department (VFD) offers a basic firefighter academy that combines online coursework with hands-on training days. The 20-week VFD Fire Academy includes 468 hours of training with 100 firefighting skills to master. It is the goal of the VFD Fire Academy to prepare graduates with the skills needed to complete written testing from the State over basic fire suppression, a certifiable status with the Texas Commission on Fire Protection. The program provides an intensive physical training aspect to ensure students are well prepared for the firefighting profession. By the end of the program, students will have the necessary skills, training, discipline, knowledge and confidence to enter the workforce when hired by a Fire Department and face the challenges of a career in firefighting. The City of Victoria Fire Department provides coordinators to oversee the operations of the program, while members of the Fire Department serve as instructors.

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

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

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

Homeland Security Grant - Used to support the implementation of Homeland Security strategies to address the identified planning, organization, equipment, training and exercise needs for acts of terrorism and other catastrophic events. Funds have recently been used to purchase the necessary equipment to enhance the City's radio system for the Police Department.

Emergency Management Fund - Used to account for funds received from the County of Victoria and the State of Texas for Emergency Management operations.

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

CITY OF VICTORIA, TEXAS

NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

September 30, 2018

	GCRAC EMS/Trauma System Grant	GCRPC Grant	Police Grants	LEOSE Training Grant	Auto Theft Grant
ASSETS					
Cash and cash equivalents	\$ 8,729	\$ 27,987	\$ -	\$ 20,039	\$ -
Receivables (net)					
Other	-	-	3,865	-	54,769
Due from other funds	-	-	4,932	-	47,093
Total assets	<u>\$ 8,729</u>	<u>\$ 27,987</u>	<u>\$ 8,797</u>	<u>\$ 20,039</u>	<u>\$ 101,862</u>
LIABILITIES					
Accounts payable	\$ 680	\$ -	\$ -	\$ -	\$ 1,715
Accrued expenditures	-	-	-	-	-
Due to other funds	-	-	802	-	100,147
Unearned revenue	8,049	27,987	7,995	20,039	-
Total liabilities	<u>8,729</u>	<u>27,987</u>	<u>8,797</u>	<u>20,039</u>	<u>101,862</u>
FUND BALANCES					
Restricted					
Arts, tourism and conventions	-	-	-	-	-
Public safety	-	-	-	-	-
Municipal court	-	-	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and and fund balances	<u>\$ 8,729</u>	<u>\$ 27,987</u>	<u>\$ 8,797</u>	<u>\$ 20,039</u>	<u>\$ 101,862</u>

<u>MPO Grant</u>	<u>Motel Tax</u>	<u>Forfeiture Fund</u>	<u>K-9 Unit Program</u>	<u>Fire Department Grant</u>	<u>Victoria Kids Recycle</u>	<u>Gulf Bend Mental Health Task Force</u>	<u>Fire Academy</u>
\$ -	\$ 1,008,929	\$ 245,808	\$ 829	\$ -	\$ 2,750	\$ -	\$ 11,704
44,931	178,707	-	-	-	-	26,884	-
37	-	-	-	-	-	1,945	-
<u>\$ 44,968</u>	<u>\$ 1,187,636</u>	<u>\$ 245,808</u>	<u>\$ 829</u>	<u>\$ -</u>	<u>\$ 2,750</u>	<u>\$ 28,829</u>	<u>\$ 11,704</u>
\$ 1,262	\$ 41,039	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,187
-	-	-	-	-	-	-	-
43,706	170,464	-	-	-	-	18,760	-
-	-	-	829	-	2,750	10,069	-
<u>44,968</u>	<u>211,503</u>	<u>-</u>	<u>829</u>	<u>-</u>	<u>2,750</u>	<u>28,829</u>	<u>1,187</u>
-	976,133	-	-	-	-	-	-
-	-	245,808	-	-	-	-	10,517
-	-	-	-	-	-	-	-
-	976,133	245,808	-	-	-	-	10,517
<u>\$ 44,968</u>	<u>\$ 1,187,636</u>	<u>\$ 245,808</u>	<u>\$ 829</u>	<u>\$ -</u>	<u>\$ 2,750</u>	<u>\$ 28,829</u>	<u>\$ 11,704</u>

(continued)

CITY OF VICTORIA, TEXAS

NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

September 30, 2018

	Municipal Court Special Revenue	Public, Educational, and Governmental (PEG) Fund	Community Development Block Grant	Homeland Security Grant	Emergency Management
ASSETS					
Cash and cash equivalents	\$ 77,651	\$ 481,414	\$ -	\$ -	\$ 171,203
Receivables					
Other	-	39,003	105,646	6,822	-
Due from other funds	-	-	-	-	-
Total assets	<u>\$ 77,651</u>	<u>\$ 520,417</u>	<u>\$ 105,646</u>	<u>\$ 6,822</u>	<u>\$ 171,203</u>
LIABILITIES					
Accounts payable	\$ 525	\$ 2,966	\$ 34,916	\$ -	\$ 115,234
Accrued expenditures	-	-	-	-	-
Due to other funds	-	-	7,386	6,822	-
Unearned revenue	-	-	63,344	-	-
Total liabilities	<u>525</u>	<u>2,966</u>	<u>105,646</u>	<u>6,822</u>	<u>115,234</u>
FUND BALANCES					
Restricted					
Arts, tourism and conventions	-	517,451	-	-	-
Public safety	-	-	-	-	55,969
Municipal court	77,126	-	-	-	-
Total fund balances	<u>77,126</u>	<u>517,451</u>	<u>-</u>	<u>-</u>	<u>55,969</u>
Total liabilities and fund balances	<u>\$ 77,651</u>	<u>\$ 520,417</u>	<u>\$ 105,646</u>	<u>\$ 6,822</u>	<u>\$ 171,203</u>

Convention and Visitors Bureau	Total
\$ 573,445	\$ 2,630,488
34,400	495,027
<u>57,964</u>	<u>111,971</u>
<u>\$ 665,809</u>	<u>\$ 3,237,486</u>
\$ 26,924	\$ 226,448
12,058	12,058
3,959	352,046
<u>-</u>	<u>141,062</u>
<u>42,941</u>	<u>731,614</u>
622,868	2,116,452
-	312,294
<u>-</u>	<u>77,126</u>
<u>622,868</u>	<u>2,505,872</u>
<u>\$ 665,809</u>	<u>\$ 3,237,486</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, 2018

	GCRAC EMS/Trauma System Grant	Police Grants	LEOSE Training Grant	Auto Theft Grant	TCEQ Grant
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	20,731	11,119	157,752	52,177
Fines and forfeitures	-	-	-	-	-
Investment income	-	-	-	-	-
Miscellaneous	16,315	33,920	-	-	-
Total revenues	<u>16,315</u>	<u>54,651</u>	<u>11,119</u>	<u>157,752</u>	<u>52,177</u>
EXPENDITURES					
General government	-	-	-	-	52,177
Public safety	16,315	59,595	11,119	204,845	-
Recreation	-	-	-	-	-
Total expenditures	<u>16,315</u>	<u>59,595</u>	<u>11,119</u>	<u>204,845</u>	<u>52,177</u>
Excess (deficiency) of revenues over expenditures	-	(4,944)	-	(47,093)	-
OTHER FINANCING SOURCES (USES)					
Transfers in	-	4,944	-	47,093	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>4,944</u>	<u>-</u>	<u>47,093</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>

MPO Grant	Motel Tax	Forfeiture Fund	K-9 Unit Program	Fire Department Grant	Victoria Kids Recycle	Gulf Bend Mental Health Task Force	Fire Academy
\$ -	\$ 1,935,552	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
128,894	-	-	-	-	-	-	-
-	-	30,004	-	-	-	-	-
-	9,977	2,784	-	-	-	-	-
-	5,615	-	15,846	9,625	2,581	74,152	35,000
128,894	1,951,144	32,788	15,846	9,625	2,581	74,152	35,000
128,931	-	-	-	-	2,581	-	-
-	-	20,165	15,846	10,010	-	76,097	24,483
-	259,136	-	-	-	-	-	-
128,931	259,136	20,165	15,846	10,010	2,581	76,097	24,483
(37)	1,692,008	12,623	-	(385)	-	(1,945)	10,517
37	-	-	-	385	-	10,081	-
-	(1,145,566)	-	-	-	-	(8,136)	-
37	(1,145,566)	-	-	385	-	1,945	-
-	546,442	12,623	-	-	-	-	10,517
-	429,691	233,185	-	-	-	-	-
\$ -	\$ 976,133	\$ 245,808	\$ -	\$ -	\$ -	\$ -	\$ 10,517

(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, 2018

	Municipal Court Special Revenue	Public, Educational, and Governmental (PEG) Fund	Community Development Block Grant	Homeland Security Grant
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	374,976	28,420
Fines and forfeitures	47,864	-	-	-
Investment income	-	-	-	-
Miscellaneous	7,662	151,221	8,750	-
Total revenues	<u>55,526</u>	<u>151,221</u>	<u>383,726</u>	<u>28,420</u>
EXPENDITURES				
General government	-	19,361	383,726	-
Public safety	62,040	-	-	28,420
Recreation	-	-	-	-
Total expenditures	<u>62,040</u>	<u>19,361</u>	<u>383,726</u>	<u>28,420</u>
Excess (deficiency) of revenues over expenditures	(6,514)	131,860	-	-
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balances	(6,514)	131,860	-	-
Fund balance at beginning of year	83,640	385,591	-	-
Fund balance at end of year	<u>\$ 77,126</u>	<u>\$ 517,451</u>	<u>\$ -</u>	<u>\$ -</u>

<u>Emergency Management</u>	<u>Convention and Visitors Bureau</u>	<u>Total</u>
\$ -	\$ -	\$ 1,935,552
-	-	774,069
-	-	77,868
-	20	12,781
-	<u>186,728</u>	<u>547,415</u>
-	<u>186,748</u>	<u>3,347,685</u>
-	-	586,776
116,466	-	645,401
-	<u>834,710</u>	<u>1,093,846</u>
<u>116,466</u>	<u>834,710</u>	<u>2,326,023</u>
(116,466)	(647,962)	1,021,662
115,234	695,566	873,340
-	(2,000)	(1,155,702)
<u>115,234</u>	<u>693,566</u>	<u>(282,362)</u>
(1,232)	45,604	739,300
<u>57,201</u>	<u>577,264</u>	<u>1,766,572</u>
<u>\$ 55,969</u>	<u>\$ 622,868</u>	<u>\$ 2,505,872</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, 2018

	Capital Construction Fund (3035)	Capital Construction Fund (3036)	Capital Construction Fund (3037)	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 185,325	\$ 887,944	\$ 1,848,630	\$ 2,921,899
Due from other funds	-	-	637,619	637,619
Total assets	<u>\$ 185,325</u>	<u>\$ 887,944</u>	<u>\$ 2,486,249</u>	<u>\$ 3,559,518</u>
LIABILITIES				
Liabilities				
Accounts payable	\$ -	\$ -	\$ 74,784	\$ 74,784
Due to other funds	169,412	-	-	169,412
Total liabilities	<u>169,412</u>	<u>-</u>	<u>74,784</u>	<u>244,196</u>
FUND BALANCES				
Restricted				
Various capital projects	15,913	887,944	2,411,465	3,315,322
Total fund balances	<u>15,913</u>	<u>887,944</u>	<u>2,411,465</u>	<u>3,315,322</u>
Total liabilities and fund balances	<u>\$ 185,325</u>	<u>\$ 887,944</u>	<u>\$ 2,486,249</u>	<u>\$ 3,559,518</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, 2018

	Capital Construction Fund (3035)	Capital Construction Fund (3036)	Capital Construction Fund (3037)	Total
REVENUES				
Intergovernmental	\$ 156,061	\$ 1,904,112	\$ -	\$ 2,060,173
Investment income				
Interest	2,669	20,398	41,025	64,092
Miscellaneous	<u>505,770</u>	<u>-</u>	<u>1,097,196</u>	<u>1,602,966</u>
Total revenues	<u>664,500</u>	<u>1,924,510</u>	<u>1,138,221</u>	<u>3,727,231</u>
EXPENDITURES				
Capital outlay	<u>905,574</u>	<u>-</u>	<u>4,165,379</u>	<u>5,070,953</u>
Total expenditures	<u>905,574</u>	<u>-</u>	<u>4,165,379</u>	<u>5,070,953</u>
Excess (deficiency) of revenues over expenditures	(241,074)	1,924,510	(3,027,158)	(1,343,722)
OTHER FINANCING SOURCES (USES)				
Transfers in	195,783	1,200	2,457,095	2,654,078
Transfers out	<u>(170,612)</u>	<u>(1,514,487)</u>	<u>(139,371)</u>	<u>(1,824,470)</u>
Total other financing sources (uses)	<u>25,171</u>	<u>(1,513,287)</u>	<u>2,317,724</u>	<u>829,608</u>
Change in fund balances	(215,903)	411,223	(709,434)	(514,114)
Fund balances at beginning of year	<u>231,816</u>	<u>476,721</u>	<u>3,120,899</u>	<u>3,829,436</u>
Fund balances at end of year	<u>\$ 15,913</u>	<u>\$ 887,944</u>	<u>\$ 2,411,465</u>	<u>\$ 3,315,322</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, 2018

With comparative totals for September 30, 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	\$ 15,076,771	\$ 4,649,027
Investments	5,137,139	12,033,755
Receivables (net)		
Ad valorem taxes (prior years)	2,265,189	2,067,739
Franchise taxes	837,547	725,579
Sales taxes	1,356,150	1,130,789
Ambulance	782,761	804,396
Fines	602,086	623,606
Other	1,302,086	1,231,821
Due from other funds	2,182,296	192,553
Inventory	430,111	406,945
Returned checks	24,745	24,431
Total assets	\$ 29,996,881	\$ 23,890,641
LIABILITIES		
Accounts payable	\$ 569,472	\$ 700,751
Accrued expenditures	2,449,160	2,379,055
Accrued compensated absences	6,918	8,239
Due to other governments	106,308	119,149
Due to other funds	983,927	393,486
Unearned revenue	955,477	-
Total liabilities	5,071,262	3,600,680
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue	4,047,413	3,865,426
Total deferred inflows of resources	4,047,413	3,865,426
FUND BALANCES		
Nonspendable		
Inventory	430,111	406,945
Committed	1,172,590	867,206
Unassigned	19,275,505	15,150,384
Total fund balances	20,878,206	16,424,535
Total liabilities, deferred inflows and fund balances	\$ 29,996,881	\$ 23,890,641

CITY OF VICTORIA, TEXAS

MAJOR GOVERNMENTAL FUNDS - GENERAL FUND

SCHEDULE OF REVENUES

BUDGET (GAAP BASIS) AND ACTUAL

For the year ended September 30, 2018

With comparative totals for the year ended September 30, 2017

	2018			2017 Actual
	Final Budget	Actual	Variance Positive (Negative)	
Taxes				
Ad valorem taxes	\$ 15,423,849	\$ 15,281,013	\$ (142,836)	\$ 14,939,277
Penalty and interest	210,000	219,019	9,019	256,045
Franchise tax	5,435,300	6,064,289	628,989	5,467,551
Sales tax	14,654,000	16,879,223	2,225,223	14,710,140
Other	72,000	63,934	(8,066)	56,225
Total taxes	35,795,149	38,507,478	2,712,329	35,429,238
Licenses and permits				
Building	247,000	858,267	611,267	355,257
Electrical	42,000	71,190	29,190	44,928
Mechanical	52,000	62,790	10,790	48,160
Liquor	265,000	294,665	29,665	246,062
Plumbing	42,000	53,692	11,692	42,899
Vital statistics	103,000	139,211	36,211	123,140
Miscellaneous	108,908	89,442	(19,466)	101,716
Total licenses and permits	859,908	1,569,257	709,349	962,162
Intergovernmental	2,152,090	2,182,246	30,156	2,070,878
Charges for services				
Ambulance	1,960,000	2,469,653	509,653	2,537,593
Victoria Public Library	83,000	70,360	(12,640)	75,903
Parks and recreation	85,700	88,682	2,982	76,762
Miscellaneous	168,125	185,871	17,746	168,400
Total charges for services	2,296,825	2,814,566	517,741	2,858,658
Fines and forfeitures				
Court costs	102,000	93,326	(8,674)	98,907
Criminal and traffic court	1,100,000	979,059	(120,941)	1,049,384
Parking violations	2,000	1,077	(923)	1,691
Total fines and forfeitures	1,204,000	1,073,462	(130,538)	1,149,982
Investment income				
Interest	100,000	352,290	252,290	185,800
Miscellaneous				
Rents	2,600	1,750	(850)	2,218
Salvage and asset sales	110,000	89,637	(20,363)	601,151
Contributions and miscellaneous	245,518	181,145	(64,373)	300,313
Total miscellaneous	358,118	272,532	(85,586)	903,682
Total revenues	\$ 42,766,090	\$ 46,771,831	\$ 4,005,741	\$ 43,560,400

CITY OF VICTORIA, TEXAS

MAJOR GOVERNMENTAL FUNDS - GENERAL FUND

SCHEDULE OF EXPENDITURES

BUDGET (GAAP BASIS) AND ACTUAL

For the year ended September 30, 2018

With comparative totals for the year ended September 30, 2017

	2018		Variance Positive (Negative)	2017 Actual
	Final Budget	Actual		
General government				
City manager and council				
Personnel	\$ 554,251	\$ 558,812	\$ (4,561)	\$ 557,135
Maintenance and operations	38,074	34,224	3,850	37,381
Capital outlay	1,157	1,157	-	-
Total city manager and council	593,482	594,193	(711)	594,516
Finance				
Personnel	507,092	541,610	(34,518)	480,086
Maintenance and operations	113,919	97,121	16,798	110,294
Capital outlay	-	-	-	6,785
Total finance	621,011	638,731	(17,720)	597,165
Legal				
Personnel	373,291	371,740	1,551	364,291
Maintenance and operations	78,066	71,561	6,505	83,029
Total legal	451,357	443,301	8,056	447,320
Human resources				
Personnel	311,265	306,683	4,582	308,840
Maintenance and operations	108,573	95,522	13,051	100,947
Capital outlay	2,200	5,468	(3,268)	1,068
Total human resources	422,038	407,673	14,365	410,855
City secretary				
Personnel	160,712	159,951	761	170,314
Maintenance and operations	104,821	42,565	62,256	35,589
Capital outlay	1,010	1,007	3	-
Total city secretary	266,543	203,523	63,020	205,903
Public information office				
Personnel	204,012	206,643	(2,631)	215,922
Maintenance and operations	53,637	31,087	22,550	30,802
Capital outlay	-	-	-	1,060
Total public information office	257,649	237,730	19,919	247,784

(continued)

CITY OF VICTORIA, TEXAS

MAJOR GOVERNMENTAL FUNDS - GENERAL FUND

SCHEDULE OF EXPENDITURES

BUDGET (GAAP BASIS) AND ACTUAL

For the year ended September 30, 2018

With comparative totals for the year ended September 30, 2017

	2018		Variance Positive (Negative)	2017 Actual
	Final Budget	Actual		
General government - (continued)				
Non-departmental				
Personnel	\$ 1,000	\$ 1,213	\$ (213)	\$ 3,196
Maintenance and operations	942,966	953,705	(10,739)	924,387
Total non-departmental	943,966	954,918	(10,952)	927,583
Total general government	3,556,046	3,480,069	75,977	3,431,126
Public safety				
Police				
Personnel	11,783,070	11,602,767	180,303	11,754,046
Maintenance and operations	2,473,852	2,304,192	169,660	2,179,828
Capital outlay	151,559	89,030	62,529	69,658
Total police	14,408,481	13,995,989	412,492	14,003,532
Fire				
Personnel	10,658,922	10,474,567	184,355	10,458,535
Maintenance and operations	2,847,356	2,510,436	336,920	2,033,939
Capital outlay	315,258	128,783	186,475	160,823
Total fire	13,821,536	13,113,786	707,750	12,653,297
Municipal court				
Personnel	263,732	267,245	(3,513)	265,106
Maintenance and operations	93,429	99,675	(6,246)	93,872
Total municipal court	357,161	366,920	(9,759)	358,978
Total public safety	28,587,178	27,476,695	1,110,483	27,015,807

(continued)

CITY OF VICTORIA, TEXAS

MAJOR GOVERNMENTAL FUNDS - GENERAL FUND

SCHEDULE OF EXPENDITURES

BUDGET (GAAP BASIS) AND ACTUAL

For the year ended September 30, 2018

With comparative totals for the year ended September 30, 2017

	2018			2017 Actual
	Final Budget	Actual	Variance Positive (Negative)	
Development				
Development svcs. administration				
Personnel	\$ 180,010	\$ 158,471	\$ 21,539	\$ 127,084
Maintenance and operations	18,008	12,578	5,430	30,013
Capital outlay	-	1,978	(1,978)	-
Total development svcs. administration	198,018	173,027	24,991	157,097
Planning services				
Personnel	229,076	158,612	70,464	199,167
Maintenance and operations	259,177	256,000	3,177	256,068
Total planning services	488,253	414,612	73,641	455,235
Development center/inspections				
Personnel	661,922	653,409	8,513	594,380
Maintenance and operations	170,397	175,340	(4,943)	132,178
Total development center/inspections	832,319	828,749	3,570	726,558
Code enforcement				
Personnel	268,458	263,293	5,165	263,020
Maintenance and operations	76,881	71,517	5,364	182,285
Total code enforcement	345,339	334,810	10,529	445,305
Geographic information system (GIS)				
Personnel	261,329	260,131	1,198	254,555
Maintenance and operations	49,320	40,334	8,986	85,228
Total geographic information system	310,649	300,465	10,184	339,783
Engineering				
Personnel	624,499	580,423	44,076	606,449
Maintenance and operations	123,970	117,344	6,626	93,088
Capital outlay	3,000	2,906	94	4,204
Total engineering	751,469	700,673	50,796	703,741

(continued)

CITY OF VICTORIA, TEXAS

MAJOR GOVERNMENTAL FUNDS - GENERAL FUND

SCHEDULE OF EXPENDITURES

BUDGET (GAAP BASIS) AND ACTUAL

For the year ended September 30, 2018

With comparative totals for the year ended September 30, 2017

	2018		Variance Positive (Negative)	2017 Actual
	Final Budget	Actual		
Development - (continued)				
Streets and drainage				
Personnel	\$ 1,423,507	\$ 1,192,637	\$ 230,870	\$ 1,310,421
Maintenance and operations	1,462,402	938,095	524,307	1,586,222
Capital outlay	3,000	1,608	1,392	97,008
Total streets and drainage	2,888,909	2,132,340	756,569	2,993,651
Traffic control				
Personnel	487,818	506,962	(19,144)	484,247
Maintenance and operations	1,388,916	1,224,553	164,363	1,504,550
Capital outlay	-	-	-	2,738
Total traffic control	1,876,734	1,731,515	145,219	1,991,535
Total development	7,691,690	6,616,191	1,075,499	7,812,905
Building services				
Building services				
Personnel	293,955	226,058	67,897	273,161
Maintenance and operations	132,831	115,769	17,062	137,587
Capital outlay	14,200	2,142	12,058	11,000
Total building services	440,986	343,969	97,017	421,748
Custodial				
Personnel	170,455	156,459	13,996	156,008
Maintenance and operations	39,004	34,310	4,694	34,685
Total custodial	209,459	190,769	18,690	190,693
Total building services	650,445	534,738	115,707	612,441
Recreation				
Parks and recreation				
Personnel	1,775,446	1,687,342	88,104	1,730,182
Maintenance and operations	1,140,173	1,102,413	37,760	983,589
Capital outlay	102,837	13,194	89,643	403,830
Total parks and recreation	3,018,456	2,802,949	215,507	3,117,601

(continued)

CITY OF VICTORIA, TEXAS

MAJOR GOVERNMENTAL FUNDS - GENERAL FUND

SCHEDULE OF EXPENDITURES

BUDGET (GAAP BASIS) AND ACTUAL

For the year ended September 30, 2018

With comparative totals for the year ended September 30, 2017

	2018			
	Final Budget	Actual	Variance Positive (Negative)	2017 Actual
Recreation - (continued)				
Library				
Personnel	\$ 1,396,757	\$ 1,282,164	\$ 114,593	\$ 1,308,269
Maintenance and operations	577,258	566,878	10,380	570,208
Capital outlay	250,073	244,426	5,647	270,396
Total library	2,224,088	2,093,468	130,620	2,148,873
Total recreation	5,242,544	4,896,417	346,127	5,266,474
Total expenditures	\$ 45,727,903	\$ 43,004,110	\$ 2,723,793	\$ 44,138,753

(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.

2017 General Obligation Refunding Issue - To accumulate monies for payment of the 2017 advance refunding issue of \$21,880,000 4.00% - 5.00% Refunding General Obligation Bonds which are serial bonds due in annual installments of various amounts plus interest until maturity in 2030. Property tax is levied to finance debt service. The \$21,880,000 from the proceeds was deposited into an escrow account to pay off \$23,005,000 of the maturities of the 2009B Certificates of Obligations as they become due. Property taxes levied in excess of actual requirements are legally restricted to servicing this debt.

CITY OF VICTORIA, TEXAS**MAJOR GOVERNMENTAL FUNDS - DEBT SERVICE FUND****BALANCE SHEET**

September 30, 2018

With comparative totals for September 30, 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	\$ 1,138,153	\$ 152,167
Investments	-	994,598
Receivables (net)		
Ad valorem taxes (prior years)	<u>1,076,749</u>	<u>988,407</u>
Total assets	<u>\$ 2,214,902</u>	<u>\$ 2,135,172</u>
LIABILITIES	<u>\$ -</u>	<u>\$ -</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue	<u>1,076,749</u>	<u>988,407</u>
Total deferred inflows of resources	<u>1,076,749</u>	<u>988,407</u>
FUND BALANCE		
Restricted	<u>1,138,153</u>	<u>1,146,765</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 2,214,902</u>	<u>\$ 2,135,172</u>



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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, 2018

With comparative totals for the year ended September 30, 2017

	2018		Variance Positive (Negative)	2017 Actual
	Final Budget	Actual		
REVENUES				
Taxes				
Ad valorem - current				
2005 Issue	\$ -	\$ -	\$ -	\$ 153,754
2006 Issue	-	-	-	521,595
2007 Issue	557,659	554,713	(2,946)	564,478
2009 Issues	1,892,507	1,882,069	(10,438)	1,632,017
2010 Issue	172,070	171,317	(753)	1,029,011
2012 Issues	640,036	636,611	(3,425)	652,441
2013 Issues	4,561,838	4,536,872	(24,966)	3,535,931
2014 Issue	402,388	400,296	(2,092)	410,004
2015 Issues	1,109,643	1,103,576	(6,067)	613,193
Ad valorem - delinquent	110,000	103,735	(6,265)	148,684
Intergovernmental	166,513	166,513	-	422,582
Investment income - interest	15,000	101,204	86,204	56,551
Total revenues	9,627,654	9,656,906	29,252	9,740,241
EXPENDITURES				
Debt service				
Principal retirement				
2005 Issue	-	-	-	150,000
2006 Issue	-	-	-	510,000
2007 Issue	555,000	555,000	-	530,000
2009 Issues	-	-	-	755,000
2010 Issue	30,000	30,000	-	875,000
2011 Issue	1,080,000	1,080,000	-	1,095,000
2012 Issues	515,000	515,000	-	505,000
2013 Issues	3,725,000	3,725,000	-	2,540,000
2014 Issue	245,000	245,000	-	240,000
2015 Issues	615,000	615,000	-	85,000
2017 Issue	1,305,000	1,305,000	-	-
Interest				
2005 Issue	-	-	-	6,188
2006 Issue	-	-	-	19,762
2007 Issue	22,200	22,200	-	43,400
2009 Issues	-	-	-	1,323,285
2010 Issue	148,100	148,100	-	169,975
2011 Issue	198,593	186,092	12,501	223,988
2012 Issues	147,464	147,463	1	157,563
2013 Issues	996,694	996,694	-	1,050,944
2014 Issue	171,488	171,488	-	176,288
2015 Issues	533,526	533,525	1	537,775
2017 Issue	648,211	648,211	-	-
Paying agents' fees and issue costs	279,290	278,390	900	6,300
Arbitrage rebate premiums	6,000	8,050	(2,050)	5,820
Total expenditures	11,221,566	11,210,213	11,353	11,006,288

	2018		Variance Positive (Negative)	2017 Actual
	Final Budget	Actual		
Excess (deficiency) of revenues over expenditures	\$ (1,593,912)	\$ (1,553,307)	\$ 40,605	\$ (1,266,047)
OTHER FINANCING SOURCES (USES)				
Bonds issued	278,303	21,880,000	21,601,697	-
Premium on issuance of bonds	-	3,261,804	3,261,804	-
Payment to escrow	-	(24,863,501)	(24,863,501)	-
Transfer in	1,278,593	1,266,392	(12,201)	1,319,289
Total other financing sources (uses)	<u>1,556,896</u>	<u>1,544,695</u>	<u>(12,201)</u>	<u>1,319,289</u>
Change in fund balance	(37,016)	(8,612)	28,404	53,242
Fund balance at beginning of year	<u>1,146,765</u>	<u>1,146,765</u>	<u>-</u>	<u>1,093,523</u>
Fund balance at end of year	<u>\$ 1,109,749</u>	<u>\$ 1,138,153</u>	<u>\$ 28,404</u>	<u>\$ 1,146,765</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, 2018

With comparative totals for the year ended September 30, 2017

	2018		Variance Positive (Negative)	2017 Actual
	Final Budget	Actual		
REVENUES				
Intergovernmental	\$ 163,688	\$ 156,061	\$ (7,627)	\$ -
Investment income				
Interest	1,987	2,669	682	5,832
Miscellaneous	505,770	505,770	-	250,000
Total revenues	<u>671,445</u>	<u>664,500</u>	<u>(6,945)</u>	<u>255,832</u>
EXPENDITURES				
General				
Recreation	-	-	-	782,130
Capital outlay	896,897	905,574	(8,677)	1,975,070
Total expenditures	<u>896,897</u>	<u>905,574</u>	<u>(8,677)</u>	<u>2,757,200</u>
Excess (deficiency) of revenues over expenditures	(225,452)	(241,074)	(15,622)	(2,501,368)
OTHER FINANCING SOURCES (USES)				
Transfers in	195,783	195,783	-	853,878
Transfers out	(163,688)	(170,612)	(6,924)	(69,766)
Total other financing sources (uses)	<u>32,095</u>	<u>25,171</u>	<u>(6,924)</u>	<u>784,112</u>
Change in fund balance	(193,357)	(215,903)	(22,546)	(1,717,256)
Fund balance at beginning of year	231,816	231,816	-	1,949,072
Fund balance at end of year	<u>\$ 38,459</u>	<u>\$ 15,913</u>	<u>\$ (22,546)</u>	<u>\$ 231,816</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, 2018**With comparative totals for the year ended September 30, 2017*

	2018		Variance Positive (Negative)	2017 Actual
	Final Budget	Actual		
REVENUES				
Intergovernmental	\$ 1,692,182	\$ 1,904,112	\$ 211,930	\$ 1,684,374
Investment income				
Interest	4,500	20,398	15,898	7,368
Total revenues	<u>1,696,682</u>	<u>1,924,510</u>	<u>227,828</u>	<u>1,691,742</u>
EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	1,696,682	1,924,510	227,828	1,691,742
OTHER FINANCING SOURCES (USES)				
Transfers in	-	1,200	1,200	-
Transfers out	(1,526,988)	(1,514,487)	12,501	(1,727,289)
Total other financing sources (uses)	<u>(1,526,988)</u>	<u>(1,513,287)</u>	<u>13,701</u>	<u>(1,727,289)</u>
Change in fund balance	169,694	411,223	241,529	(35,547)
Fund balance at beginning of year	<u>476,721</u>	<u>476,721</u>	<u>-</u>	<u>512,268</u>
Fund balance at end of year	<u>\$ 646,415</u>	<u>\$ 887,944</u>	<u>\$ 241,529</u>	<u>\$ 476,721</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, 2018**With comparative totals for the year ended September 30, 2017*

	2018		Variance Positive (Negative)	2017 Actual
	Final Budget	Actual		
REVENUES				
Investment income				
Interest	\$ 24,628	\$ 41,025	\$ 16,397	\$ 40,903
Miscellaneous	16,602,986	1,097,196	(15,505,790)	187,611
Total revenues	<u>16,627,614</u>	<u>1,138,221</u>	<u>(15,489,393)</u>	<u>228,514</u>
EXPENDITURES				
Capital outlay	23,043,604	4,165,379	18,878,225	4,795,272
Total expenditures	<u>23,043,604</u>	<u>4,165,379</u>	<u>18,878,225</u>	<u>4,795,272</u>
Excess (deficiency) of revenues over expenditures	(6,415,990)	(3,027,158)	3,388,832	(4,566,758)
OTHER FINANCING SOURCES (USES)				
Transfers in	3,396,879	2,457,095	(939,784)	2,193,219
Transfers out	(139,371)	(139,371)	-	(350,547)
Total other financing sources (uses)	<u>3,257,508</u>	<u>2,317,724</u>	<u>(939,784)</u>	<u>1,842,672</u>
Change in fund balance	(3,158,482)	(709,434)	2,449,048	(2,724,086)
Fund balance at beginning of year	3,120,899	3,120,899	-	5,844,985
Fund balance at end of year	<u>\$ (37,583)</u>	<u>\$ 2,411,465</u>	<u>\$ 2,449,048</u>	<u>\$ 3,120,899</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, 2018

	Community Center	700 Main Center	Golf Course	Total Nonmajor Enterprise Funds
ASSETS				
Current assets				
Cash and cash equivalents	\$ 989,241	\$ 82,093	\$ 347,760	\$ 1,419,094
Receivables (net)	1,106	2,296	48,517	51,919
Due from other funds	112,500	-	975	113,475
Returned checks	1,520	-	-	1,520
Inventory	-	-	17,502	17,502
Restricted assets				
Cash and cash equivalents	283,605	-	-	283,605
Total current assets	<u>1,387,972</u>	<u>84,389</u>	<u>414,754</u>	<u>1,887,115</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)	2,649,186	976,315	420,688	4,046,189
Total noncurrent assets	<u>2,824,346</u>	<u>1,200,913</u>	<u>1,564,180</u>	<u>5,589,439</u>
Total assets	<u>4,212,318</u>	<u>1,285,302</u>	<u>1,978,934</u>	<u>7,476,554</u>
LIABILITIES				
Current liabilities				
Accounts payable	26,313	13,048	21,668	61,029
Accrued expenses	15,201	-	27,324	42,525
Due to other funds	13,791	-	14,784	28,575
Accrued compensated absences	120	-	-	120
Customer deposits	29,094	-	-	29,094
Current portion of capital lease payable	-	-	81,902	81,902
Total current liabilities	<u>84,519</u>	<u>13,048</u>	<u>145,678</u>	<u>243,245</u>
Noncurrent liabilities				
Accrued compensated absences	3,672	-	-	3,672
Capital lease payable	-	-	286,819	286,819
Total noncurrent liabilities	<u>3,672</u>	<u>-</u>	<u>286,819</u>	<u>290,491</u>
Total liabilities	<u>88,191</u>	<u>13,048</u>	<u>432,497</u>	<u>533,736</u>
NET POSITION				
Net investment in capital assets	2,824,346	1,200,913	1,195,459	5,220,718
Unrestricted net position	1,299,781	71,341	350,978	1,722,100
Total net position	<u>\$ 4,124,127</u>	<u>\$ 1,272,254</u>	<u>\$ 1,546,437</u>	<u>\$ 6,942,818</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, 2018

	Community Center	700 Main Center	Golf Course	Total Nonmajor Enterprise Funds
OPERATING REVENUES				
Charges for services	\$ 288,857	\$ 151,730	\$ 745,342	\$ 1,185,929
OPERATING EXPENSES				
Personnel	295,124	-	414,522	709,646
Materials and supplies	28,422	512	143,226	172,160
Maintenance	30,231	18,047	15,469	63,747
Heat, lights and power	74,196	44,001	39,777	157,974
Miscellaneous services	39,002	15,370	75,717	130,089
Contractual services	9,704	25,790	28,374	63,868
Computer services	15,237	-	-	15,237
Depreciation	331,379	96,173	72,527	500,079
Total operating expenses	<u>823,295</u>	<u>199,893</u>	<u>789,612</u>	<u>1,812,800</u>
Operating income (loss) before nonoperating revenues (expenses) and transfers	(534,438)	(48,163)	(44,270)	(626,871)
NONOPERATING REVENUES (EXPENSES)				
Investment income	12,549	-	-	12,549
Interest and fiscal charges	-	-	(10,540)	(10,540)
Gain (loss) on disposition of capital assets	719	-	-	719
Net nonoperating revenues (expenses)	<u>13,268</u>	<u>-</u>	<u>(10,540)</u>	<u>2,728</u>
Income before transfers	(521,170)	(48,163)	(54,810)	(624,143)
Transfers				
Transfers in	450,000	-	140,300	590,300
Transfers out	(21,800)	(48,021)	-	(69,821)
Total transfers	<u>428,200</u>	<u>(48,021)</u>	<u>140,300</u>	<u>520,479</u>
Change in net position	(92,970)	(96,184)	85,490	(103,664)
Total net position at beginning of year	<u>4,217,097</u>	<u>1,368,438</u>	<u>1,460,947</u>	<u>7,046,482</u>
Total net position at end of year	<u>\$ 4,124,127</u>	<u>\$ 1,272,254</u>	<u>\$ 1,546,437</u>	<u>\$ 6,942,818</u>

CITY OF VICTORIA, TEXAS

ALL NONMAJOR ENTERPRISE FUNDS

COMBINING STATEMENT OF CASH FLOWS

For the year ended September 30, 2018

	Community Center	700 Main Center	Golf Course	Total Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 288,848	\$ 151,724	\$ 696,825	\$ 1,137,397
Cash paid to suppliers for goods and services	(226,123)	(109,728)	(326,943)	(662,794)
Cash paid to employees for services	(295,098)	-	(387,198)	(682,296)
Net cash provided (used) by operating activities	<u>(232,373)</u>	<u>41,996</u>	<u>(17,316)</u>	<u>(207,693)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Increase (decrease) in customer deposits	(2,336)	-	-	(2,336)
Borrowings from (to) other funds	14,915	-	13,809	28,724
Transfers in from other funds	450,000	-	140,300	590,300
Transfers out to other funds	(21,800)	(48,021)	-	(69,821)
Net cash provided (used) by noncapital financing activities	<u>440,779</u>	<u>(48,021)</u>	<u>154,109</u>	<u>546,867</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(24,112)	-	(28,594)	(52,706)
Proceeds from sale of capital assets	719	-	-	719
Principal paid on capital lease	-	-	(59,577)	(59,577)
Interest paid on capital lease	-	-	(10,540)	(10,540)
Net cash provided (used) by capital and related financing activities	<u>(23,393)</u>	<u>-</u>	<u>(98,711)</u>	<u>(122,104)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	12,549	-	-	12,549
Net cash provided (used) by investing activities	<u>12,549</u>	<u>-</u>	<u>-</u>	<u>12,549</u>
Net increase (decrease) in cash and cash equivalents	197,562	(6,025)	38,082	229,619
Cash and cash equivalents at beginning of year	<u>1,075,284</u>	<u>88,118</u>	<u>309,678</u>	<u>1,473,080</u>
Cash and cash equivalents at end of year	<u>\$ 1,272,846</u>	<u>\$ 82,093</u>	<u>\$ 347,760</u>	<u>\$ 1,702,699</u>

CITY OF VICTORIA, TEXAS

ALL NONMAJOR ENTERPRISE FUNDS

COMBINING STATEMENT OF CASH FLOWS

For the year ended September 30, 2018

	<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)	\$ (534,438)	\$ (48,163)	\$ (44,270)	\$ (626,871)
Adjustments to reconcile operating income to net cash provided (used) by operating activities				
Depreciation	331,379	96,173	72,527	500,079
Changes in assets and liabilities				
(Increase) decrease in receivables	(9)	(6)	(48,517)	(48,532)
(Increase) decrease in inventory	-	-	(17,502)	(17,502)
Increase (decrease) in accounts payable	(29,331)	(6,008)	(6,878)	(42,217)
Increase (decrease) in accrued expenses	1,805	-	27,324	29,129
Increase (decrease) in compensated absences	(1,779)	-	-	(1,779)
Total adjustments	<u>302,065</u>	<u>90,159</u>	<u>26,954</u>	<u>419,178</u>
Net cash provided (used) by operating activities	<u>\$ (232,373)</u>	<u>\$ 41,996</u>	<u>\$ (17,316)</u>	<u>\$ (207,693)</u>

WATER AND WASTEWATER FUND

CITY OF VICTORIA, TEXAS
MAJOR ENTERPRISE FUND
WATER AND WASTEWATER FUND
BALANCE SHEET
September 30, 2018
With comparative totals for September 30, 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 9,305,400	\$ 6,875,663
Investments	250,239	5,666,769
Receivables (net)		
Accounts	2,276,387	2,176,239
Other	13,871	12,070
Due from other funds	2,697,776	-
Due from component unit	2,549,419	-
Inventory	142,863	172,595
Restricted assets		
Cash and cash equivalents	<u>1,994,002</u>	<u>3,168,567</u>
Total current assets	<u>19,229,957</u>	<u>18,071,903</u>
Noncurrent assets		
Capital assets		
Buildings	37,993,732	37,993,732
Water and wastewater distribution system	200,420,979	169,239,439
Improvements other than buildings	2,621,194	1,848,127
Machinery and equipment	<u>3,970,738</u>	<u>3,708,468</u>
Total capital assets	245,006,643	212,789,766
Less accumulated depreciation	<u>114,748,671</u>	<u>107,732,212</u>
Subtotal	130,257,972	105,057,554
Land and water rights	3,190,946	3,190,946
Construction in progress	<u>1,567,083</u>	<u>29,294,915</u>
Net capital assets	<u>135,016,001</u>	<u>137,543,415</u>
Total noncurrent assets	<u>135,016,001</u>	<u>137,543,415</u>
Total assets	<u>154,245,958</u>	<u>155,615,318</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on refunding	1,485,731	1,109,220
Deferred outflow related to pension	515,817	1,637,251
Deferred outflow related to OPEB	<u>120,350</u>	<u>79,337</u>
Total deferred outflows of resources	<u>2,121,898</u>	<u>2,825,808</u>

CITY OF VICTORIA, TEXAS

MAJOR ENTERPRISE FUND

WATER AND WASTEWATER FUND

BALANCE SHEET

September 30, 2018

With comparative totals for September 30, 2017

	<u>2018</u>	<u>2017</u>
LIABILITIES		
Current liabilities		
Accounts payable	\$ 475,536	\$ 745,951
Accounts payable (payable from restricted assets)	582,423	1,221,330
Accrued expenses	292,019	280,405
Accrued compensated absences	6,142	7,884
Due to other funds	89,127	291,041
Accrued interest payable	749,002	834,241
Current portion of waterworks and sewer system revenue bonds	<u>7,155,000</u>	<u>6,885,000</u>
Total current liabilities	<u>9,349,249</u>	<u>10,265,852</u>
Noncurrent liabilities		
Waterworks and sewer system revenue bonds (net of unamortized deferred amounts)	54,826,864	61,662,453
Net pension liability	4,297,045	6,912,079
OPEB liability	1,587,357	1,650,824
Accrued compensated absences	<u>187,787</u>	<u>199,017</u>
Total noncurrent liabilities	<u>60,899,053</u>	<u>70,424,373</u>
Total liabilities	<u>70,248,302</u>	<u>80,690,225</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflow related to pension	389,274	96,581
Deferred inflow related to OPEB	<u>13,579</u>	<u>-</u>
Total deferred inflows of resources	<u>402,853</u>	<u>96,581</u>
NET POSITION		
Net investment in capital assets	75,019,296	71,069,670
Unrestricted, as restated	<u>10,697,405</u>	<u>6,584,650</u>
Total net position	<u>\$ 85,716,701</u>	<u>\$ 77,654,320</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, 2018

With comparative totals for the year ended September 30, 2017

	<u>2018</u>	<u>2017</u>
OPERATING REVENUES		
Water sales	\$ 13,609,608	\$ 13,303,314
Sewer service	12,056,517	12,018,061
Tap and connection fees	264,394	262,165
Miscellaneous	<u>10,832</u>	<u>47,458</u>
Total operating revenues	<u>25,941,351</u>	<u>25,630,998</u>
OPERATING EXPENSES		
Personnel	4,427,979	6,220,217
Materials and supplies	1,352,061	1,317,964
Maintenance	993,501	1,111,877
Heat, lights, and power	1,142,503	1,382,467
Miscellaneous services	1,143,699	1,103,665
Contractual services	712,308	612,781
Computer services	128,203	128,203
Depreciation	<u>7,099,157</u>	<u>6,675,556</u>
Total operating expenses	<u>16,999,411</u>	<u>18,552,730</u>
Operating income (loss) before nonoperating revenues (expenses) and contributions and transfers	8,941,940	7,078,268
NONOPERATING REVENUES (EXPENSES)		
Investment income	177,060	148,612
Interest and fiscal charges	(2,230,236)	(2,306,721)
Gain (loss) on disposition of capital assets	<u>365,502</u>	<u>(778)</u>
Net nonoperating revenues (expenses)	<u>(1,687,674)</u>	<u>(2,158,887)</u>
Income before contributions and transfers	7,254,266	4,919,381
Contributions and transfers		
Capital contributions	3,433,015	6,448,628
Transfers out	<u>(2,624,900)</u>	<u>(2,624,900)</u>
Total contributions and transfers	<u>808,115</u>	<u>3,823,728</u>
Change in net position	8,062,381	8,743,109
Net position at beginning of year, as restated	<u>77,654,320</u>	<u>68,911,211</u>
Total net position at end of year	<u>\$ 85,716,701</u>	<u>\$ 77,654,320</u>

CITY OF VICTORIA, TEXAS**MAJOR ENTERPRISE FUND****WATER AND WASTEWATER FUND****STATEMENT OF CASH FLOWS***For the year ended September 30, 2018**With comparative totals for the year ended September 30, 2017*

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 25,839,402	\$ 25,709,792
Cash paid to suppliers for goods and services	(5,712,957)	(5,573,621)
Cash paid to employees for services	(5,721,145)	(5,906,966)
Net cash provided (used) by operating activities	<u>14,405,300</u>	<u>14,229,205</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Borrowings from (to) other funds	(2,899,691)	272,119
Transfers out to other funds	(2,624,900)	(2,624,900)
Total operating expenses	<u>(5,524,591)</u>	<u>(2,352,781)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(5,215,298)	(7,792,368)
Proceeds from sale of capital assets	370,150	29
Proceeds from capital grants and contributions	883,596	5,194,864
Principal paid on revenue bonds	(6,885,000)	(6,715,000)
Interest paid on revenue bonds	(2,372,575)	(2,575,002)
Net cash provided (used) by capital and related financing activities	<u>(13,219,127)</u>	<u>(11,887,477)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	-	(12,013,380)
Proceeds from sales and maturities of investments	5,416,530	15,375,000
Investment income	177,060	148,612
Net cash provided (used) by investing activities	<u>5,593,590</u>	<u>3,510,232</u>
Net increase (decrease) in cash and cash equivalents	1,255,172	3,499,179
Cash and cash equivalents at beginning of year	<u>10,044,230</u>	<u>6,545,051</u>
Cash and cash equivalents at end of year	<u>\$ 11,299,402</u>	<u>\$ 10,044,230</u>

CITY OF VICTORIA, TEXAS

MAJOR ENTERPRISE FUND

WATER AND WASTEWATER FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2018

With comparative totals for the year ended September 30, 2017

	<u>2018</u>	<u>2017</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 8,941,940	\$ 7,078,268
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	7,099,157	6,675,556
Changes in assets and liabilities		
(Increase) decrease in accounts receivable	(100,148)	79,887
(Increase) decrease in other receivables	(1,801)	(1,093)
(Increase) decrease in inventory	29,732	(2,051)
(Increase) decrease in other post employment benefits asset	-	54,321
(Increase) decrease in deferred outflows related to pension	1,121,434	307,431
(Increase) decrease in deferred outflows related to OPEB	(41,013)	-
Increase (decrease) in accounts payable	(270,414)	85,387
Increase (decrease) in accrued expenses	11,614	(23,937)
Increase (decrease) in compensated absences	(12,972)	(15,902)
Increase (decrease) in net pension liability	(2,615,034)	75,401
Increase (decrease) in OPEB liability	(63,467)	-
Increase (decrease) in deferred inflows related to pension	292,693	(84,063)
Increase (decrease) in deferred inflows related to OPEB	13,579	-
Total adjustments	<u>5,463,360</u>	<u>7,150,937</u>
Net cash provided (used) by operating activities	<u>\$ 14,405,300</u>	<u>\$ 14,229,205</u>

COMMUNITY CENTER FUND

CITY OF VICTORIA, TEXAS
NONMAJOR ENTERPRISE FUND
COMMUNITY CENTER FUND
BALANCE SHEET
September 30, 2018
With comparative totals for September 30, 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 989,241	\$ 712,190
Receivables (net)		
Other	1,106	1,097
Due from other funds	112,500	120,000
Returned checks	1,520	1,520
Restricted assets		
Cash and cash equivalents	<u>283,605</u>	<u>363,094</u>
Total current assets	<u>1,387,972</u>	<u>1,197,901</u>
Noncurrent assets		
Capital assets		
Buildings	5,443,306	5,424,164
Infrastructure	288,581	288,581
Machinery and equipment	<u>340,708</u>	<u>342,626</u>
Total capital assets	6,072,595	6,055,371
Less accumulated depreciation	<u>3,423,409</u>	<u>3,098,918</u>
Subtotal	2,649,186	2,956,453
Land	<u>175,160</u>	<u>175,160</u>
Net capital assets	<u>2,824,346</u>	<u>3,131,613</u>
Total noncurrent assets	<u>2,824,346</u>	<u>3,131,613</u>
Total assets	<u>4,212,318</u>	<u>4,329,514</u>
LIABILITIES		
Current liabilities		
Accounts payable	26,313	55,644
Accrued expenses	15,201	13,396
Due to other funds	13,791	6,376
Accrued compensated absences	120	212
Customer deposits	<u>29,094</u>	<u>31,430</u>
Total current liabilities	<u>84,519</u>	<u>107,058</u>
Noncurrent liabilities		
Accrued compensated absences	<u>3,672</u>	<u>5,359</u>
Total liabilities	<u>88,191</u>	<u>112,417</u>
NET POSITION		
Net investment in capital assets	2,824,346	3,131,613
Unrestricted	<u>1,299,781</u>	<u>1,085,484</u>
Total net position	<u>\$ 4,124,127</u>	<u>\$ 4,217,097</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, 2018

With comparative totals for the year ended September 30, 2017

	<u>2018</u>	<u>2017</u>
OPERATING REVENUES		
Rental fees	\$ 287,092	\$ 258,551
Miscellaneous	1,765	4,889
Total operating revenues	<u>288,857</u>	<u>263,440</u>
OPERATING EXPENSES		
Personnel	295,124	269,012
Materials and supplies	28,422	20,212
Maintenance	30,231	33,137
Heat, lights, and power	74,196	81,747
Miscellaneous services	39,002	33,197
Contractual services	9,704	17,761
Computer services	15,237	15,237
Depreciation	331,379	323,476
Total operating expenses	<u>823,295</u>	<u>793,779</u>
Operating income (loss) before nonoperating revenues (expenses) and transfers	(534,438)	(530,339)
NONOPERATING REVENUES (EXPENSES)		
Investment income	12,549	7,187
Gain (loss) on disposition of capital assets	719	(8,612)
Net nonoperating revenues (expenses)	<u>13,268</u>	<u>(1,425)</u>
Income (loss) before transfers	(521,170)	(531,764)
Transfers		
Transfers in	450,000	480,000
Transfers out	(21,800)	(21,800)
Total transfers	<u>428,200</u>	<u>458,200</u>
Change in net position	(92,970)	(73,564)
Total net position at beginning of year	<u>4,217,097</u>	<u>4,290,661</u>
Total net position at end of year	<u>\$ 4,124,127</u>	<u>\$ 4,217,097</u>

CITY OF VICTORIA, TEXAS
NONMAJOR ENTERPRISE FUND
COMMUNITY CENTER FUND
STATEMENT OF CASH FLOWS
For the year ended September 30, 2018
With comparative totals for the year ended September 30, 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 288,848	\$ 263,468
Cash paid to suppliers for goods and services	(226,123)	(211,246)
Cash paid to employees for services	(295,098)	(269,193)
Net cash provided (used) by operating activities	<u>(232,373)</u>	<u>(216,971)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Increase (decrease) in customer deposits	(2,336)	(32,394)
Borrowings from (to) other funds	14,915	129,808
Transfers in from other funds	450,000	480,000
Transfers out to other funds	(21,800)	(21,800)
Net cash provided (used) by noncapital financing activities	<u>440,779</u>	<u>555,614</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(24,112)	(261,334)
Proceeds from sale of capital assets	719	4,607
Net cash provided (used) by capital and related financing activities	<u>(23,393)</u>	<u>(256,727)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	12,549	7,187
Net cash provided (used) by investing activities	<u>12,549</u>	<u>7,187</u>
Net increase (decrease) in cash and cash equivalents	197,562	89,103
Cash and cash equivalents at beginning of year	1,075,284	986,181
Cash and cash equivalents at end of year	<u>\$ 1,272,846</u>	<u>\$ 1,075,284</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (534,438)	\$ (530,339)
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	331,379	323,476
Changes in assets and liabilities		
(Increase) decrease in receivables	(9)	(722)
(Increase) decrease in returned checks	-	750
Increase (decrease) in accounts payable	(29,331)	(9,955)
Increase (decrease) in accrued expenses	1,805	(770)
Increase (decrease) in compensated absences	(1,779)	589
Total adjustments	<u>302,065</u>	<u>313,368</u>
Net cash provided (used) by operating activities	<u>\$ (232,373)</u>	<u>\$ (216,971)</u>

700 MAIN CENTER FUND

CITY OF VICTORIA, TEXAS
NONMAJOR ENTERPRISE FUND
700 MAIN CENTER FUND
BALANCE SHEET
 September 30, 2018
 With comparative totals for September 30, 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 82,093	\$ 88,118
Receivables (net)		
Other	<u>2,296</u>	<u>2,290</u>
Total current assets	<u>84,389</u>	<u>90,408</u>
Noncurrent assets		
Capital assets		
Buildings	2,751,272	2,751,272
Improvements other than buildings	78,216	78,216
Machinery and equipment	<u>29,065</u>	<u>91,520</u>
Total capital assets	2,858,553	2,921,008
Less accumulated depreciation	<u>1,882,238</u>	<u>1,848,520</u>
Subtotal	976,315	1,072,488
Land	<u>224,598</u>	<u>224,598</u>
Net capital assets	<u>1,200,913</u>	<u>1,297,086</u>
Total assets	<u>1,285,302</u>	<u>1,387,494</u>
LIABILITIES		
Current liabilities		
Accounts payable	<u>13,048</u>	<u>19,056</u>
NET POSITION		
Net investment in capital assets	1,200,913	1,297,086
Unrestricted	<u>71,341</u>	<u>71,352</u>
Total net position	<u>\$ 1,272,254</u>	<u>\$ 1,368,438</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, 2018

With comparative totals for the year ended September 30, 2017

	<u>2018</u>	<u>2017</u>
OPERATING REVENUES		
Rental fees	\$ 151,730	\$ 151,437
OPERATING EXPENSES		
Materials and supplies	512	789
Maintenance	18,047	14,694
Heat, lights, and power	44,001	59,113
Miscellaneous services	15,370	14,030
Contractual services	25,790	24,570
Depreciation	96,173	100,241
Total operating expenses	<u>199,893</u>	<u>213,437</u>
Operating income (loss) before nonoperating revenues (expenses) and transfers	(48,163)	(62,000)
NONOPERATING REVENUES (EXPENSES)		
Loss on disposition of capital assets	<u>-</u>	<u>(1,797)</u>
Net nonoperating revenues (expenses)	<u>-</u>	<u>(1,797)</u>
Income (loss) before transfers	(48,163)	(63,797)
Transfers		
Transfers out	<u>(48,021)</u>	<u>(15,130)</u>
Change in net position	(96,184)	(78,927)
Total net position at beginning of year	<u>1,368,438</u>	<u>1,447,365</u>
Total net position at end of year	<u>\$ 1,272,254</u>	<u>\$ 1,368,438</u>

CITY OF VICTORIA, TEXAS
NONMAJOR ENTERPRISE FUND
700 MAIN CENTER FUND
STATEMENT OF CASH FLOWS
For the year ended September 30, 2018
With comparative totals for the year ended September 30, 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 151,724	\$ 151,439
Cash paid to suppliers for goods and services	<u>(109,728)</u>	<u>(113,439)</u>
Net cash provided (used) by operating activities	<u>41,996</u>	<u>38,000</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers out to other funds	<u>(48,021)</u>	<u>(15,130)</u>
Net cash provided (used) by noncapital financing activities	<u>(48,021)</u>	<u>(15,130)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	<u>-</u>	<u>(17,075)</u>
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(17,075)</u>
Net increase (decrease) in cash and cash equivalents	(6,025)	5,795
Cash and cash equivalents at beginning of year	<u>88,118</u>	<u>82,323</u>
Cash and cash equivalents at end of year	<u>\$ 82,093</u>	<u>\$ 88,118</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (48,163)	\$ (62,000)
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	96,173	100,241
Changes in assets and liabilities		
(Increase) decrease in other receivables	(6)	2
Increase (decrease) in accounts payable	<u>(6,008)</u>	<u>(243)</u>
Total adjustments	<u>90,159</u>	<u>100,000</u>
Net cash provided (used) by operating activities	<u>\$ 41,996</u>	<u>\$ 38,000</u>

ENVIRONMENTAL SERVICES FUND

CITY OF VICTORIA, TEXAS
MAJOR ENTERPRISE FUND
ENVIRONMENTAL SERVICES FUND
BALANCE SHEET
September 30, 2018
With comparative totals for September 30, 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 3,976,843	\$ 4,597,387
Investments	-	1,000,000
Receivables (net)		
Accounts	237,769	277,908
Other	19,450	49,701
Due from other funds	2,500,000	256,473
Restricted assets		
Cash and cash equivalents	2,583,050	2,112,622
Investments	-	248,000
Total current assets	<u>9,317,112</u>	<u>8,542,091</u>
Noncurrent assets		
Capital assets		
Buildings	692,108	692,108
Infrastructure	1,504,801	1,504,801
Improvements other than buildings	1,142,094	1,062,349
Machinery and equipment	1,697,823	1,665,210
Total capital assets	5,036,826	4,924,468
Less accumulated depreciation	3,735,106	3,398,366
Subtotal	1,301,720	1,526,102
Land	834,981	834,981
Net capital assets	<u>2,136,701</u>	<u>2,361,083</u>
Total noncurrent assets	<u>2,136,701</u>	<u>2,361,083</u>
Total assets	<u>11,453,813</u>	<u>10,903,174</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflow related to pension	112,700	328,895
Deferred outflow related to OPEB	26,532	17,376
Total deferred outflows of resources	<u>139,232</u>	<u>346,271</u>

CITY OF VICTORIA, TEXAS
MAJOR ENTERPRISE FUND
ENVIRONMENTAL SERVICES FUND
BALANCE SHEET
September 30, 2018
With comparative totals for September 30, 2017

	<u>2018</u>	<u>2017</u>
LIABILITIES		
Current liabilities		
Accounts payable	\$ 185,035	\$ 111,187
Accrued expenses	64,348	70,668
Accrued compensated absences	1,072	1,671
Due to other funds	20,366	7,368
Due to other governments	36,595	47,092
Due to component unit	<u>28,576</u>	<u>26,478</u>
Total current liabilities	<u>335,992</u>	<u>264,464</u>
Noncurrent liabilities		
Accrued compensated absences	32,767	42,188
Net pension liability	947,326	1,385,080
OPEB liability	349,949	357,952
Estimated landfill closure and postclosure care cost	<u>4,137,543</u>	<u>4,036,498</u>
Total noncurrent liabilities	<u>5,467,585</u>	<u>5,821,718</u>
Total liabilities	<u>5,803,577</u>	<u>6,086,182</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflow related to pension	105,779	21,329
Deferred inflow related to OPEB	<u>2,994</u>	<u>-</u>
Total deferred inflows of resources	<u>108,773</u>	<u>21,329</u>
NET POSITION		
Net investment in capital assets	2,136,701	2,361,083
Unrestricted, as restated	<u>3,543,994</u>	<u>2,780,851</u>
Total net position	<u>\$ 5,680,695</u>	<u>\$ 5,141,934</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, 2018

With comparative totals for the year ended September 30, 2017

	<u>2018</u>	<u>2017</u>
OPERATING REVENUES		
Garbage fees	\$ 3,330,103	\$ 3,345,467
Other garbage fees	1,212,276	1,209,573
Miscellaneous	<u>961,678</u>	<u>965,658</u>
Total operating revenues	<u>5,504,057</u>	<u>5,520,698</u>
OPERATING EXPENSES		
Personnel	1,189,519	1,396,125
Materials and supplies	220,001	187,535
Maintenance	20,160	20,424
Heat, lights, and power	15,695	18,878
Miscellaneous services	1,332,750	607,116
Contractual services	142,654	182,180
Computer services	50,639	50,639
Tipping fees	1,063,469	1,036,071
Landfill closure and postclosure care cost	101,045	125,666
Depreciation	<u>340,082</u>	<u>377,552</u>
Total operating expenses	<u>4,476,014</u>	<u>4,002,186</u>
Operating income (loss) before nonoperating revenues (expenses) and transfers	1,028,043	1,518,512
NONOPERATING REVENUES (EXPENSES)		
Gain (loss) on disposition of capital assets	161	(1,656)
Investment income	<u>105,724</u>	<u>73,290</u>
Net nonoperating revenues (expenses)	<u>105,885</u>	<u>71,634</u>
Income before transfers	1,133,928	1,590,146
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	538,761	994,979
Net position at beginning of year, as restated	<u>5,141,934</u>	<u>4,146,955</u>
Total net position at end of year	<u>\$ 5,680,695</u>	<u>\$ 5,141,934</u>

CITY OF VICTORIA, TEXAS**MAJOR ENTERPRISE FUND****ENVIRONMENTAL SERVICES FUND****STATEMENT OF CASH FLOWS***For the year ended September 30, 2018**With comparative totals for the year ended September 30, 2017*

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 5,574,447	\$ 5,549,240
Cash paid to suppliers for goods and services	(2,782,017)	(2,130,131)
Cash paid to employees for services	(1,357,133)	(1,317,531)
Net cash provided (used) by operating activities	<u>1,435,297</u>	<u>2,101,578</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Borrowings from (to) other funds	(2,230,529)	(256,473)
Borrowings from (to) component unit	2,098	(598)
Transfers out to other funds	(595,167)	(595,167)
Net cash provided (used) by noncapital financing activities	<u>(2,823,598)</u>	<u>(852,238)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(115,700)	(542,096)
Proceeds from sale of capital assets	161	-
Net cash provided (used) by capital and related financing activities	<u>(115,539)</u>	<u>(542,096)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	-	(8,871,747)
Proceeds from sales and maturities of investments	1,248,000	10,874,223
Investment income	105,724	73,290
Net cash provided (used) by investing activities	<u>1,353,724</u>	<u>2,075,766</u>
Net increase (decrease) in cash and cash equivalents	(150,116)	2,783,010
Cash and cash equivalents at beginning of year	<u>6,710,009</u>	<u>3,926,999</u>
Cash and cash equivalents at end of year	<u>\$ 6,559,893</u>	<u>\$ 6,710,009</u>

CITY OF VICTORIA, TEXAS

MAJOR ENTERPRISE FUND

ENVIRONMENTAL SERVICES FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2018

With comparative totals for the year ended September 30, 2017

	<u>2018</u>	<u>2017</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 1,028,043	\$ 1,518,512
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	340,082	377,552
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources		
(Increase) decrease in accounts receivable	40,139	(16,480)
(Increase) decrease in other receivables	30,251	45,022
(Increase) decrease in other post employment benefits asset	-	11,293
(Increase) decrease in deferred outflows related to pension	216,195	60,806
(Increase) decrease in deferred outflows related to OPEB	(9,156)	-
Increase (decrease) in accounts payable	73,848	(9,003)
Increase (decrease) in due to other governments	(10,497)	6,336
Increase (decrease) in accrued expenses	(6,320)	(958)
Increase (decrease) in compensated absences	(10,020)	(423)
Increase (decrease) in net pension liability	(437,754)	24,721
Increase (decrease) in OPEB liability	(8,003)	
Increase (decrease) in landfill closure and postclosure care cost	101,045	101,045
Increase (decrease) in deferred inflows related to pension	84,450	(16,845)
Increase (decrease) in deferred inflows related to OPEB	<u>2,994</u>	<u>-</u>
Total adjustments	<u>407,254</u>	<u>583,066</u>
Net cash provided (used) by operating activities	<u>\$ 1,435,297</u>	<u>\$ 2,101,578</u>

GOLF COURSE FUND

CITY OF VICTORIA, TEXAS
NONMAJOR ENTERPRISE FUND
GOLF COURSE FUND
BALANCE SHEET
September 30, 2018
With comparative totals for the year ended September 30, 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 347,760	\$ 309,678
Receivables (net)	48,517	-
Due from other funds	975	-
Inventory	<u>17,502</u>	<u>-</u>
Total current assets	<u>414,754</u>	<u>309,678</u>
Noncurrent assets		
Capital assets		
Buildings	309,111	309,111
Improvements other than buildings	212,415	206,559
Machinery and equipment	<u>471,557</u>	<u>20,521</u>
Total capital assets	<u>993,083</u>	<u>536,191</u>
Less accumulated depreciation	<u>572,395</u>	<u>499,868</u>
Subtotal	420,688	36,323
Land	<u>1,143,492</u>	<u>1,143,492</u>
Net capital assets	<u>1,564,180</u>	<u>1,179,815</u>
Total assets	<u>1,978,934</u>	<u>1,489,493</u>
LIABILITIES		
Current liabilities		
Accounts payable	21,668	28,546
Accrued expenses	27,324	-
Due to other funds	14,784	-
Current portion of capital lease payable	<u>81,902</u>	<u>-</u>
Total current liabilities	<u>145,678</u>	<u>28,546</u>
Noncurrent liabilities		
Capital lease payable	<u>286,819</u>	<u>-</u>
Total liabilities	<u>432,497</u>	<u>28,546</u>
NET POSITION		
Net investment in capital assets	1,195,459	1,179,815
Unrestricted	<u>350,978</u>	<u>281,132</u>
Total net position	<u>\$ 1,546,437</u>	<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, 2018

With comparative totals for the year ended September 30, 2017

	2018	2017
OPERATING REVENUES		
Golf course sales	\$ 116,526	\$ -
Fees and memberships	628,725	-
Miscellaneous	91	4,080
Total operating revenues	<u>745,342</u>	<u>4,080</u>
OPERATING EXPENSES		
Personnel	414,522	14,751
Materials and supplies	143,226	39,378
Maintenance	15,469	16,327
Heat, lights, and power	39,777	12,257
Miscellaneous services	75,717	16,385
Contractual services	28,374	28,646
Depreciation	72,527	881
Total operating expenses	<u>789,612</u>	<u>128,625</u>
Operating income (loss) before nonoperating revenues (expenses) and contributions and transfers	(44,270)	(124,545)
NONOPERATING REVENUES (EXPENSES)		
Interest and fiscal charges	<u>(10,540)</u>	<u>-</u>
Income (loss) before contributions and transfers	(54,810)	(124,545)
Contributions and transfers		
Capital contributions	-	1,143,492
Transfers in	<u>140,300</u>	<u>442,000</u>
Total contributions and transfers	<u>140,300</u>	<u>1,585,492</u>
Change in net position	85,490	1,460,947
Total net position at beginning of year	<u>1,460,947</u>	<u>-</u>
Total net position at end of year	<u>\$ 1,546,437</u>	<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, 2018
With comparative totals for the year ended September 30, 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 696,825	\$ 4,080
Cash paid to suppliers for goods and services	(326,943)	(84,447)
Cash paid to employees for services	<u>(387,198)</u>	<u>(14,751)</u>
Net cash provided (used) by operating activities	<u>(17,316)</u>	<u>(95,118)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Borrowings from (to) other funds	13,809	-
Transfers from other funds	<u>140,300</u>	<u>442,000</u>
Net cash provided (used) by noncapital financing activities	<u>154,109</u>	<u>442,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(28,594)	(37,204)
Principal paid on capital lease	(59,577)	-
Interest paid on capital lease	<u>(10,540)</u>	<u>-</u>
Net cash provided (used) by capital and related financing activities	<u>(98,711)</u>	<u>(37,204)</u>
Net increase (decrease) in cash and cash equivalents	38,082	309,678
Cash and cash equivalents at beginning of year	<u>309,678</u>	<u>-</u>
Cash and cash equivalents at end of year	<u>\$ 347,760</u>	<u>\$ 309,678</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (44,270)	\$ (124,545)
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	72,527	881
Changes in assets and liabilities		
(Increase) decrease in other receivables	(48,517)	-
(Increase) decrease in inventory	(17,502)	-
Increase (decrease) in accounts payable	(6,878)	28,546
Increase (decrease) in accrued expenses	<u>27,324</u>	<u>-</u>
Total adjustments	<u>26,954</u>	<u>29,427</u>
Net cash provided (used) by operating activities	<u>\$ (17,316)</u>	<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, 2018

	<u>V.E.S.</u>	<u>Information Technology</u>	<u>Communications</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 864,223	\$ 368,240	\$ 274,497
Investments	-	-	-
Receivables (net)			
Other	22,255	-	7,066
Due from other funds	-	-	-
Inventory	57,033	-	-
Restricted assets			
Cash and cash equivalents	-	-	-
Total current assets	<u>943,511</u>	<u>368,240</u>	<u>281,563</u>
Noncurrent assets			
Capital assets			
Land and other assets not being depreciated	134,007	-	39,168
Buildings, improvements, and equipment (net)	<u>7,240,409</u>	<u>648,847</u>	<u>451,662</u>
Total noncurrent assets	<u>7,374,416</u>	<u>648,847</u>	<u>490,830</u>
Total assets	<u>8,317,927</u>	<u>1,017,087</u>	<u>772,393</u>
LIABILITIES			
Current liabilities			
Accounts payable	340,173	50,278	9,362
Accrued expenses	4,905	32,759	-
Due to other funds	947	11,733	-
Accrued compensated absences	-	27,993	-
Claims payable	-	-	-
Total current liabilities	<u>346,025</u>	<u>122,763</u>	<u>9,362</u>
Total liabilities	<u>346,025</u>	<u>122,763</u>	<u>9,362</u>
NET POSITION			
Net investment in capital assets	7,374,416	648,847	490,830
Unrestricted	<u>597,486</u>	<u>245,477</u>	<u>272,201</u>
Total net position	<u>\$ 7,971,902</u>	<u>\$ 894,324</u>	<u>\$ 763,031</u>

<u>Purchasing</u>	<u>Safety Management</u>	<u>Workers' Compensation</u>	<u>Print Shop</u>	<u>Employee Health Plan</u>	<u>Total</u>
\$ -	\$ 12,526	\$ 579,951	\$ 57,889	\$ 746,973	\$ 2,904,299
-	-	-	-	989,000	989,000
24	-	23,616	1,099	23,125	77,185
-	-	-	-	626,167	626,167
88,767	-	-	19,657	-	165,457
-	-	34,000	-	-	34,000
<u>88,791</u>	<u>12,526</u>	<u>637,567</u>	<u>78,645</u>	<u>2,385,265</u>	<u>4,796,108</u>
-	-	-	-	-	173,175
<u>35,356</u>	<u>252</u>	<u>-</u>	<u>17,626</u>	<u>-</u>	<u>8,394,152</u>
<u>35,356</u>	<u>252</u>	<u>-</u>	<u>17,626</u>	<u>-</u>	<u>8,567,327</u>
<u>124,147</u>	<u>12,778</u>	<u>637,567</u>	<u>96,271</u>	<u>2,385,265</u>	<u>13,363,435</u>
8,593	2,438	7,549	2,005	15,232	435,630
9,783	-	-	4,931	-	52,378
8,375	7,020	-	-	-	28,075
12,274	6,698	-	1,786	-	48,751
-	-	144,790	-	670,621	815,411
<u>39,025</u>	<u>16,156</u>	<u>152,339</u>	<u>8,722</u>	<u>685,853</u>	<u>1,380,245</u>
<u>39,025</u>	<u>16,156</u>	<u>152,339</u>	<u>8,722</u>	<u>685,853</u>	<u>1,380,245</u>
35,356	252	-	17,626	-	8,567,327
<u>49,766</u>	<u>(3,630)</u>	<u>485,228</u>	<u>69,923</u>	<u>1,699,412</u>	<u>3,415,863</u>
<u>\$ 85,122</u>	<u>\$ (3,378)</u>	<u>\$ 485,228</u>	<u>\$ 87,549</u>	<u>\$ 1,699,412</u>	<u>\$ 11,983,190</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, 2018

	V.E.S.	Information Technology	Communications
OPERATING REVENUES			
Charges for services	\$ 4,909,455	\$ 1,192,898	\$ 512,899
Miscellaneous	218,360	6,315	-
Total operating revenues	<u>5,127,815</u>	<u>1,199,213</u>	<u>512,899</u>
OPERATING EXPENSES			
Personnel	131,740	680,622	26,383
Materials and supplies	1,118,628	12,485	1,362
Maintenance	70,159	230,000	401,608
Heat, lights, and power	20,115	-	-
Reinsurance premiums	-	-	-
Miscellaneous services	685,800	110,947	20,130
Contractual services	1,222,304	56,713	8,800
Computer services	15,237	-	6,445
Court costs, judgments, and damages	-	-	-
Claims expense	-	-	-
OPEB trust expense	-	-	-
Wellness program	-	-	-
Depreciation	1,943,218	305,100	177,374
Total operating expenses	<u>5,207,201</u>	<u>1,395,867</u>	<u>642,102</u>
Operating income (loss) before nonoperating revenues (expenses) and transfers	(79,386)	(196,654)	(129,203)
NONOPERATING REVENUES (EXPENSES)			
Investment income	3,712	5,567	928
Gain (loss) on disposition of capital assets	10,415	30	-
Net nonoperating revenues (expenses)	<u>14,127</u>	<u>5,597</u>	<u>928</u>
Income (loss) before transfers	(65,259)	(191,057)	(128,275)
Transfers			
Transfers in	-	-	-
Change in net position	(65,259)	(191,057)	(128,275)
Total net position at beginning of year	<u>8,037,161</u>	<u>1,085,381</u>	<u>891,306</u>
Total net position at end of year	<u>\$ 7,971,902</u>	<u>\$ 894,324</u>	<u>\$ 763,031</u>

<u>Purchasing</u>	<u>Safety Management</u>	<u>Workers' Compensation</u>	<u>Print Shop</u>	<u>Employee Health Plan</u>	<u>Total</u>
\$ 223,648	\$ 762,600	\$ 355,000	\$ 145,008	\$ 6,366,924	\$ 14,468,432
18,766	24	23,616	-	80	267,161
<u>242,414</u>	<u>762,624</u>	<u>378,616</u>	<u>145,008</u>	<u>6,367,004</u>	<u>14,735,593</u>
196,303	106,672	-	103,350	-	1,245,070
2,539	1,630	-	3,097	-	1,139,741
796	-	-	13,132	-	715,695
3,176	-	-	-	-	23,291
-	611,535	-	-	488,361	1,099,896
19,444	9,739	-	15,389	-	861,449
-	10,426	-	-	316,060	1,614,303
16,651	6,445	-	6,445	-	51,223
-	32,847	-	-	-	32,847
-	-	106,315	-	6,765,715	6,872,030
-	-	-	-	200,000	200,000
-	-	-	-	13,309	13,309
5,469	314	-	6,243	-	2,437,718
<u>244,378</u>	<u>779,608</u>	<u>106,315</u>	<u>147,656</u>	<u>7,783,445</u>	<u>16,306,572</u>
(1,964)	(16,984)	272,301	(2,648)	(1,416,441)	(1,570,979)
-	191	3,676	-	34,880	48,954
-	-	-	-	-	10,445
-	191	3,676	-	34,880	59,399
(1,964)	(16,793)	275,977	(2,648)	(1,381,561)	(1,511,580)
-	-	-	-	200,000	200,000
(1,964)	(16,793)	275,977	(2,648)	(1,181,561)	(1,311,580)
87,086	13,415	209,251	90,197	2,880,973	13,294,770
<u>\$ 85,122</u>	<u>\$ (3,378)</u>	<u>\$ 485,228</u>	<u>\$ 87,549</u>	<u>\$ 1,699,412</u>	<u>\$ 11,983,190</u>

CITY OF VICTORIA, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the year ended September 30, 2018

	<u>V.E.S.</u>	<u>Information Technology</u>	<u>Communications</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from other funds	\$ 5,156,074	\$ 1,205,095	\$ 512,145
Cash paid to suppliers for goods and services	(3,081,899)	(377,944)	(432,169)
Cash paid to employees for services	(146,511)	(681,937)	(33,945)
Net cash provided (used) by operating activities	<u>1,927,664</u>	<u>145,214</u>	<u>46,031</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
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	(1,952,427)	(203,825)	-
Proceeds from sale of capital assets	15,222	30	-
Net cash provided (used) by capital and related financing activities	<u>(1,937,205)</u>	<u>(203,795)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	-	-	-
Proceeds from sales and maturities of investments	-	-	-
Investment income	3,712	5,567	928
Net cash provided (used) by investing activities	<u>3,712</u>	<u>5,567</u>	<u>928</u>
Net increase (decrease) in cash and cash equivalents	(5,829)	(53,014)	46,959
Cash and cash equivalents at beginning of year	<u>870,052</u>	<u>421,254</u>	<u>227,538</u>
Cash and cash equivalents at end of year	<u>\$ 864,223</u>	<u>\$ 368,240</u>	<u>\$ 274,497</u>

<u>Purchasing</u>	<u>Safety Management</u>	<u>Workers' Compensation</u>	<u>Print Shop</u>	<u>Employee Health Plan</u>	<u>Total</u>
\$ 246,092	\$ 764,790	\$ 357,230	\$ 141,183	\$ 6,491,797	\$ 14,874,406
(50,410)	(671,657)	(167,804)	(38,320)	(8,312,041)	(13,132,244)
<u>(195,682)</u>	<u>(107,648)</u>	<u>-</u>	<u>(103,824)</u>	<u>-</u>	<u>(1,269,547)</u>
-	(14,515)	189,426	(961)	(1,820,244)	472,615
-	-	-	-	200,000	200,000
-	-	-	-	200,000	200,000
-	-	-	(2,285)	-	(2,158,537)
-	-	-	-	-	15,252
-	-	-	(2,285)	-	(2,143,285)
-	-	-	-	(493,000)	(493,000)
-	-	-	-	1,987,391	1,987,391
-	191	3,676	-	34,880	48,954
-	191	3,676	-	1,529,271	1,543,345
-	(14,324)	193,102	(3,246)	(90,973)	72,675
-	26,850	420,849	61,135	837,946	2,865,624
<u>\$ -</u>	<u>\$ 12,526</u>	<u>\$ 613,951</u>	<u>\$ 57,889</u>	<u>\$ 746,973</u>	<u>\$ 2,938,299</u>

(continued)

CITY OF VICTORIA, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the year ended September 30, 2018

	<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)	\$ (79,386)	\$ (196,654)	\$ (129,203)
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation	1,943,218	305,100	177,374
Changes in assets and liabilities			
(Increase) decrease in other receivables	27,313	-	(754)
(Increase) decrease in due from other funds	-	-	-
(Increase) decrease in prepaid items	-	-	-
(Increase) decrease in inventory	(15,735)	-	-
Increase (decrease) in accounts payable	66,079	32,201	6,176
Increase (decrease) in accrued expenses	(6,022)	(1,793)	(3,647)
Increase (decrease) in due to other funds	946	5,882	-
Increase (decrease) in compensated absences	(8,749)	478	(3,915)
Increase (decrease) in claims payable	-	-	-
Total adjustments	<u>2,007,050</u>	<u>341,868</u>	<u>175,234</u>
Net cash provided (used) by operating activities	<u>\$ 1,927,664</u>	<u>\$ 145,214</u>	<u>\$ 46,031</u>

<u>Purchasing</u>	<u>Safety Management</u>	<u>Workers' Compensation</u>	<u>Print Shop</u>	<u>Employee Health Plan</u>	<u>Total</u>
\$ (1,964)	\$ (16,984)	\$ 272,301	\$ (2,648)	\$ (1,416,441)	\$ (1,570,979)
5,469	314	-	6,243	-	2,437,718
92	-	(21,386)	(91)	347,064	352,238
-	-	-	-	(222,271)	(222,271)
-	-	-	-	74,133	74,133
(2,739)	-	-	(47)	-	(18,521)
(5,065)	965	(1,376)	(210)	14,173	112,943
39	(5,588)	-	21	-	(16,990)
3,586	2,166	-	(3,734)	-	8,846
582	4,612	-	(495)	-	(7,487)
-	-	(60,113)	-	(616,902)	(677,015)
<u>1,964</u>	<u>2,469</u>	<u>(82,875)</u>	<u>1,687</u>	<u>(403,803)</u>	<u>2,043,594</u>
\$ <u>-</u>	\$ <u>(14,515)</u>	\$ <u>189,426</u>	\$ <u>(961)</u>	\$ <u>(1,820,244)</u>	\$ <u>472,615</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, 2018
With comparative totals for September 30, 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 864,223	\$ 870,052
Receivables		
Other	22,255	49,568
Inventory	<u>57,033</u>	<u>41,298</u>
Total current assets	<u>943,511</u>	<u>960,918</u>
Noncurrent assets		
Capital assets		
Buildings	425,876	425,876
Infrastructure	93,179	93,179
Improvements other than buildings	10,659	10,659
Machinery and equipment	<u>22,732,261</u>	<u>21,822,460</u>
Total capital assets	23,261,975	22,352,174
Less accumulated depreciation	<u>16,021,566</u>	<u>15,116,167</u>
Subtotal	7,240,409	7,236,007
Land	<u>134,007</u>	<u>134,007</u>
Net capital assets	<u>7,374,416</u>	<u>7,370,014</u>
Total assets	<u>8,317,927</u>	<u>8,330,932</u>
LIABILITIES		
Current liabilities		
Accounts payable	340,173	274,094
Accrued expenses	4,905	10,927
Due to other funds	947	1
Accrued compensated absences	<u>-</u>	<u>8,749</u>
Total liabilities	<u>346,025</u>	<u>293,771</u>
NET POSITION		
Net investment in capital assets	7,374,416	7,370,014
Unrestricted	<u>597,486</u>	<u>667,147</u>
Total net position	<u>\$ 7,971,902</u>	<u>\$ 8,037,161</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, 2018

With comparative totals for the year ended September 30, 2017

	<u>2018</u>	<u>2017</u>
OPERATING REVENUES		
Charges for services	\$ 4,909,455	\$ 4,056,165
Miscellaneous	<u>218,360</u>	<u>65,570</u>
Total operating revenues	<u>5,127,815</u>	<u>4,121,735</u>
OPERATING EXPENSES		
Personnel	131,740	133,984
Materials and supplies	1,118,628	1,135,078
Maintenance	70,159	58,839
Heat, lights, and power	20,115	24,355
Miscellaneous services	685,800	563,249
Contractual services	1,222,304	1,168,134
Computer services	15,237	15,237
Depreciation	<u>1,943,218</u>	<u>2,193,192</u>
Total operating expenses	<u>5,207,201</u>	<u>5,292,068</u>
Operating income (loss) before nonoperating revenues (expenses)	(79,386)	(1,170,333)
NONOPERATING REVENUES (EXPENSES)		
Investment income	3,712	1,720
Gain (loss) on disposition of capital assets	<u>10,415</u>	<u>(76,177)</u>
Net nonoperating revenues (expenses)	<u>14,127</u>	<u>(74,457)</u>
Change in net position	(65,259)	(1,244,790)
Total net position at beginning of year	<u>8,037,161</u>	<u>9,281,951</u>
Total net position at end of year	<u>\$ 7,971,902</u>	<u>\$ 8,037,161</u>

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

V.E.S. FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2018

With comparative totals for the year ended September 30, 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from other funds	\$ 5,156,074	\$ 4,132,543
Cash paid to suppliers for goods and services	(3,081,899)	(2,854,119)
Cash paid to employees for services	(146,511)	(129,100)
Net cash provided (used) by operating activities	<u>1,927,664</u>	<u>1,149,324</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(1,952,427)	(1,063,956)
Proceeds from sale of capital assets	15,222	24,480
Net cash provided (used) by capital and related financing activities	<u>(1,937,205)</u>	<u>(1,039,476)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	3,712	1,720
Net increase (decrease) in cash and cash equivalents	(5,829)	111,568
Cash and cash equivalents at beginning of year	870,052	758,484
Cash and cash equivalents at end of year	<u>\$ 864,223</u>	<u>\$ 870,052</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (79,386)	\$ (1,170,333)
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	1,943,218	2,193,192
Changes in assets and liabilities		
(Increase) decrease in other receivables	27,313	10,845
(Increase) decrease in inventory	(15,735)	-
Increase (decrease) in accounts payable	66,079	110,773
Increase (decrease) in accrued expenses	(6,022)	4,201
Increase (decrease) in due to other funds	946	(37)
Increase (decrease) in compensated absences	(8,749)	683
Total adjustments	<u>2,007,050</u>	<u>2,319,657</u>
Net cash provided (used) by operating activities	<u>\$ 1,927,664</u>	<u>\$ 1,149,324</u>

INFORMATION TECHNOLOGY FUND

CITY OF VICTORIA, TEXAS
INTERNAL SERVICE FUND
INFORMATION TECHNOLOGY FUND
BALANCE SHEET
September 30, 2018
With comparative totals for September 30, 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 368,240	\$ 421,254
Total current assets	<u>368,240</u>	<u>421,254</u>
Noncurrent assets		
Capital assets		
Machinery and equipment	2,844,172	2,642,095
Total capital assets	2,844,172	2,642,095
Less accumulated depreciation	<u>2,195,325</u>	<u>1,891,973</u>
Net capital assets	<u>648,847</u>	<u>750,122</u>
Total assets	<u>1,017,087</u>	<u>1,171,376</u>
LIABILITIES		
Current liabilities		
Accounts payable	50,278	18,077
Accrued expenses	32,759	34,552
Due to other funds	11,733	5,851
Accrued compensated absences	<u>27,993</u>	<u>27,515</u>
Total liabilities	<u>122,763</u>	<u>85,995</u>
NET POSITION		
Net investment in capital assets	648,847	750,122
Unrestricted	<u>245,477</u>	<u>335,259</u>
Total net position	<u>\$ 894,324</u>	<u>\$ 1,085,381</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, 2018

With comparative totals for the year ended September 30, 2017

	<u>2018</u>	<u>2017</u>
OPERATING REVENUES		
Charges for services	\$ 1,192,898	\$ 1,192,898
Miscellaneous	6,315	394
Total operating revenues	<u>1,199,213</u>	<u>1,193,292</u>
OPERATING EXPENSES		
Personnel	680,622	644,038
Materials and supplies	12,485	14,283
Maintenance	230,000	251,529
Miscellaneous services	110,947	128,369
Contractual services	56,713	52,071
Depreciation	305,100	315,552
Total operating expenses	<u>1,395,867</u>	<u>1,405,842</u>
Operating income (loss) before nonoperating revenues (expenses)	(196,654)	(212,550)
NONOPERATING REVENUES (EXPENSES)		
Investment income	5,567	2,693
Gain on disposition of capital assets	30	2,013
Net nonoperating revenues (expenses)	<u>5,597</u>	<u>4,706</u>
Change in net position	(191,057)	(207,844)
Total net position at beginning of year	<u>1,085,381</u>	<u>1,293,225</u>
Total net position at end of year	<u>\$ 894,324</u>	<u>\$ 1,085,381</u>

CITY OF VICTORIA, TEXAS
INTERNAL SERVICE FUND
INFORMATION TECHNOLOGY FUND
STATEMENT OF CASH FLOWS
For the year ended September 30, 2018
With comparative totals for the year ended September 30, 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from other funds	\$ 1,205,095	\$ 1,199,143
Cash paid to suppliers for goods and services	(377,944)	(466,851)
Cash paid to employees for services	(681,937)	(643,612)
Net cash provided (used) by operating activities	<u>145,214</u>	<u>88,680</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(203,825)	(158,083)
Proceeds from sale of capital assets	30	2,013
Net cash provided (used) by capital and related financing activities	<u>(203,795)</u>	<u>(156,070)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	5,567	2,693
Net cash provided (used) by investing activities	<u>5,567</u>	<u>2,693</u>
Net increase (decrease) in cash and cash equivalents	(53,014)	(64,697)
Cash and cash equivalents at beginning of year	421,254	485,951
Cash and cash equivalents at end of year	<u>\$ 368,240</u>	<u>\$ 421,254</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (196,654)	\$ (212,550)
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	305,100	315,552
Changes in assets and liabilities		
Increase (decrease) in accounts payable	32,201	(20,599)
Increase (decrease) in accrued expenses	(1,793)	(441)
Increase (decrease) in due to other funds	5,882	5,851
Increase (decrease) in compensated absences	478	867
Total adjustments	<u>341,868</u>	<u>301,230</u>
Net cash provided (used) by operating activities	<u>\$ 145,214</u>	<u>\$ 88,680</u>

COMMUNICATIONS FUND

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

COMMUNICATIONS FUND

BALANCE SHEET

September 30, 2018

With comparative totals for September 30, 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 274,497	\$ 227,538
Receivables		
Other	<u>7,066</u>	<u>6,312</u>
Total current assets	<u>281,563</u>	<u>233,850</u>
Noncurrent assets		
Capital assets		
Buildings	32,623	32,623
Infrastructure	2,501	2,501
Machinery and equipment	<u>3,716,635</u>	<u>3,777,852</u>
Total capital assets	3,751,759	3,812,976
Less accumulated depreciation	<u>3,300,097</u>	<u>3,183,941</u>
Subtotal	451,662	629,035
Land	<u>39,168</u>	<u>39,168</u>
Net capital assets	<u>490,830</u>	<u>668,203</u>
Total assets	<u>772,393</u>	<u>902,053</u>
LIABILITIES		
Current liabilities		
Accounts payable	9,362	3,185
Accrued expenses	-	3,647
Accrued compensated absences	<u>-</u>	<u>3,915</u>
Total liabilities	<u>9,362</u>	<u>10,747</u>
NET POSITION		
Net investment in capital assets	490,830	668,203
Unrestricted	<u>272,201</u>	<u>223,103</u>
Total net position	<u>\$ 763,031</u>	<u>\$ 891,306</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, 2018

With comparative totals for the year ended September 30, 2017

	<u>2018</u>	<u>2017</u>
OPERATING REVENUES		
Charges for services	\$ 512,899	\$ 538,129
Total operating revenues	<u>512,899</u>	<u>538,129</u>
OPERATING EXPENSES		
Personnel	26,383	64,539
Materials and supplies	1,362	4,447
Maintenance	401,608	410,020
Miscellaneous services	20,130	47,052
Contractual services	8,800	11,890
Computer services	6,445	6,445
Depreciation	<u>177,374</u>	<u>179,810</u>
Total operating expenses	<u>642,102</u>	<u>724,203</u>
Operating income (loss) before nonoperating revenues (expenses)	(129,203)	(186,074)
NONOPERATING REVENUES (EXPENSES)		
Investment income	<u>928</u>	<u>472</u>
Net nonoperating revenues (expenses)	<u>928</u>	<u>472</u>
Change in net position	(128,275)	(185,602)
Total net position at beginning of year	<u>891,306</u>	<u>1,076,908</u>
Total net position at end of year	<u>\$ 763,031</u>	<u>\$ 891,306</u>

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

COMMUNICATIONS FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2018

With comparative totals for the year ended September 30, 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from other funds	\$ 512,145	\$ 536,351
Cash paid to suppliers for goods and services	(432,169)	(479,026)
Cash paid to employees for services	<u>(33,945)</u>	<u>(63,974)</u>
Net cash provided (used) by operating activities	<u>46,031</u>	<u>(6,649)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	<u>928</u>	<u>472</u>
Net cash provided (used) by investing activities	<u>928</u>	<u>472</u>
Net increase (decrease) in cash and cash equivalents	46,959	(6,177)
Cash and cash equivalents at beginning of year	<u>227,538</u>	<u>233,715</u>
Cash and cash equivalents at end of year	<u>\$ 274,497</u>	<u>\$ 227,538</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (129,203)	\$ (186,074)
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	177,374	179,810
Changes in assets and liabilities		
(Increase) decrease in other receivables	(754)	(1,740)
Increase (decrease) in accounts payable	6,176	828
Increase (decrease) in accrued expenses	(3,647)	566
Increase (decrease) in due to other funds	-	(38)
Increase (decrease) in compensated absences	<u>(3,915)</u>	<u>(1)</u>
Total adjustments	<u>175,234</u>	<u>179,425</u>
Net cash provided (used) by operating activities	<u>\$ 46,031</u>	<u>\$ (6,649)</u>

PURCHASING FUND

CITY OF VICTORIA, TEXAS
INTERNAL SERVICE FUND
PURCHASING FUND
BALANCE SHEET
September 30, 2018
With comparative totals for September 30, 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current assets		
Receivables		
Other	\$ 24	\$ 116
Inventory	<u>88,767</u>	<u>86,028</u>
Total current assets	<u>88,791</u>	<u>86,144</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>161,228</u>	<u>155,758</u>
Net capital assets	<u>35,356</u>	<u>40,826</u>
Total assets	<u>124,147</u>	<u>126,970</u>
LIABILITIES		
Current liabilities		
Accounts payable	8,593	13,659
Accrued expenses	9,783	9,744
Due to other funds	8,375	4,789
Accrued compensated absences	<u>12,274</u>	<u>11,692</u>
Total liabilities	<u>39,025</u>	<u>39,884</u>
NET POSITION		
Net investment in capital assets	35,356	40,826
Unrestricted	<u>49,766</u>	<u>46,260</u>
Total net position	<u>\$ 85,122</u>	<u>\$ 87,086</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, 2018

With comparative totals for the year ended September 30, 2017

	<u>2018</u>	<u>2017</u>
OPERATING REVENUES		
Charges for services	\$ 223,648	\$ 200,067
Miscellaneous	18,766	13,420
Total operating revenues	<u>242,414</u>	<u>213,487</u>
OPERATING EXPENSES		
Personnel	196,303	192,329
Materials and supplies	2,539	2,839
Maintenance	796	1,163
Heat, lights, and power	3,176	3,778
Miscellaneous services	19,444	14,877
Computer services	16,651	16,651
Depreciation	5,469	7,011
Total operating expenses	<u>244,378</u>	<u>238,648</u>
Operating income (loss) before nonoperating revenues (expenses)	(1,964)	(25,161)
NONOPERATING REVENUES (EXPENSES)	<u>-</u>	<u>-</u>
Change in net position	(1,964)	(25,161)
Total net position at beginning of year	<u>87,086</u>	<u>112,247</u>
Total net position at end of year	<u>\$ 85,122</u>	<u>\$ 87,086</u>

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

PURCHASING FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2018

With comparative totals for the year ended September 30, 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from other funds	\$ 246,092	\$ 218,071
Cash paid to suppliers for goods and services	(50,410)	(36,050)
Cash paid to employees for services	(195,682)	(192,618)
Net cash provided (used) by operating activities	<u>-</u>	<u>(10,597)</u>
Net increase (decrease) in cash and cash equivalents	-	(10,597)
Cash and cash equivalents at beginning of year	-	10,597
Cash and cash equivalents at end of year	<u>\$ -</u>	<u>\$ -</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (1,964)	\$ (25,161)
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	5,469	7,011
Changes in assets and liabilities		
(Increase) decrease in other receivables	92	(93)
(Increase) decrease in inventory	(2,739)	(5,754)
Increase (decrease) in accounts payable	(5,065)	9,012
Increase (decrease) in accrued expenses	39	(210)
Increase (decrease) in due to other funds	3,586	4,677
Increase (decrease) in compensated absences	582	(79)
Total adjustments	<u>1,964</u>	<u>14,564</u>
Net cash provided (used) by operating activities	<u>\$ -</u>	<u>\$ (10,597)</u>

SAFETY MANAGEMENT FUND

CITY OF VICTORIA, TEXAS
INTERNAL SERVICE FUND
SAFETY MANAGEMENT FUND
BALANCE SHEET
 September 30, 2018
 With comparative totals for September 30, 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 12,526	\$ 26,850
Total current assets	<u>12,526</u>	<u>26,850</u>
Noncurrent assets		
Capital assets		
Buildings	973	973
Machinery and equipment	4,381	5,577
Total capital assets	<u>5,354</u>	<u>6,550</u>
Less accumulated depreciation	<u>5,102</u>	<u>5,984</u>
Net capital assets	<u>252</u>	<u>566</u>
Total assets	<u>12,778</u>	<u>27,416</u>
LIABILITIES		
Current liabilities		
Accounts payable	2,438	1,473
Accrued expenses	-	5,588
Due to other funds	7,020	4,854
Accrued compensated absences	<u>6,698</u>	<u>2,086</u>
Total liabilities	<u>16,156</u>	<u>14,001</u>
NET POSITION		
Net investment in capital assets	252	566
Unrestricted	<u>(3,630)</u>	<u>12,849</u>
Total net position	<u>\$ (3,378)</u>	<u>\$ 13,415</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, 2018

With comparative totals for the year ended September 30, 2017

	<u>2018</u>	<u>2017</u>
OPERATING REVENUES		
Charges for services	\$ 762,600	\$ 692,409
Miscellaneous	<u>24</u>	<u>2,940</u>
Total operating revenues	<u>762,624</u>	<u>695,349</u>
OPERATING EXPENSES		
Personnel	106,672	81,713
Materials and supplies	1,630	976
Reinsurance premiums	611,535	611,737
Miscellaneous services	9,739	9,559
Contractual services	10,426	11,739
Computer services	6,445	6,445
Court costs, judgments, and damages	32,847	11,881
Depreciation	<u>314</u>	<u>494</u>
Total operating expenses	<u>779,608</u>	<u>734,544</u>
Operating income (loss) before nonoperating revenues (expenses)	(16,984)	(39,195)
NONOPERATING REVENUES (EXPENSES)		
Investment income	<u>191</u>	<u>388</u>
Net nonoperating revenues (expenses)	<u>191</u>	<u>388</u>
Change in net position	(16,793)	(38,807)
Total net position at beginning of year	<u>13,415</u>	<u>52,222</u>
Total net position at end of year	<u>\$ (3,378)</u>	<u>\$ 13,415</u>

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

SAFETY MANAGEMENT FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2018

With comparative totals for the year ended September 30, 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from other funds	\$ 764,790	\$ 699,395
Cash paid to suppliers for goods and services	(671,657)	(659,094)
Cash paid to employees for services	<u>(107,648)</u>	<u>(79,744)</u>
Net cash provided (used) by operating activities	<u>(14,515)</u>	<u>(39,443)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	<u>191</u>	<u>388</u>
Net cash provided (used) by investing activities	<u>191</u>	<u>388</u>
Net increase (decrease) in cash and cash equivalents	(14,324)	(39,055)
Cash and cash equivalents at beginning of year	<u>26,850</u>	<u>65,905</u>
Cash and cash equivalents at end of year	<u>\$ 12,526</u>	<u>\$ 26,850</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (16,984)	\$ (39,195)
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	314	494
Changes in assets and liabilities		
Increase (decrease) in accounts payable	965	(6,757)
Increase (decrease) in accrued expenses	(5,588)	(117)
Increase (decrease) in due to other funds	2,166	4,046
Increase (decrease) in compensated absences	<u>4,612</u>	<u>2,086</u>
Total adjustments	<u>2,469</u>	<u>(248)</u>
Net cash provided (used) by operating activities	<u>\$ (14,515)</u>	<u>\$ (39,443)</u>

WORKERS' COMPENSATION FUND

CITY OF VICTORIA, TEXAS
 INTERNAL SERVICE FUND
 WORKERS' COMPENSATION FUND
 BALANCE SHEET
 September 30, 2018
 With comparative totals for September 30, 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 579,951	\$ 386,849
Receivables		
Other	23,616	2,230
Restricted assets		
Cash and cash equivalents	<u>34,000</u>	<u>34,000</u>
Total assets	<u>637,567</u>	<u>423,079</u>
LIABILITIES		
Current liabilities		
Accounts payable	7,549	8,925
Claims payable	<u>144,790</u>	<u>204,903</u>
Total liabilities	<u>152,339</u>	<u>213,828</u>
NET POSITION		
Unrestricted	<u>485,228</u>	<u>209,251</u>
Total net position	<u>\$ 485,228</u>	<u>\$ 209,251</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, 2018

With comparative totals for the year ended September 30, 2017

	<u>2018</u>	<u>2017</u>
OPERATING REVENUES		
Charges for services	\$ 355,000	\$ 410,000
Miscellaneous	<u>23,616</u>	<u>2,230</u>
Total operating revenues	<u>378,616</u>	<u>412,230</u>
OPERATING EXPENSES		
Claims expense	<u>106,315</u>	<u>149,049</u>
Total operating expenses	<u>106,315</u>	<u>149,049</u>
Operating income (loss) before nonoperating revenues (expenses)	272,301	263,181
NONOPERATING REVENUES (EXPENSES)		
Investment income	<u>3,676</u>	<u>1,110</u>
Change in net position	275,977	264,291
Total net position at beginning of year	<u>209,251</u>	<u>(55,040)</u>
Total net position at end of year	<u>\$ 485,228</u>	<u>\$ 209,251</u>

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

WORKERS' COMPENSATION FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2018

With comparative totals for the year ended September 30, 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from other funds	\$ 357,230	\$ 410,000
Cash paid to suppliers for goods and services	<u>(167,804)</u>	<u>(268,288)</u>
Net cash provided (used) by operating activities	<u>189,426</u>	<u>141,712</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	<u>3,676</u>	<u>1,110</u>
Net cash provided (used) by investing activities	<u>3,676</u>	<u>1,110</u>
Net increase (decrease) in cash and cash equivalents	193,102	142,822
Cash and cash equivalents at beginning of year	<u>420,849</u>	<u>278,027</u>
Cash and cash equivalents at end of year	<u>\$ 613,951</u>	<u>\$ 420,849</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 272,301	\$ 263,181
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Changes in assets and liabilities		
(Increase) decrease in other receivables	(21,386)	(2,230)
Increase (decrease) in accounts payable	(1,376)	(49,779)
Increase (decrease) in claims payable	<u>(60,113)</u>	<u>(69,460)</u>
Total adjustments	<u>(82,875)</u>	<u>(121,469)</u>
Net cash provided (used) by operating activities	<u>\$ 189,426</u>	<u>\$ 141,712</u>

PRINT SHOP FUND

CITY OF VICTORIA, TEXAS
INTERNAL SERVICE FUND
PRINT SHOP FUND
BALANCE SHEET
September 30, 2018
With comparative totals for September 30, 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 57,889	\$ 61,135
Receivables		
Other	1,099	1,008
Inventory	<u>19,657</u>	<u>19,610</u>
Total current assets	<u>78,645</u>	<u>81,753</u>
Noncurrent assets		
Capital assets		
Machinery and equipment	85,650	95,005
Less accumulated depreciation	<u>68,024</u>	<u>73,421</u>
Net capital assets	<u>17,626</u>	<u>21,584</u>
Total assets	<u>96,271</u>	<u>103,337</u>
LIABILITIES		
Current liabilities		
Accounts payable	2,005	2,215
Accrued expenses	4,931	4,910
Due to other funds	-	3,734
Accrued compensated absences	<u>1,786</u>	<u>2,281</u>
Total liabilities	<u>8,722</u>	<u>13,140</u>
NET POSITION		
Net investment in capital assets	17,626	21,584
Unrestricted	<u>69,923</u>	<u>68,613</u>
Total net position	<u>\$ 87,549</u>	<u>\$ 90,197</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, 2018

With comparative totals for the year ended September 30, 2017

	<u>2018</u>	<u>2017</u>
OPERATING REVENUES		
Charges for services	\$ 145,008	\$ 142,859
Miscellaneous	<u>-</u>	<u>121</u>
Total operating revenues	<u>145,008</u>	<u>142,980</u>
OPERATING EXPENSES		
Personnel	103,350	109,929
Materials and supplies	3,097	4,618
Maintenance	13,132	13,789
Miscellaneous services	15,389	15,322
Computer services	6,445	6,445
Depreciation	<u>6,243</u>	<u>6,456</u>
Total operating expenses	<u>147,656</u>	<u>156,559</u>
Operating income (loss) before nonoperating revenues (expenses)	(2,648)	(13,579)
NONOPERATING REVENUES (EXPENSES)	<u>-</u>	<u>-</u>
Change in net position	(2,648)	(13,579)
Total net position at beginning of year	<u>90,197</u>	<u>103,776</u>
Total net position at end of year	<u>\$ 87,549</u>	<u>\$ 90,197</u>

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

PRINT SHOP FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2018

With comparative totals for the year ended September 30, 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from other funds	\$ 141,183	\$ 144,524
Cash paid to suppliers for goods and services	(38,320)	(43,082)
Cash paid to employees for services	<u>(103,824)</u>	<u>(109,191)</u>
Net cash provided (used) by operating activities	<u>(961)</u>	<u>(7,749)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	<u>(2,285)</u>	<u>-</u>
Net cash provided (used) by capital and related financing activities	<u>(2,285)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(3,246)	(7,749)
Cash and cash equivalents at beginning of year	<u>61,135</u>	<u>68,884</u>
Cash and cash equivalents at end of year	<u>\$ 57,889</u>	<u>\$ 61,135</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (2,648)	\$ (13,579)
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	6,243	6,456
Changes in assets and liabilities		
(Increase) decrease in other receivables	(91)	2,179
(Increase) decrease in inventory	(47)	(239)
Increase (decrease) in accounts payable	(210)	(2,669)
Increase (decrease) in accrued expenses	21	(270)
Increase (decrease) in due to other funds	(3,734)	(635)
Increase (decrease) in compensated absences	<u>(495)</u>	<u>1,008</u>
Total adjustments	<u>1,687</u>	<u>5,830</u>
Net cash provided (used) by operating activities	<u>\$ (961)</u>	<u>\$ (7,749)</u>

EMPLOYEE HEALTH PLAN FUND

CITY OF VICTORIA, TEXAS
INTERNAL SERVICE FUND
EMPLOYEE HEALTH PLAN FUND
BALANCE SHEET
 September 30, 2018
 With comparative totals for September 30, 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 746,973	\$ 837,946
Investments	989,000	2,483,391
Receivables		
Other	23,125	370,189
Due from other funds	626,167	403,896
Prepaid items	-	74,133
Total assets	<u>2,385,265</u>	<u>4,169,555</u>
LIABILITIES		
Current liabilities		
Accounts payable	15,232	1,059
Claims payable	670,621	1,287,523
Total liabilities	<u>685,853</u>	<u>1,288,582</u>
NET POSITION		
Unrestricted	<u>1,699,412</u>	<u>2,880,973</u>
Total net position	<u>\$ 1,699,412</u>	<u>\$ 2,880,973</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, 2018

With comparative totals for year ended September 30, 2017

	<u>2018</u>	<u>2017</u>
OPERATING REVENUES		
Charges for services	\$ 6,366,924	\$ 6,442,001
Miscellaneous	<u>80</u>	<u>1,432</u>
Total operating revenues	<u>6,367,004</u>	<u>6,443,433</u>
OPERATING EXPENSES		
Reinsurance premiums	488,361	520,050
Contractual services	316,060	346,898
Claims expense	6,765,715	6,792,828
OPEB trust expense	200,000	200,000
Wellness program	<u>13,309</u>	<u>15,506</u>
Total operating expenses	<u>7,783,445</u>	<u>7,875,282</u>
Operating income (loss) before nonoperating revenues (expenses) and transfers	(1,416,441)	(1,431,849)
NONOPERATING REVENUES (EXPENSES)		
Investment income	<u>34,880</u>	<u>32,468</u>
Net nonoperating revenues (expenses)	<u>34,880</u>	<u>32,468</u>
Income (loss) before transfers	(1,381,561)	(1,399,381)
Transfers		
Transfers in	<u>200,000</u>	<u>200,000</u>
Change in net position	(1,181,561)	(1,199,381)
Total net position at beginning of year	<u>2,880,973</u>	<u>4,080,354</u>
Total net position at end of year	<u>\$ 1,699,412</u>	<u>\$ 2,880,973</u>

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

EMPLOYEE HEALTH PLAN FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2018

With comparative totals for the year ended September 30, 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from other funds	\$ 6,491,797	\$ 6,127,352
Cash paid to suppliers for goods and services	<u>(8,312,041)</u>	<u>(7,342,927)</u>
Net cash provided (used) by operating activities	<u>(1,820,244)</u>	<u>(1,215,575)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers in from other funds	<u>200,000</u>	<u>200,000</u>
Net cash provided (used) by noncapital financing activities	<u>200,000</u>	<u>200,000</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(493,000)	(1,987,133)
Proceeds from sales and maturities of investments	1,987,391	1,736,000
Investment income	<u>34,880</u>	<u>32,468</u>
Net cash provided (used) by investing activities	<u>1,529,271</u>	<u>(218,665)</u>
Net increase (decrease) in cash and cash equivalents	(90,973)	(1,234,240)
Cash and cash equivalents at beginning of year	<u>837,946</u>	<u>2,072,186</u>
Cash and cash equivalents at end of year	<u>\$ 746,973</u>	<u>\$ 837,946</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (1,416,441)	\$ (1,431,849)
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Changes in assets and liabilities		
(Increase) decrease in other receivables	347,064	(347,168)
(Increase) decrease in due from other funds	(222,271)	31,087
(Increase) decrease in prepaid items	74,133	(8,371)
Increase (decrease) in accounts payable	14,173	(16,674)
Increase (decrease) in claims payable	<u>(616,902)</u>	<u>557,400</u>
Total adjustments	<u>(403,803)</u>	<u>216,274</u>
Net cash provided (used) by operating activities	<u>\$ (1,820,244)</u>	<u>\$ (1,215,575)</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, 2018*

	<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	\$ 237,860	\$ 177,857	\$ 341,393	\$ 74,324
Receivables (net)	-	1,506	1,506	-
Prepaid items	<u>488</u>	<u>-</u>	<u>-</u>	<u>488</u>
Total assets	<u>\$ 238,348</u>	<u>\$ 179,363</u>	<u>\$ 342,899</u>	<u>\$ 74,812</u>
Liabilities				
Accounts payable	\$ 5,983	\$ 19,123	\$ 22,939	\$ 2,167
Due to other agencies	<u>232,365</u>	<u>160,240</u>	<u>319,960</u>	<u>72,645</u>
Total liabilities	<u>\$ 238,348</u>	<u>\$ 179,363</u>	<u>\$ 342,899</u>	<u>\$ 74,812</u>

STATISTICAL SECTION

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

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.....	207
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.....	221
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.....	233
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	242
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	244



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CITY OF VICTORIA, TEXAS**NET POSITION BY COMPONENT (1)**

Last ten fiscal years

	Fiscal Year			
	2009	2010	2011	2012
Governmental activities				
Net investment in capital assets	\$ 103,076,382	\$ 101,134,927	\$ 96,662,568	\$ 92,513,084
Restricted	1,699,737	3,582,920	4,685,266	2,919,609
Unrestricted	25,988,151	26,775,847	19,134,765	21,378,976
Total governmental activities net position	<u>\$ 130,764,270</u>	<u>\$ 131,493,694</u>	<u>\$ 120,482,599</u>	<u>\$ 116,811,669</u>
Business-type activities				
Net investment in capital assets	\$ 37,535,371	\$ 38,241,963	\$ 42,657,025	\$ 47,433,497
Unrestricted	16,284,572	14,932,212	17,370,233	18,648,788
Total business-type activities net position	<u>\$ 53,819,943</u>	<u>\$ 53,174,175</u>	<u>\$ 60,027,258</u>	<u>\$ 66,082,285</u>
Primary Government				
Net investment in capital assets	\$ 140,611,753	\$ 139,376,890	\$ 139,319,593	\$ 139,946,581
Restricted	1,699,737	3,582,920	4,685,266	2,919,609
Unrestricted	42,272,723	41,708,059	36,504,998	40,027,764
Total primary government activities net position	<u>\$ 184,584,213</u>	<u>\$ 184,667,869</u>	<u>\$ 180,509,857</u>	<u>\$ 182,893,954</u>

(1) Accrual basis of accounting

NOTES: 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.

The City implemented GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" in fiscal year 2018. The amounts for all prior fiscal years have not been restated for the effects of this new standard.

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 94,905,320	\$ 88,654,073	\$ 83,609,268	\$ 84,007,457	\$ 79,038,575	\$ 78,478,161
3,500,017	3,524,554	3,547,378	2,985,524	3,666,390	4,998,958
18,196,626	21,472,040	(794,827)	(2,351,962)	(6,865,394)	(13,550,477)
<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>	<u>\$ 69,926,642</u>
\$ 53,705,125	\$ 60,853,934	\$ 65,123,880	\$ 71,351,401	\$ 79,039,267	\$ 82,376,715
17,552,820	14,140,873	9,021,633	9,468,882	12,827,560	15,963,499
<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>	<u>\$ 98,340,214</u>
\$ 148,610,445	\$ 149,508,007	\$ 148,733,148	\$ 155,358,858	\$ 158,077,842	\$ 160,854,876
3,500,017	3,524,554	3,547,378	2,985,524	3,666,390	4,998,958
35,749,446	35,612,913	8,226,806	7,116,920	5,962,166	2,413,022
<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>	<u>\$ 168,266,856</u>

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

	Fiscal Year			
	2009	2010	2011	2012
Governmental activities				
Expenses				
General government	\$ 7,644,809	\$ 7,634,811	\$ 8,885,981	\$ 7,882,287
Public safety	23,007,338	24,156,480	24,668,502	26,018,770
Development	7,914,392	14,827,929	26,226,457	17,974,898
Building services	-	-	-	-
Recreation	5,127,406	5,358,952	5,579,848	6,366,709
Interest on long-term debt	3,200,423	4,562,764	4,187,138	4,465,314
Total expenses	<u>46,894,368</u>	<u>56,540,936</u>	<u>69,547,926</u>	<u>62,707,978</u>
Program revenues				
Charges for services				
General government	2,559,383	2,411,387	2,571,837	3,086,126
Public safety	3,830,282	3,549,406	3,720,774	4,055,811
Development	-	-	-	-
Recreation	300,970	311,471	375,573	422,205
Operating grants and contributions	1,802,260	2,868,795	3,961,041	2,419,230
Capital grants and contributions	10,424,447	3,834,982	2,598,637	1,307,549
Total program revenues	<u>18,917,342</u>	<u>12,976,041</u>	<u>13,227,862</u>	<u>11,290,921</u>
Total governmental activities net program (expense) revenue	<u>(27,977,026)</u>	<u>(43,564,895)</u>	<u>(56,320,064)</u>	<u>(51,417,057)</u>
General revenues and other changes in net position				
Taxes				
Property taxes	19,676,691	20,178,350	20,330,192	20,855,303
Sales taxes	13,046,352	11,978,185	14,768,729	17,533,000
Franchise taxes	4,657,347	4,665,101	4,761,009	4,981,674
Other taxes	1,127,564	1,196,969	1,661,740	2,116,093
Unrestricted investment earnings	792,410	305,323	128,013	98,042
Miscellaneous	715,111	1,084,532	1,113,342	742,520
Transfers	1,665,914	4,885,859	2,545,944	2,481,540
Total general revenues and other changes in net position	<u>41,681,389</u>	<u>44,294,319</u>	<u>45,308,969</u>	<u>48,808,172</u>
Total governmental activities change in net position	<u>\$ 13,704,363</u>	<u>\$ 729,424</u>	<u>\$ (11,011,095)</u>	<u>\$ (2,608,885)</u>

(1) Accrual basis of accounting

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 5,709,668	\$ 6,094,985	\$ 5,630,383	\$ 5,702,892	\$ 5,632,467	\$ 4,812,954
25,215,002	25,286,282	27,620,120	29,460,858	35,228,278	38,271,170
19,282,345	20,425,736	19,636,633	20,668,698	20,187,191	18,376,562
622,921	608,534	673,904	707,411	727,816	624,243
7,025,377	7,602,241	7,611,173	8,463,045	7,765,906	6,763,442
3,971,377	4,282,847	4,402,538	4,042,068	3,751,404	3,045,618
<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>	<u>71,893,989</u>
2,216,473	2,088,907	1,979,444	1,923,867	1,968,473	2,449,863
4,009,925	4,573,392	5,075,992	4,990,585	4,960,530	5,359,693
-	10,440	-	-	-	-
575,059	451,590	515,531	526,245	378,505	440,168
2,580,598	3,255,156	3,961,463	4,066,404	6,829,229	10,042,225
4,749,721	-	407,335	4,711,910	437,611	2,562,205
<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>	<u>20,854,154</u>
(47,694,914)	(53,921,140)	(53,634,986)	(52,825,961)	(58,718,714)	(51,039,835)
20,848,132	22,403,124	23,339,865	23,811,469	24,399,108	24,869,711
17,516,177	17,692,397	17,937,136	16,555,680	14,710,140	16,879,223
5,136,247	5,308,414	5,410,432	5,175,796	5,467,551	6,064,289
1,993,357	2,037,318	1,933,140	1,460,082	1,618,032	2,050,204
92,079	130,688	115,633	219,846	340,450	588,901
829,767	809,043	972,716	1,124,591	1,046,988	2,683,043
2,561,760	2,588,860	2,694,491	2,757,697	2,334,997	2,699,588
<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>55,834,959</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>	\$ <u>4,795,124</u>

(continued)

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

	Fiscal Year			
	2009	2010	2011	2012
Business-type activities				
Expenses				
Water/wastewater	\$ 19,175,705	\$ 18,589,868	\$ 18,628,230	\$ 18,694,233
Environmental services	3,790,348	3,182,201	3,219,898	3,849,208
Other	790,005	848,161	813,330	848,712
Total expenses	23,756,058	22,620,230	22,661,458	23,392,153
Program revenues				
Charges for services				
Water/wastewater	22,889,967	21,973,303	24,086,400	24,029,096
Environmental services	4,245,528	4,128,139	4,462,994	4,799,682
Other	564,531	425,929	339,623	397,531
Operating grants and contributions	54,826	-	-	-
Capital grants and contributions	705,899	284,490	3,127,754	2,875,295
Total program revenues	28,460,751	26,811,861	32,016,771	32,101,604
Total business-type activities net program (expense) revenue	4,704,693	4,191,631	9,355,313	8,709,451
General revenues and other changes in net position				
Unrestricted investment earnings	266,410	48,460	43,714	60,423
Miscellaneous	-	-	-	-
Transfers	(1,665,914)	(4,885,859)	(2,545,944)	(2,481,540)
Total general revenues and other changes in net position	(1,399,504)	(4,837,399)	(2,502,230)	(2,421,117)
Total business-type activities change in net position	\$ 3,305,189	\$ (645,768)	\$ 6,853,083	\$ 6,288,334
Total primary government change in net position	\$ 17,009,552	\$ 83,656	\$ (4,158,012)	\$ 3,679,449

(1) Accrual basis of accounting

NOTES: 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.

The City implemented GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" in fiscal year 2018. The amounts for all prior fiscal years have not been restated for the effects of this new standard.

Fiscal Year

2013	2014	2015	2016	2017	2018
\$ 19,313,776	\$ 20,553,362	\$ 20,960,979	\$ 20,894,040	\$ 20,860,229	\$ 19,229,647
4,135,237	4,212,510	3,743,052	5,376,450	4,003,842	4,476,014
926,599	923,786	1,000,683	945,557	1,146,250	1,823,340
<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>	<u>25,529,001</u>
24,816,749	25,151,264	26,180,265	25,893,148	25,630,998	25,941,351
4,996,129	5,043,783	5,096,308	5,354,136	5,520,698	5,504,057
397,968	395,088	365,058	408,127	418,957	1,185,929
-	-	-	-	-	-
<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>3,433,015</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>	<u>36,064,352</u>
11,934,789	6,274,788	7,567,902	9,180,426	13,152,452	10,535,351
57,555	50,934	78,774	114,836	229,089	295,333
629,420	-	-	137,205	-	366,382
<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>(2,699,588)</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>(2,037,873)</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>\$ 8,497,478</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>	<u>\$ 13,292,602</u>

(concluded)

CITY OF VICTORIA, TEXAS

PROGRAM REVENUES BY FUNCTION/PROGRAM (1)

Last ten fiscal years

Function/Program	Fiscal Year			
	2009	2010	2011	2012
Governmental activities				
General government	\$ 3,959,110	\$ 3,676,509	\$ 4,165,588	\$ 4,061,019
Public safety				
Police	562,958	1,754,661	1,104,800	1,110,570
Fire	1,498,958	2,147,401	1,673,163	1,649,689
Ambulance	1,997,342	2,367,421	2,022,130	1,960,248
Other	140,475	12,684	173,514	81,830
Development	10,410,473	2,667,991	3,297,208	1,381,185
Recreation				
Parks	144,192	224,017	639,063	655,488
Library	79,009	90,592	87,526	74,431
Other	124,825	34,765	64,870	316,461
Subtotal governmental activities	<u>18,917,342</u>	<u>12,976,041</u>	<u>13,227,862</u>	<u>11,290,921</u>
Business-type activities				
Water/wastewater	23,595,866	22,246,356	27,214,154	26,904,391
Environmental services	4,245,528	4,128,139	4,462,994	4,799,682
Community center	267,761	222,105	240,429	245,895
700 main center	351,596	215,261	99,194	151,636
Golf course	-	-	-	-
Subtotal business-type activities	<u>28,460,751</u>	<u>26,811,861</u>	<u>32,016,771</u>	<u>32,101,604</u>
Total primary government	<u>\$ 47,378,093</u>	<u>\$ 39,787,902</u>	<u>\$ 45,244,633</u>	<u>\$ 43,392,525</u>

(1) Accrual basis of accounting

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 3,390,820	\$ 3,346,359	\$ 3,205,473	\$ 3,469,295	\$ 3,169,811	\$ 3,159,712
1,608,173	1,912,010	1,675,433	1,635,613	1,444,494	1,463,912
1,400,000	1,400,000	1,500,000	3,409,358	1,585,000	1,732,125
1,530,652	1,511,622	2,081,337	1,924,875	2,537,593	2,469,653
47,314	57,182	214,987	151,495	2,849,624	6,751,443
5,392,128	1,645,959	2,681,860	5,010,613	2,544,567	4,283,121
257,374	76,836	93,088	84,456	76,762	594,452
75,429	88,191	83,410	103,093	91,657	70,360
429,886	341,326	404,177	430,213	274,840	329,376
<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>	<u>20,854,154</u>
30,916,304	26,525,575	27,964,535	30,634,210	32,079,626	29,374,366
4,996,129	5,043,783	5,124,448	5,354,136	5,520,698	5,504,057
246,453	243,548	211,541	256,542	263,440	288,857
151,515	151,540	153,517	151,585	151,437	151,730
-	-	-	-	1,147,572	745,342
<u>36,310,401</u>	<u>31,964,446</u>	<u>33,454,041</u>	<u>36,396,473</u>	<u>39,162,773</u>	<u>36,064,352</u>
\$ <u>50,442,177</u>	\$ <u>42,343,931</u>	\$ <u>45,393,806</u>	\$ <u>52,615,484</u>	\$ <u>53,737,121</u>	\$ <u>56,918,506</u>

CITY OF VICTORIA, TEXAS

FUND BALANCES, GOVERNMENTAL FUNDS (1)

Last ten fiscal years

	Fiscal Year			
	2009	2010	2011	2012
General Fund				
Nonspendable				
Inventory	\$ -	\$ -	\$ 315,614	\$ 314,846
Committed	-	-	1,570,456	1,961,362
Unassigned	-	-	14,342,229	16,846,702
Reserved				
Encumbrances	2,007,737	2,009,003	-	-
Inventory	280,174	205,798	-	-
Unreserved	<u>12,913,370</u>	<u>11,937,105</u>	-	-
Total general fund	<u>\$ 15,201,281</u>	<u>\$ 14,151,906</u>	<u>\$ 16,228,299</u>	<u>\$ 19,122,910</u>
All Other Governmental Funds				
Restricted				
Retirement of long-term debt	\$ -	\$ -	\$ 953,394	\$ 977,452
Various capital projects	-	-	16,102,523	4,323,282
City parks	-	-	352,694	110,486
Arts, tourism and conventions	-	-	1,029,173	1,619,141
Public safety	-	-	135,328	226,919
Municipal court	-	-	96,783	66,220
Unassigned	-	-	-	-
Reserved				
Encumbrances	1,869,318	29,200,456	-	-
Unreserved, reported in				
Special revenue funds	753,475	654,310	-	-
Debt service fund	1,197,665	1,024,126	-	-
Capital project funds	<u>12,370,240</u>	<u>6,088,406</u>	-	-
Total all other governmental funds	<u>\$ 16,190,698</u>	<u>\$ 36,967,298</u>	<u>\$ 18,669,895</u>	<u>\$ 7,323,500</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

2013	2014	2015	2016	2017	2018
\$ 240,214	\$ 268,964	\$ 271,491	\$ 245,932	\$ 406,945	\$ 430,111
2,331,578	2,689,089	950,019	1,052,259	867,206	1,172,590
15,289,711	15,330,199	16,650,305	15,483,910	15,150,384	19,275,505
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<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>	<u>\$ 20,878,206</u>
\$ 1,222,778	\$ 1,091,077	\$ 1,102,779	\$ 1,093,523	\$ 1,146,765	\$ 1,138,153
2,729,133	8,566,369	12,456,055	8,306,325	3,829,436	3,315,322
46,195	25,614	25,614	-	-	-
1,835,515	1,880,440	1,804,432	1,124,613	1,392,546	2,116,452
257,161	225,488	207,063	239,608	290,386	312,294
53,884	94,264	96,496	89,620	83,640	77,126
-	-	-	-	(1,628,821)	(280,773)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<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>	<u>\$ 6,678,574</u>

CITY OF VICTORIA, TEXAS

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (1)

Last ten fiscal years

	Fiscal Year			
	2009	2010	2011	2012
Revenues				
Taxes	\$ 38,607,055	\$ 38,100,542	\$ 41,747,689	\$ 45,781,292
Licenses and permits	654,842	662,792	654,829	842,050
Intergovernmental	4,127,236	6,923,780	5,568,731	4,740,048
Charges for services	2,020,751	1,957,973	2,108,045	2,261,037
Fines and forfeitures	1,025,175	913,478	871,159	1,216,786
Investment income	654,772	156,822	113,446	78,076
Miscellaneous	10,580,086	1,628,730	3,512,629	1,470,793
Total revenues	<u>57,669,917</u>	<u>50,344,117</u>	<u>54,576,528</u>	<u>56,390,082</u>
Expenditures				
Current				
General government	7,079,966	6,842,991	7,691,966	6,600,564
Public safety	25,516,863	26,475,134	25,970,544	26,151,196
Development	6,319,245	4,533,558	17,378,572	9,134,802
Building services	-	-	-	-
Recreation	5,758,754	5,787,081	5,473,792	6,564,863
Capital outlay	16,355,509	10,862,646	18,889,663	13,249,019
Debt service				
Principal retirement	3,805,000	3,390,000	3,715,000	3,990,000
Interest and fiscal charges	3,057,924	4,103,879	4,037,313	4,340,073
Paying agents' fees and issue costs	32,687	681,114	203,809	205,798
Total expenditures	<u>67,925,948</u>	<u>62,676,403</u>	<u>83,360,659</u>	<u>70,236,315</u>
Excess (deficiency) of revenues over expenditures	(10,256,031)	(12,332,286)	(28,784,131)	(13,846,233)
Other financing sources (uses)				
Bonds issued	-	35,045,000	9,740,000	7,720,000
Premium on issuance of bonds	-	515,234	97,204	71,752
Payment to escrow	-	(8,985,582)	-	(3,867,191)
Transfers in	5,691,053	7,275,415	10,568,226	5,207,042
Transfers out	(3,285,139)	(1,790,556)	(7,842,309)	(2,699,610)
Total other financing sources (uses)	<u>2,405,914</u>	<u>32,059,511</u>	<u>12,563,121</u>	<u>6,431,993</u>
Change in fund balances	<u>\$ (7,850,117)</u>	<u>\$ 19,727,225</u>	<u>\$ (16,221,010)</u>	<u>\$ (7,414,240)</u>
Debt service as a percentage of noncapital expenditures	<u>14.76%</u>	<u>14.98%</u>	<u>12.85%</u>	<u>16.05%</u>

(1) Modified accrual basis of accounting

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 45,431,594	\$ 47,356,786	\$ 48,542,609	\$ 46,935,424	\$ 46,180,387	\$ 49,832,219
962,217	1,134,453	959,596	993,929	962,162	1,569,257
4,312,719	3,721,314	5,607,497	5,884,971	6,715,742	12,768,065
2,066,070	2,162,871	2,259,027	2,310,974	2,858,658	2,814,566
906,199	1,600,630	1,432,225	1,382,718	1,310,473	1,151,330
76,251	112,300	95,883	193,779	301,599	539,947
5,688,203	2,003,817	1,107,333	3,951,250	1,863,789	3,260,642
<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>	<u>71,936,026</u>
4,741,811	5,309,532	4,565,527	4,978,458	4,539,491	4,066,845
25,097,350	25,206,138	27,001,802	27,679,581	30,569,480	35,206,421
10,209,543	10,704,794	8,058,818	9,469,796	7,812,905	6,616,191
751,312	606,761	621,326	675,935	612,441	534,738
7,586,352	7,632,206	7,147,774	7,855,287	7,114,163	5,990,263
7,707,932	4,516,213	6,397,159	11,042,655	6,770,342	5,070,953
4,665,000	5,410,000	7,505,000	7,020,000	7,285,000	8,070,000
3,567,975	4,103,190	3,993,868	3,908,294	3,709,168	2,853,773
393,724	162,207	316,999	91,745	12,120	286,440
<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>	<u>68,695,624</u>
(5,277,746)	(5,558,870)	(5,604,103)	(11,068,706)	(8,232,300)	3,240,402
25,015,000	9,095,000	17,715,000	2,445,000	-	21,880,000
2,163,159	50,222	1,400,250	137,545	-	3,261,804
(26,781,924)	-	(12,812,888)	-	-	(24,863,501)
5,540,057	5,984,682	11,012,236	8,654,033	8,991,599	8,714,852
(3,098,787)	(3,405,699)	(8,317,745)	(6,096,336)	(6,856,602)	(6,215,264)
<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>2,777,891</u>
\$ (2,440,241)	\$ 6,165,335	\$ 3,392,750	\$ (5,928,464)	\$ (6,097,303)	\$ 6,018,293
<u>15.98%</u>	<u>17.46%</u>	<u>20.46%</u>	<u>18.42%</u>	<u>18.05%</u>	<u>17.34%</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>
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
2018	24,670,202	219,019	6,064,289	16,879,223	1,935,552
Change 2009-2018	25.99%	-0.48%	30.21%	29.38%	88.27%

(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>
\$ 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
63,934	49,832,219
-14.19%	29.08%

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
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
2018	2017	2,769,376,557	1,409,981,243	39,281,803	727,940,428	14,204,250

(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
\$ 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%
730,814,583	4,229,969,698	0.5952	4,229,969,698	100.00%

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

Fiscal Year	City Direct Rates			Overlapping Rates		
	Debt Service	General Fund	Total	School District	Junior College	Navigation District
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
2018	0.2526	0.3426	0.5952	1.2663	0.2170	0.0286

SOURCE: Victoria County Appraisal District

Overlapping Rates			
Victoria County	Road and Bridge	Ground Water District	Total
\$ 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
0.3329	0.0630	0.0084	1.9162

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

2018		
Taxpayer	Taxable Assessed Valuation	Percentage of Total City Taxable Assessed Valuation
AEP Texas Central Co.	\$ 44,484,410	1.05%
Helmerich & Payne Int'l Drill	23,796,810	0.56%
Victoria WLE, L.P.	19,137,670	0.45%
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	0.36%
Archrock Services Leasing LLC	14,982,480	0.35%
Berry Plastics Corporation	14,592,470	0.34%
	<u>\$ 198,201,440</u>	<u>4.69%</u>

2009		
Taxpayer	Taxable Assessed Valuation	Percentage of Total City Taxable Assessed Valuation
Victoria WLE LLP	\$ 50,091,030	1.65%
AEP Texas Central Co.	28,660,240	0.95%
Wireline Division of STC	24,168,630	0.80%
Victoria Hospital, L.L.C.	23,354,120	0.77%
Covalence Specialty Materials	21,551,750	0.71%
HEB Grocery Company	18,123,450	0.60%
HS Victoria, L.P.	17,663,970	0.58%
VRMC Limited Partnerhsip	16,490,560	0.54%
Covalence Specialty Materials Corp.	16,346,420	0.54%
H.E.B. Grocery Company, L.P.	14,369,240	0.47%
	<u>\$ 230,819,410</u>	<u>7.61%</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
2009	\$ 19,693,268	\$ (120)	\$ 19,693,148	\$ 19,271,874	97.86%
2010	20,228,599	(7,418)	20,221,181	19,755,429	97.70%
2011	20,327,879	(2,044)	20,325,835	19,938,819	98.10%
2012	20,693,808	(1,969)	20,691,839	20,470,591	98.93%
2013	20,792,135	(11)	20,792,124	20,338,256	97.82%
2014	22,402,390	(1,770)	22,400,620	21,877,717	97.67%
2015	23,242,354	(8,275)	23,234,079	22,715,220	97.77%
2016	23,865,255	(1,353)	23,863,902	23,314,997	97.70%
2017	24,514,099	(67,186)	24,446,913	23,848,271	97.55%
2018	25,162,007	(418,185)	24,743,822	24,428,977	98.73%

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
\$ 372,339	\$ 19,644,213	99.75%
408,411	20,163,840	99.72%
336,531	20,275,350	99.75%
165,978	20,636,569	99.73%
143,304	20,481,560	98.51%
210,174	22,087,891	98.60%
182,216	22,897,436	98.55%
278,869	23,593,866	98.87%
216,951	24,065,222	98.44%
-	24,428,977	98.73%

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>
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
2018	3,508,602,000	2,970,496,000 *	538,106,000	15.34%	2,173,000,000

NOTES: 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".

* The gallons of water consumed, does not account for 20,000,000 gallons of water stored underground for the City's ASR pilot program. Nor does it account for the approximately 167,693,000 gallons of water that was flushed to combat nitrification in the system caused by high water temperatures and low consumption due to wet weather. Both of these items are out of the ordinary for our normal operations. If these items are taken into account, the average percent unbilled would be 9.99%.

SOURCE: City of Victoria Utilities Department

Total Direct Rate for 3/4" Meter			
Water		Sewer	
Base Rate	Usage Rate	Base Rate	Usage Rate
\$ 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
18.21	1.92	22.68	2.47

CITY OF VICTORIA, TEXAS

WATER AND SEWER RATES

Last ten fiscal years

	Fiscal Year			
	2009	2010	2011	2012
Water Rates (per 2,000 gallons)				
Base Rate (meter size)				
¾"	\$ 17.09	\$ 17.49	\$ 17.49	\$ 17.96
1"	42.73	43.73	43.73	44.92
1½"	85.45	87.45	87.45	89.82
2"	136.73	139.93	139.93	143.72
3"	273.45	279.85	279.85	287.44
4"	427.26	437.26	437.26	449.12
6"	854.51	874.51	874.51	898.23
8"	2,734.43	2,798.43	2,798.43	2,874.33
10"	4,272.55	4,372.55	4,372.55	4,491.14
Water usage rate (1,000 gallons increments)				
3-7	1.67	1.67	1.67	1.67
8-18	1.83	1.83	1.83	1.83
19-50	2.15	2.15	2.15	2.15
51-75	2.40	2.40	2.40	2.40
76-100	2.55	2.55	2.55	2.55
>100	2.70	2.70	2.70	2.70
Sewer Rates (per 2,000 gallons)				
¾"	21.41	21.85	21.85	22.43
1"	53.54	54.64	54.64	56.08
1½"	107.10	109.30	109.30	112.19
2"	171.34	174.86	174.86	179.48
3"	342.69	349.73	349.73	358.97
4"	535.45	546.45	546.45	560.88
6"	1,070.89	1,092.89	1,092.89	1,121.75
8"	3,426.86	3,497.26	3,497.26	3,589.61
10"	5,354.47	5,464.47	5,464.47	5,608.77
Sewer usage rate (1,000 gallons increments)				
3-7	2.22	2.22	2.22	2.22
8-18	2.27	2.27	2.27	2.27
19-50	2.32	2.32	2.32	2.32
51-75	2.37	2.37	2.37	2.37
76-100	2.52	2.52	2.52	2.52
>100,000	2.67	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

	2013	2014	2015	2016	2017	2018
\$	17.96	\$ 17.96	\$ 18.21	\$ 18.21	\$ 18.21	\$ 18.21
	44.92	44.92	45.55	45.55	45.55	45.55
	89.82	89.82	91.07	91.07	91.07	91.07
	143.72	143.72	145.72	145.72	145.72	145.72
	287.44	287.44	291.44	291.44	291.44	291.44
	449.12	449.12	455.37	455.37	455.37	455.37
	898.23	898.23	910.73	910.73	910.73	910.73
	2,874.33	2,874.33	2,913.33	2,913.33	2,913.33	2,913.33
	4,491.14	4,491.14	4,553.64	4,553.64	4,553.64	4,553.64
	1.67	1.67	1.92	1.92	1.92	1.92
	1.83	1.83	2.08	2.08	2.08	2.08
	2.15	2.15	2.40	2.40	2.40	2.40
	2.40	2.40	2.65	2.65	2.65	2.65
	2.55	2.55	2.80	2.80	2.80	2.80
	2.70	2.70	2.95	2.95	2.95	2.95
	22.43	22.43	22.68	22.68	22.68	22.68
	56.08	56.08	56.71	56.71	56.71	56.71
	112.19	112.19	113.44	113.44	113.44	113.44
	179.48	179.48	181.48	181.48	181.48	181.48
	358.97	358.97	362.97	362.97	362.97	362.97
	560.88	560.88	567.13	567.13	567.13	567.13
	1,121.75	1,121.75	1,134.25	1,134.25	1,134.25	1,134.25
	3,589.61	3,589.61	3,629.61	3,629.61	3,629.61	3,629.61
	5,608.77	5,608.77	5,670.27	5,670.27	5,670.27	5,670.27
	2.22	2.22	2.47	2.47	2.47	2.47
	2.27	2.27	2.52	2.52	2.52	2.52
	2.32	2.32	2.57	2.57	2.57	2.57
	2.37	2.37	2.62	2.62	2.62	2.62
	2.52	2.52	2.77	2.77	2.77	2.77
	2.67	2.67	2.92	2.92	2.92	2.92

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

2018

<u>Customer</u>	<u>Type of Business</u>	<u>12-Month Water Consumption (In Thousands)</u>	<u>Percent of Total Billed</u>
Caterpillar	Facility	39,081	1.11%
Detar Hospital	Hospital	37,635	1.07%
Citizens	Hospital	34,398	0.98%
VISD - Memorial High	School	25,848	0.74%
Autumn Park Apartments	Apartments	21,725	0.62%
Creekstone Ranch	Apartments	19,743	0.56%
Twin Pines	Business	17,410	0.50%
Texas Concrete	Business	16,863	0.48%
Pinnacle Pointe	Apartments	15,102	0.43%
Silvermine	Apartments	14,896	0.42%

2009

<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	45,489	1.16%
Detar Hospital	Hospital	21,691	0.55%
Victoria County Jail	Government	17,230	0.44%
Creekstone	Apartments	16,780	0.43%
Autumn Park	Apartments	14,909	0.38%
VISD Stroman	School	14,491	0.37%
VISD Memorial	School	13,536	0.35%
Victoria County Airport	Government	13,386	0.34%
Twin Pines	Business	13,212	0.34%
Sage Creek	Apartments	13,184	0.34%

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	
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
2018	17,420,000 **	57,285,000	5,571,287 *	56,915,000	5,066,864	142,258,151

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>
7.70%	\$ 2,669
7.28%	2,685
6.94%	2,721
6.56%	2,771
6.03%	2,617
6.28%	2,888
6.09%	2,735
5.95%	2,503
5.40%	2,295
N/A	2,103

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	
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
2018	17,420,000 **	57,285,000 *	5,571,287	80,276,287	1,138,153

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>
\$ 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
79,138,134	1.87%	1,170

CITY OF VICTORIA, TEXAS

*DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
(UNAUDITED)*

September 30, 2018

	Gross Debt Outstanding		Percentage Applicable To City	Amount Applicable To City
	Date	Amount		
Direct Debt:				
City of Victoria	9/30/2018	\$ 80,276,287 *	100.00%	\$ 80,276,287
Overlapping Debt:				
Victoria County	9/30/2018	11,420,000	62.69%	7,159,198
Victoria County Junior College District	9/30/2018	24,560,000	62.69%	15,396,664
Victoria Independent School District	9/30/2018	<u>133,005,000</u>	68.57%	<u>91,201,529</u>
Total Overlapping Debt		<u>168,985,000</u>		<u>113,757,391</u>
Total		<u>\$ 249,261,287</u>		<u>\$ 194,033,678</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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Debt limit	\$ 151,486,678	\$ 156,810,850	\$ 156,368,302	\$ 160,417,119
Total net debt applicable to limit	<u>67,597,335</u>	<u>90,825,874</u>	<u>96,921,606</u>	<u>96,832,548</u>
Legal debt margin	<u>\$ 83,889,343</u>	<u>\$ 65,984,976</u>	<u>\$ 59,446,696</u>	<u>\$ 63,584,571</u>
Total net debt applicable to the limit as a percentage of debt limit	44.62%	57.92%	61.98%	60.36%

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>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ 171,665,577	\$ 186,811,127	\$ 198,992,755	\$ 208,941,119	\$ 208,707,476	\$ 211,498,485
<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>73,566,847</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>	<u>\$ 137,931,638</u>
53.90%	51.58%	47.57%	43.12%	43.14%	34.78%

Legal Debt Margin Calculation for Fiscal Year 2018

Assessed value	\$ 4,229,969,698
Debt limit	211,498,485
Debt applicable to limit	
General obligation bonds	74,705,000
Less: Debt Service Fund Balance	<u>1,138,153</u>
Total amount of debt applicable to debt limit	<u>73,566,847</u>
Legal debt margin	<u>\$ 137,931,638</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
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
2018	26,483,913	9,900,254	16,583,659	4,431,709

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		
\$ 2,038,850	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
-	3.74	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>
2009	62,530	\$ 2,240,066	\$ 34,669	13,786	6.1%
2010	62,701	2,350,783	36,872	13,854	7.6%
2011	62,592	2,547,855	39,235	14,409	6.9%
2012	63,131	2,778,217	42,237	14,543	6.0%
2013	64,072	2,882,973	43,426	14,559	5.4%
2014	64,919	3,078,414	45,971	14,467	4.5%
2015	66,094	3,113,107	44,886	14,427	3.8%
2016	67,574	3,002,829	42,056	14,339	4.9%
2017	67,659	2,874,458	42,484	14,253	5.2%
2018	67,106	N/A	N/A	14,057	4.1%

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 2018 is not yet available.
 (3) Victoria Independent School District as of October 15, 2018
 (4) U.S. Department of Labor

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

2017*

<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total Area Employment</u>
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%
	<u>12,241</u>	<u>29.22%</u>

2008

<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total Area Employment</u>
Victoria Independent School District	2,367	5.64%
The Inteplast Group	1,700	4.05%
Formosa Plastics	1,500	3.57%
Citizens Medical Center	1,280	3.05%
Koch-Invista	1,150	2.74%
Dow-Seadrift Operations	1,050	2.50%
Alcoa	965	2.30%
DeTar Healthcare System	925	2.20%
City of Victoria	610	1.45%
Calhoun Independent School District	608	1.45%
	<u>12,155</u>	<u>28.94%</u>

NOTE: Based on Victoria Metropolitan Statistical Area, which includes Victoria, Calhoun, Dewitt, Lavaca, Gonzales, Jackson and Goliad Counties.

SOURCE: Victoria Economic Development Corporation

* 2018 data not available

CITY OF VICTORIA, TEXAS

FULL-TIME-EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM

Last ten fiscal years

Function/Program	Fiscal Year			
	2009	2010	2011	2012
General government				
City manager	12	10	10	10
Legal	5.5	4.5	4	4
Financial	7	6	6	6
Municipal court	5.5	5.5	5	5
Human resources	5	5	4	4
Planning	10	4	4	4
Development services administration	-	2	2	2
Geographic information system (GIS)	-	3	3	3
Building services	12	12	10	10
City secretary	4	4	3	3
Public information office	-	2	2	2
Public safety				
Police	147	149	154	154
Fire	118	118	118	118
Inspections	11	12	10	11
Code enforcement	7	5	4	4
Traffic control	11	10	9	9
Highways and streets				
Engineering	12	12	11	11
Streets and drainage	34	34	31	31
Culture and recreation				
Parks and recreation	41	43	41	43
Public library	28	28	27	27
Water/wastewater	80	82	96	96
Community center	7	7	7	7
Environmental services	43	26	24	24
Vehicle and equipment services	2	2	2	2
Information technology	10	10	10	10
Communications	1	1	1	1
Purchasing	4	3	3	3
Safety management	2	2	2	2
Print shop	2	2	2	2
Convention and visitors bureau	-	-	-	3
Total	621	604	605	611

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

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

* Beginning with Fiscal Year 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					
2013	2014	2015	2016	2017	2018
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
5	5	5	5	5	5
2	2	2	2	2	2
4	4	4	4	4	4
10	10	10	10	10	10
3	3	3	3	3	3
2	3	3	3	3	3
155	158	156	159	159	161
117	117	129	130	130	130
10	10	10	10	10	10
5	5	5	5	5	5
9	9	9	9	9	9
10	9	9	9	9	8
31	31	28	27	27	27
41	41	40	39	39	38
27	27	27	27	27	27
96	95	95	95	95	95
7	7	6	7	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	4	4	4	4	4
<u>610</u>	<u>613</u>	<u>618</u>	<u>621</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			
	2009	2010	2011	2012
General government				
Building permits issued	1,433	1,627	1,484	1,884
Building inspections conducted	6,138	6,066	5,874	7,044
Birth certificates registered	1,998	2,146	2,009	2,112
Death certificates registered	795	885	924	930
Birth certificates issued	6,569	6,043	5,645	5,980
Death certificates issued	5,698	5,295	5,269	1,601
Public safety				
Police				
Physical arrests	4,044	3,152	3,387	3,427
Parking violations	472	368	223	334
Traffic violations	12,143	7,303	8,756	8,876
Warrants issued	1,812	1,879	1,960	2,139
Fire				
Total Incidents	8,551	8,455	9,072	8,797
Fires	621	349	554	271
Rescue/Emergency Medical	7,930	6,568	6,832	8,526
Inspections	1,279	1,555	1,351	2,187
Streets and highways				
Street resurfacing (linear feet)	12,907	16,250	7,000	12,000
Culture and recreation				
Community center admissions (event contracts)				
Dome	120	98	89	88
Annex	133	102	85	81
Arena	27	14	22	22
Library				
Number of items	140,599	141,887	146,455	137,548
Circulation	313,099	271,281	340,204	340,320
Gate count	263,730	336,580	245,844	249,672
Water and wastewater				
Water				
Active water connections	22,129	22,071	22,312	22,456
Active sewer connections	20,461	20,587	20,720	20,845
Active garbage accounts	19,018	19,014	19,105	19,322
Average daily consumption (pumped) (in 000's)	10,718	8,617	11,292	10,283
Peak monthly consumption (in 000's)	354,264	319,293	407,616	374,666
Wastewater				
Average daily sewage treatment	6,038,356	7,370,000	5,800,000	6,180,000
Environmental services				
Refuse collection				
Refuse collected (tons per month)	1,723	1,936	1,669	1,685
Landfill tonnage accepted	140,791	102,657	202,723	149,137
Recyclables collected (tons per year)	269.56	196.31	389.90	2,235.98

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					
2013	2014	2015	2016	2017	2018
2,342	2,376	2,029	1,565	2,207	5,920
8,698	10,380	8,438	6,799	4,354	6,984
1,719	2,142	2,386	2,181	2,054	1,956
754	968	1,046	1,002	970	1,036
5,946	5,475	6,035	6,104	5,820	6,478
1,249	981	945	878	729	1,216
3,552	4,095	3,948	3,257	3,005	2,862
187	409	129	202	293	243
13,181	13,061	9,391	8,255	8,867	8,650
N/A	3,608	2,717	2,364	2,223	2,069
8,669	9,042	9,796	9,773	11,179	11,046
202	204	166	163	209	186
8,467	8,838	9,630	9,610	6,591	6,370
1,513	1,906	1,917	2,747	2,006	75
14,000	66,000	42,155	107,000	45,000	119,722
92	118	112	104	95	120
75	96	94	90	85	85
27	58	43	57	45	48
140,976	148,232	154,109	143,551	130,920	135,487
353,122	373,153	363,927	375,587	352,956	327,394
243,192	232,196	225,689	245,477	214,278	198,207
22,660	22,923	23,136	22,802	22,966	22,919
21,068	21,230	21,395	21,254	21,455	21,397
19,508	19,490	19,674	19,630	19,668	19,665
9,950	9,629	8,972	8,972	8,672	8,224
374,690	434,515	382,831	403,289	369,898	401,860
5,469,000	5,842,333	7,100,000	7,130,000	6,620,500	5,874,750
N/A	N/A	N/A	N/A	N/A	N/A
154,291	140,102	143,081	148,578	162,324	212,231
3,227.66	3,191.00	3,141.00	2,796.00	2,330.00	553.00

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			
	2009	2010	2011	2012
General government				
Buildings	3	3	3	3
Public safety				
Police				
Stations	1	1	1	1
Patrol units	36	36	35	37
Fire stations	5	5	5	5
Highways and streets				
Streets (miles)	312.00	314.50	312.60	313.23
Streetlights	4380	4429	4473	4444
Traffic signals	78	78	81	81
School zone flashers	61	61	61	61
Culture and recreation				
Acreage	748.0	748.0	876.0	876.0
Playgrounds	15	15	16	16
Baseball/softball diamonds	21	19	19	19
Community centers	1	1	1	1
Libraries	1	1	1	1
Water and wastewater				
Water				
Water mains (miles)	363	365.8	366.8	366.8
Wastewater				
Sanitary sewers (miles)	337	342	342	342
Storm sewers (miles)	450	452	452	452
Environmental services				
Refuse collection				
Garbage collection trucks	11	11	7	7
Brush and large item collection trucks	N/A	N/A	5	5
Yard waste collection trucks	N/A	N/A	4	4
Recycling collection trucks	N/A	N/A	1	1

NOTE: N/A denotes information not available

SOURCE: Various City departments

Fiscal Year					
2013	2014	2015	2016	2017	2018
3	3	3	3	3	3
1	1	1	1	1	1
36	36	33	32	32	32
5	5	6	6	6	6
314.51	314.51	321.81	322.35	325.80	323.83
4550	4550	4676	4763	4788	4598
84	86	88	89	88	89
61	61	61	61	61	61
866.7	888.0	888.0	888.0	888.0	888.0
16	16	16	16	16	12
19	19	19	19	19	19
1	1	1	1	1	1
1	1	1	1	1	1
373	373	380	386.2	389.9	394.08
342	349.2	349.2	349.2	355.3	355.3
452	452	452	452	452	452
7	8	9	9	9	9
5	4	4	4	4	4
6	4	4	4	4	4
1	1	1	1	1	1

SINGLE AUDIT SECTION



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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, 2018, 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 21, 2019. The financial statements of the Sales Tax Development Corporation and the Victoria Special Events Association, Inc. were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

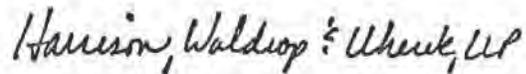
The Honorable Mayor and Members
of the City Council
City of Victoria, Texas

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



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

March 21, 2019



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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, 2018. 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, 2018.

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 21, 2019



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

For the year ended September 30, 2018

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-17-MC-48-0510
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	50-18XF0023
State and Community Highway Safety	20.600	2018-Victoria-S-1YG-0070
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	3259301
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			
\$ 374,976	\$ -	\$ 374,976	\$ -	CDBG-Entitlement Grants Cluster	
374,976	-	374,976	-		
128,894	-	128,894	-	Highway Planning and Construction Cluster	
15,731	-	15,731	-	Highway Safety Cluster	
144,625	-	144,625	-		
820,252	-	820,252	-		
14,874	-	14,874	-		
835,126	-	835,126	-		
5,000	-	5,000	-		
5,000	-	5,000	-		
1,359,727	-	1,359,727	-		

(continued)

CITY OF VICTORIA, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

For the year ended September 30, 2018

<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	608-18-2350100
Automobile Theft Grant	N/A	608-19-2350100
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			
\$ 11,119	\$ -	\$ 11,119	\$ -		
138,752	-	138,752	-		
19,000	-	19,000	-		
157,752	-	157,752	-		
52,177	-	52,177	-		
52,177	-	52,177	-		
221,048	-	221,048	-		
\$ 1,580,775	\$ -	\$ 1,580,775	\$ -		

(concluded)

CITY OF VICTORIA, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

For the year ended September 30, 2018

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, 2018 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, 2018

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, 2018

None were reported.



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