



Comprehensive Annual Financial Report

Year Ended September 30, 2012
City of Victoria, Texas

CITY OF VICTORIA, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the year ended September 30, 2012

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 12, 2013

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, 2012, 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 Victoria Recreation Corporation 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 all 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. Building Board | 13. Electrical Board |
| 2. Housing Authority Board | 14. Library Board |
| 3. Minimum Housing Board | 15. Parks and Recreation Commission |
| 4. Planning Commission | 16. Mechanical Board |
| 5. Tax Increment Financing Board | 17. Plumbing Board |
| 6. Sign Board | 18. Food Establishment Appeals Board |
| 7. Health Authority for City/County Health Dept. | 19. Victoria Sales Tax Corporation Board |
| 8. Victoria Housing Finance Corporation Board | 20. Victoria Recreation Association Board |
| 9. Building and Standards Commission | 21. Victoria Central Appraisal District |
| 10. City-County Board of Health | 22. Golden Crescent Regional Planning Comm. |
| 11. Victoria Economic Development Corp. | 23. Victoria Metropolitan Planning Commission |
| 12. Victoria Development Commission | 24. Victoria Health Facilities Development Corp. |

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. In the public works sector, the City has the departments of Engineering and Traffic Control, Solid Waste Collection, Recycling Collection, Water/Wastewater (*the City owns and operates a water pumping and distribution system, a surface water treatment facility, and a wastewater collection system*), and Streets and Drainage.

Streets and Drainage provides street cleaning, street maintenance, and drainage structure maintenance, as well as some capability for new construction of streets, drainage structures, and sidewalks.

Also included in the City's program of services are a building inspection and code enforcement department, and a parks system, which includes recreational programs and a community center. The City of Victoria maintains its own in-house print shop, custodial service, and building maintenance service. In addition, the City has a full-service garage for fleet maintenance which includes a communication shop.

The departments of City Manager, City Attorney, and Municipal Court Judge, according to the Charter, which was amended in 2012, are appointed by City Council. General staff support includes an in-house Human Resources Department, Information Technology Department and Finance Department. The Finance Department includes all accounting, budgeting, treasury, purchasing and other financial administration. At present, the City Manager utilizes one Assistant City Manager.

According to an interlocal agreement entered into between the City of Victoria and the County of Victoria, the City provides fire, emergency medical services and all hazard response services for a set reimbursement amount from the County. In addition, the City of Victoria operates library services at no cost to the County. By provisions of the interlocal agreement, the County of Victoria provides health and animal control services at no cost to the City.

Economic Condition and Outlook

Texas remains well positioned to outperform the United States economy for the foreseeable future. Growth is stemming from long-time sources of business activity as well as emerging industries, and the short-term outlook for the state calls for moderate growth. The energy sector is likely to continue to be an important source of stimulus for the Texas economy. Activity has increased notably over the past several years, particularly in oil exploration. The Permian Basin rig count, for example, has been in the 400-450 range for much of this year; roughly triple the number operating just three years ago (*Victoria and the surrounding area rig count have been in the 96-103 range; and, the statewide total stands at 1,800 with 82% of rigs drilling for oil*). Thousands of jobs have been added, pushing unemployment rates in affected areas below 5.5 and 4 percent (*Victoria 5.1 percent*) and creating challenges regarding sufficient housing and adequate infrastructure.

Economic Condition and Outlook - (Continued)

Other Texas industries are also contributing to the state and local relatively strong economic position. Recent job gains have been concentrated in professional and business services; trade, transportation, and utilities; and construction. The state and local housing market continues to improve, with single-family sales and new construction permits trending steadily upward. Employment in the construction sector is contributing to overall growth and, with housing construction increasing, gain is likely.

Just like Texas, Victoria has recently seen a surge in business investment and economic growth. Victoria's economy is strong and continues to improve and expand. Caterpillar started production and is expanding its plant site to accommodate additional facilities. By 2014, Caterpillar is projected to have over 800 employees. In addition to Caterpillar, we have in our area the Eagle Ford Shale project, which is expected to continue over the next several years, and new development is occurring at the Port of Victoria. Additional growth is taking place in the industrial and oil/gas sectors, including projects by Keen Transport, Synergy, Magic Industries, Nueces Power Equipment, Southern Flow Company, Jet Maintenance, Stallion Victoria and Baker Hughes.

Future expansion is planned by the University of Houston-Victoria, and construction has begun on an \$8.4 million expansion of the Warm Springs Specialty Hospital, which will employ more than 100 people. This economic growth has all led to confidence in our community. This confidence is demonstrated not only with the increase in sales tax rebates, but new housing growth, multi-family housing development, and new retail expansion.

The number of building permits decreased by 44.8 percent or 1,588, in comparing 2012 to 2011, and the value of the permits decreased by 22.1 percent, or \$34 million (*2011 included the Caterpillar permit value of \$56 million*). Victoria continues to receive residential construction plats, including the Grande Oaks Subdivision (*21 patio home units*), Tuscany Section 1C and 2A Subdivision (*41 single-family residential units*), Lake Forest Subdivision Section 2 (*20 single-family residential units*), and TerraVista Subdivision Phases 3, 4 and 5 (*75 single-family residential units*). The Remington Apartments on Ben Wilson Street (*286 multi-family residential units with a permit value of \$11.8 million*) were completed in February 2013. In addition to this housing market expansion, growth is occurring in the general commercial and retail sectors.

Wal-Mart has begun construction of a second Super Center on Houston Highway. TJ Maxx has recently completed a \$1 million construction project in the Victoria Mall. Many other retail expansion projects were completed during the past year including projects by Kirklands, Melrose, Red Lobster and VisionWorks. The hospitality industry is growing as well. The Hotel Western opened in 2012 and 524 additional hotel rooms are under construction with current projects by Hilton Homewood Suites, Hilton Garden Inn, Days Inn, Courtyard Marriott, Victoria Hotel and LaQuinta Inn. All of these signs continue to reflect a positive economic growth for Victoria.

Though the most important economic growth opportunities remain in the petrochemical industry and the manufacturing and industrial sectors, 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 170,000. Per capita effective buying income indicators are 90% of the national average. Per capita retail sales, however, are 140% of state and national levels, which is evidence of the City's role as a regional trade center.

While past performance in a local area is often a very strong indicator for future potential growth, such is not the case in Victoria. Victoria and the Golden Crescent Region are forecast to continue experiencing economic growth at a pace exceeding most parts of the United States. Several industries are contributing to the expansion both through direct stimulus of their operations and through multiplier effects through the economy. These notable gains enhance the outlook for the area economy which is expected to expand at an annual rate of 4.21%, while employment grows by 2.33%. For the region as a whole, the pace of expansion is somewhat higher, with output of 4.68% per annum and employment growth of 2.78% over the period.

Major Initiatives

For Fiscal Year 2012 and Into the Future:

Fiscal year 2012 budgetary priorities were met; and, as a result of a better than expected economic climate (sales tax revenue collection exceeded the fiscal year 2012 budget by 18.75 percent), the City was able to expand its fiscal year 2012 budgetary priorities. A new fire training facility to train the City's and other governmental entities' firefighters was constructed, funding was approved to assist the Victoria Park Improvement Association finance golf course improvements and funding was approved to rehabilitate Lone Tree, Red River (park entrance), Fox Bend, and McCright streets. Council also approved the implementation of an Automatic Meter Reader System, whereby the system would electronically collect data from utility metering devices and transfer the data to a central database for billing and/or analysis with an anticipated return on investment, over 15 years, of approximately \$2.8 million.

Victoria was named one of the top 10 Cities for historic preservation by Livability.com, a national website that highlights more than 500 of America's best places to live and visit. In addition, the Texas Retail Survey, which provides updated performance rankings and analysis for each local retail market and identifies the best performing areas (*based on both short-term and long-term growth rates*) in the State of Texas, has ranked Victoria 22 out of 50 fastest growing retail markets, during a five year period.

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. Through strategic planning sessions, City Council priorities were established. Developing the fiscal year 2013 Budget by allocating available resources to the various budgetary priorities was a challenge. The budgetary priorities consist of the following: continue implementing the City's capital improvement programs, implement a 3% across-the-board pay raise program along with a market and compression pay adjustment program, improve public safety, improve residential streets, maintain the City's storm drainage system, address environmental issues, continue to provide an effective and efficient residential and recycling collection service program, maintain and improve the City's utility system, continue replacing routine capital assets, improve parks and library services, and maintain adequate fund balance/working capital reserves. All of these budgetary priorities were incorporated into the fiscal year 2013 Budget while at the same time reducing the City's tax rate from 64.50¢ to 60.56¢. *Note: since fiscal year 2004, the City's tax rate has been reduced by 9.44¢.*

Capital Improvement Program - As a city that was founded over 180 years ago, Victoria has an aging infrastructure in various stages of maintenance or disrepair. One of the major goals for the Council was to build value for its citizens by making significant improvements to the City's infrastructure.

The purpose of a Capital Improvement Program (CIP) is to determine the priorities for capital expenditures and to coordinate the projects selected within a multi-year planning framework. The first objective of the CIP is to decide the most effective way to allocate our limited capital improvement resources to meet City goals. The CIP has a second benefit by coordinating capital improvement projects administered by different municipal departments.

The CIP is a plan with the knowledge that it will 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 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.

Future City Managers and City Councils may look back on Victoria's first decade of this millennium as the "decade of infrastructure improvements." Since 2000, the City has spent over \$300 million in major infrastructure projects to improve our streets, drainage, water and sewer service, and created a viable industrial park.

Major Initiatives - (Continued)

The fiscal year 2013 Budget is proactive in supporting the City's Capital Improvement Program (CIP). The Capital Improvement Budget for fiscal year 2013 totals \$33,428,629 for all Construction Funds that include CIP projects. This budgeted amount does not, however, reflect all projects' capital expenditures for fiscal year 2013. In the case of projects for which funds have already been approved and budgeted, the City may continue to spend money to complete these projects without including the projected fiscal year 2013 expense as a new appropriation. The project budgets that have been appropriated carry forward until the project is complete. Only portions of the projects that have not been previously appropriated are included as new appropriations in the fiscal year 2013 budget, along with new appropriations for new projects.

General Governmental Construction Fund Capital Projects - \$5,692,229

• McCright Park Entrance Street Improvement Project:	\$ 190,000
• Fox Bend Park Street Improvement Project:	57,000
• Leary Lane Street Improvement Project:	1,200,071
• Delmar Street Project:	423,148
• Dudley Street Project:	586,580
• Downtown Overlay Ph II Project:	1,520,080
• Dairy Road Street Project:	763,655
• Springwood Drive Street Project:	463,198
• Huvar/Navarro Traffic Light Project:	350,000
• Ben Wilson and Delmar Quiet Zone Project:	138,497

Utility Construction Fund Capital Projects - \$23,909,286

• Downtown Utility Project No. 3 & 4, Ph III Project:	\$ 1,752,721
• Downtown Utility Project No. 5 & 6, Ph III Project:	1,685,117
• Downtown Utility Project No. 7 & 8, Ph III Project:	373,548
• Wastewater Sanitary Treatment Plant Project	17,147,900
• Navarro Street Utility Annexation Project	2,950,000

General Fund - \$2,284,114

• Greenbrair Street Improvement Phase II Project:	\$ 1,610,000
• Billy Drive and Marilyn Drive Drainage Project:	674,114

Water/Wastewater Fund - \$1,543,000

• Mayfair Terrace Utility Replacement Phase II Project:	\$ 1,543,000
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Personnel – One of the greatest assets of the City is our outstanding workforce. In order to maintain competitiveness as an employer and to reward employees for providing superior service, it is important that the City recognize employees for their efforts. For fiscal year 2012, a pay program of a 3 percent across-the-board pay raise was approved with a total cost for all City funds of \$867,996. The fiscal year 2013 budget includes funding for a 3 percent across-the-board pay program, a market adjustment pay program, and a compression adjustment pay program, at an estimated cost of \$1.5 million.

The City participates in the Texas Municipal Retirement System (TMRS) and Social Security for full-time employees. The TMRS contribution is determined by an actuarial study that is conducted annually. The annual contribution rate for the City for 2013 is 17.94%, compared to 2012 rate 18.02%. The City is meeting its annual Texas Municipal Retirement System (TMRS) requirements and it is not expecting any major future increase in TMRS rates, other than normal adjustment for inflation factor.

Major Initiatives - (Continued)

The fiscal year 2013 Budget does not include any increase in the City's total health insurance premiums. However, per Council's policy of moving towards a health insurance premium cost split of 80/20 (City pays 80% and Employee pays 20%), management set the fiscal year 2013 health insurance premium cost split at 80/20 compared to 81/19 last year. This change in health insurance premium cost split will increase the employee's health insurance premium cost by \$4.67 per month or \$56.04 annually.

As for retiree health insurance premium cost, management anticipated a possible rate increase in its Medicare Supplement Insurance Program, but the fiscal year 2013 budget did not include any increase for those retirees age 65 and over who are in the program, due to the expectation of nominal overall effect. Effective January 1, 2013, there was an \$8.00 per month per retiree overall increase to these premiums, with the increase split between the City and retiree varying based on the retiree's longevity with the City.

Management will continue to monitor the Federal Health Care Reform information to determine the effect it will have on future health insurance premiums. Premiums are evaluated each year to determine appropriate levels.

Street and Drainage Maintenance - City Council remains focused on funding Victoria's infrastructure needs while maintaining a low and moderate property value tax rate. Smaller scale City infrastructure improvements happen every day and are as important as large-scale projects. The fiscal year 2012 Street and Drainage budget was funded for a total of \$2,900,000. For fiscal year 2013, \$2,709,114, was funded, which includes one-time funding of \$334,114.

The fiscal year 2013 Street Rehabilitation and Overlay Program consists of doing Phase II of the Greenbriar Subdivision Street Project (per the Capital Improvement Program Plan) and repaving/restriping the 700 Main Center parking lot.

Due to weather conditions during fiscal year 2012, drainage projects were not performed. However, for fiscal year 2013, funding for drainage projects is double the historical amount, and includes the Billy Drive/Marilyn Drive Drainage Project.

Environmental - Many quality of life issues come before us each year; one of them is city beautification. The fiscal year 2013 Budget includes: (1) \$145,000 for the Weedy Lot & Demolition Program; (2) partnering with Keep Victoria Beautiful, Inc. in promoting the beautification of Victoria, in the amount of \$51,304, and (3) 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 recycling programs. During fiscal year 2012, the City of Victoria closed its recycling center collection facilities and implemented a new *Single Stream Curbside Recycling Program* and a *Household Hazardous Waste Program*.

The Single Stream Curbside Recycling Program – an operating rate fee of \$1.28 per month. The City of Victoria contracts with Waste Management to operate the recycling collection facility and City staff picks up all residential customers' recyclables twice a month.

The Household Hazardous Waste Program – an operating rate fee of 65¢ per month. The City of Victoria contracts with Waste Management to operate the Household Hazardous Waste Program. All residential customers take part in the household hazardous waste program. All hazardous waste is picked up at customer residences.

Major Initiatives - (Continued)

Fiscal Year 2013 budget includes the following service fee increases:

<i>Residential Refuse Collection Fees</i>	<i>FY '12 Rates</i>	<i>FY '13 Rates</i>	<i>Increase in Rates</i>
Residential Collection Services	\$13.75	\$13.75	\$ -
Brush & Bulky Collection Services	1.85	1.85	-
Yard Waste Collection Services	1.27	1.97	0.70
Curbside Recycling Collection Services	1.28	1.28	-
Hazardous Waste Program	.65	.65	-
Total:	\$18.80	\$19.50	\$0.70

Victoria continues to maintain an adequate landfill capacity. It is estimated that the City's permitted landfill has approximately 24-26 years remaining life, at an average annual garbage growth rate of 1 percent. In order to increase our landfill life, the City purchased 200 acres of land, adjacent to our current permitted landfill. As a result of the purchase, the City will be able to increase its landfill's life to approximately 75 years, once the 200 acres are permitted. In addition to the increased acreage, the City has implemented new recycling and household hazardous waste programs, which will further extend the life of the landfill.

The landfill generates a large amount of methane gas which was being flared. The City partnered with Renovar Energy Corporation (Renovar) in order to capitalize on the potential benefits of utilizing the City Landfill methane gas as a sellable energy source and create a new revenue source, which will be used to finance the City's closure and post-closure liability. Renovar will be allowed to sell the processed gas to a nearby industrial plant, over the next 15 years, beginning in 2013. The City has received the \$110,000 upfront payment agreed upon in the contract. In addition, the City will receive 15 years of royalty payments. The net present value of the 15-year royalty payments equates to approximately \$6.4 million. The gas collection system is expected to be up and running by fiscal year 2013 second quarter.

In fiscal year 2013, approximately 46 acres of the City's landfill will be capped, at an estimated closure cost of \$3.5 million, utilizing closure/postclosure funds.

Public Safety - The Police Department was awarded a 2010 Community Oriented Policing Services Hiring Recovery Program Grant (COPS) which will pay for 5 full-time police officers at a total cost of approximately \$941,215 or \$313,738 per year. This grant will not impact the City's Fiscal Year 2013 Budget, but beginning in fiscal year 2014, the City will begin to assume the cost of the 5 police officers.

In fiscal year 2012, a new fire burn building training facility was constructed in order to allow ongoing training for City and other governmental entity firefighters, at an approximate cost of \$700,000. Fiscal year 2013 includes \$75,000 funding at the facility for a training classroom. Due to the City's recent growth, a Fire Station Study has been funded in fiscal year 2013. The proposed study will evaluate future locations and trigger points of adding new fire stations, fire apparatus and equipment. In fiscal year 2009, the City purchased land in the northern part of the City for future expansion.

The Fire Department currently holds an Insurance Services Office rating of 2. This rating will help some homeowners with a decrease in their homeowner's insurance premiums.

Our Fire and Police Departments continue to do an outstanding job responding to traffic accidents, medical emergencies and hazardous material calls. Equally important, they continue to teach our youth how to respond to emergencies, fire safety, and crime. Victoria benefits from this type of safety education.

Major Initiatives - (Continued)

Water and Wastewater – The City strives to maintain its water and wastewater systems in a proactive rather than reactive manner, and have been able to fund large capital expenditures without issuing debt. In fiscal year 2012, \$1.8 million was funded for the Mayfair Terrace Phase I Replacement Program; and, \$853,000 for the Bar Screen Project at the Hwy. 59 wastewater treatment plant. For fiscal year 2013, \$2.1 million is funded for Mayfair Terrace Phase II, and Hummel Street Pipe Replacement Programs. In addition, financed by utility system revenue bonds, in 2012 the water department started implementing an Automated Meter Reader (AMR) System, whereby the system would electronically collect data from utility metering devices and transfer data to a central database for billing and/or analysis. The AMR system is expected to be fully operational by the third quarter of fiscal year 2013. The system is estimated to reduce personnel, meter maintenance, and vehicle maintenance operating cost by \$2.5 million and increase revenues by approximately \$8.6 million, over 15 years.

The City's wastewater is collected by the City and pumped to two separate treatment facilities. The larger facility, which is located on U.S. 59, has a capacity of 9.6 million gallons per day. The second plant, the Willow Street Plant, has a capacity of 2.5 million gallons per day. The City assumed operations of its Highway 59 wastewater treatment plant effective January 1, 2011, which was previously under a long-term services contract with the Guadalupe-Blanco River Authority. In order to accommodate future growth, the City has begun design of a new wastewater treatment facility, which will be located on SW Ben Jordan and will have a capacity of treating 4.4 million gallons per day. This plant is scheduled to be complete and operational in 2016 and the Willow Street Plant will then be decommissioned, which will leave the City with a total capacity of treating 14 million gallons per day.

The City issued \$2.6 million revenue bonds in fiscal year 2012 for engineering cost and in fiscal year 2013 will issue \$17.1 million for construction cost of the new wastewater treatment facility. In order to generate the additional revenue required to service the debt associated with the \$19.7 million Wastewater Treatment Plant Capital Improvement Project, a rate increase of \$0.47 per month on the water base rate for customers having a ¾" water meter and \$0.58 per month on the sewer base rate for customers having a ¾" meter was implemented in fiscal year 2012. The rate increase for both the water and sewer base rates on accounts served by larger water meters are calculated by multiplying \$0.47 for water and \$0.58 for sewer by the factor representing the ratio of the larger meter's rated flow capacity in comparison with the rated flow capacity of a ¾" water meter.

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 in 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.

The City owned and operated water production, treatment and distribution system consists of one surface water treatment plant, two remote storage and pumping facilities, elevated storage, ground storage and approximately 400 miles of water mains. Over the last several fiscal years, the City has purchased a total of 7,006.7 acre feet/year of additional water rights, which has added to the City's water supply options and allows for improved flexibility. The City continues to explore other possibilities for additional future water supplies for its citizens.

A complete listing of the City's water treatment, storage, and pumping facilities can be found in the 2009 Master Water Plan Update. A copy can be obtained by contacting the City's Public Works Department.

Major Initiatives - (Continued)

Routine Capital Expenditures – The fiscal year 2013 Budget includes \$14,855,900 million in capital expenditures, of which \$6,922,430 million will be funded out of reoccurring revenues. The remaining \$7,933,470 million (\$1.9 million General Fund, \$2.5 million Water/Wastewater Fund, and \$3.5 million Environmental Services Fund) capital expenditures will be funded out of the one-time use of fund balance or working capital balance. The following table recaps the \$14,855,900 million capital expenditures for fiscal year 2013, compared to fiscal year 2012.

Capital Expenditures per Fund:	FY 2012		FY 2013		Increase/(Decrease)
General Fund	\$3,823,216	39.54%	\$4,384,212	29.51%	\$ 560,996
Special Revenue Funds	266,100	2.75%	28,500	0.19%	(237,600)
Water/Wastewater Fund	3,028,767	31.32%	3,597,208	24.22%	568,441
700 Main Center Fund	24,300	0.25%	110,500	0.74%	86,200
Community Center Fund	73,045	0.76%	389,950	2.62%	316,905
Environmental Services Fund	30,200	0.32%	3,691,115	24.85%	3,660,915
Communications Fund	12,900	0.13%	-	0.00%	(12,900)
Information Technology Fund	399,373	4.13%	143,690	0.97%	(255,683)
Print Shop Fund	4,999	0.05%	1,100	0.01%	(3,899)
Purchasing Fund	1,000	0.01%	5,300	0.04%	4,300
Safety Management Fund	1,390	0.01%	-	0.00%	(1,390)
Vehicle and Equipment Services Fund	2,004,540	20.73%	2,504,325	16.85%	499,785
Total Capital Expenditures:	\$9,669,830		\$14,855,900		\$5,186,070

Parks and Library Services – In addition to the youth sports complex and two-mile hike-n-bike trail, the parks and recreation system continues to expand with the addition of a new 127-acre park including a splash-pad with water playground along with a pavilion, practice ballfields and practice soccer fields, scheduled for completion in 2013. Funding source for the project is General Fund and Texas Parks and Wildlife Grant at an estimated cost of \$1,000,000. Also scheduled for completion in 2013, is an 1,870 sq.ft. amphitheatre stage, with a public viewing area to seat approximately 1,000, to be constructed at Ethel Lee Tracy Park. Funding Sources for this project are the General Fund, Cloyde & Ethel Lee Tracy Foundation, and M.G. & Lillie A. Johnson Foundation, at an estimated cost of \$365,000. Other projects for 2013 include Riverside stadium repairs; playground repairs at various parks; and Children’s Park Pavilion improvements.

Major Initiatives - (Continued)

Serving the citizens of Victoria County, the City Library houses a book collection of over 138,000 volumes. Reference collections of note, for use within the Library, are the Local History, Genealogy collection and the Business/Investment collection. Also noteworthy is the circulating collection for children. In addition to books, the Library circulates a collection of audio and video tapes and popular compact discs. Updates and additions to the library's collection is possible annually with funding for materials in fiscal year 2013 at \$218,640, compared to \$193,640 in fiscal year 2012. Upgrades and continual maintenance to the facility have taken place over the past few fiscal years including a complete interior renovation and landscaping. Fiscal year 2013 funding includes approximately \$134,000 for an exterior lighting project, renovations for the lobby, children's area and delivery driveway.

Maintaining Adequate Fund Balance – In prior years, Council set a policy of maintaining the General Fund fund balance at 15 percent of budgeted expenditures. In fiscal year 2009, the minimum fund balance was increased to 18.5 percent of budgeted expenditures. For fiscal year 2011 the minimum fund balance was increased to 20 percent in order to create an adequate reserve to address current and possible future economic uncertainties.

The fiscal year 2013 Budget assumes a minimum fund balance reserve of 22.5 percent of budgeted expenditures. The minimum fund balance (22.5 percent of \$51,613,299 budgeted expenditures) is projected to be \$11,612,992 which represents approximately 2.7 months of fund balance reserve. The estimated ending fund balance for fiscal year 2013 is \$11,628,097 which is approximately \$15,105 over the minimum fund balance amount. These funds will be reserved in order to address future contingencies, fund the City's capital improvement program, economic development programs, or expenses as Council determines.

The minimum fund balance/working capital balance policies for the other City funds are as follows:

- Special Revenue Funds – since these funds consist mainly of local, state, and federal grants, the City does not require a minimum fund balance.
- Debt Service Fund – the City requires a one-month minimum fund balance.
- Capital Projects Funds – since these funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities, the City does not require a minimum fund balance.
- Enterprise Funds – the City requires a three-month minimum working capital balance.
- Internal Service Funds – since these funds are used to account for services and/or commodities furnished by a designated fund/program to other funds within the City, the City requires a one to two-month minimum working capital balance (except for the Health Fund which requires one-year minimum working capital balance due to the fact it is dealing with health, dental claims, and prescription drug expenses).

Other Programs to Note:

Swan Crossing - The City of Victoria developed a 55 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 1,300 square feet and have 3 bedrooms, 2 baths and an oversized one car garage with prices starting at \$80,000. A majority of the homes in the subdivision must be sold to income qualified homebuyers and be able to qualify for a home mortgage. Income qualified homebuyers will receive the lot value (*estimated at \$15,000*) through a 5 year deferred, forgivable loan. This means at the end of five years the loan is completely forgiven and you own the lot free and clear. Some assistance through Community Development Block Grant is available to help with principal buy-down and closing cost. With only six homes constructed through this initiative, it has not achieved the success that was anticipated. Eight other lots were donated to Habitat for Humanity resulting in the construction of five additional homes. 41 lots remain available.

Major Initiatives - (Continued)

The City of Victoria 2012-2013 Community Development Block Grant (CDBG) program activities correlate directly with the priorities outlined in the City's 2010-2015 Consolidated Plan and Strategy. During the program year, October 1, 2012 to September 30, 2013, the City of Victoria will utilize CDBG funds totaling \$580,104 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	\$ 98,804	17.0%
2. Public Services Programs	78,600	14.0%
3. Public Facilities Programs	264,000	45.0%
4. Public Improvements	50,000	9.0%
5. Program Administration	<u>88,700</u>	15.0%
Total:	<u>\$580,104</u>	

Transportation - Victoria has its traffic problems, but it would be hard to call it a rush hour since true congestion is really more like 15 to 20 minutes and only at 8 am, noon and 5 pm. But even Victoria's worst day is nothing like you see in the major metropolitan areas of the state. Every year, Victoria works closely with Texas Department of Transportation (TXDOT) on improvements to state highways leading to Victoria.

When looking at traffic or transportation in general, Victoria has a lot to be thankful for and a lot to look forward to. Victoria has seen millions of Federal and State Transportation dollars come its way, with a major project that began in the spring of 2012 to construct two overpasses on Loop 463, Salem Road to Mockingbird Lane.

Victoria Transit provides public transportation in our community. What began in 1999 as an "On-Call" or demand response system quickly grew into a full service fixed route system. Victoria Transit provides rides to more than 23,000 individuals on a monthly basis which also includes an "On-Call" service for those who qualify as handicapped and disabled and a special needs service for medical transports.

In 2010, the City of Victoria created a Transportation Improvement Program (TIP). The TIP is a short-range list of proposed transportation improvement projects for the metropolitan area. The passage of the Intermodal Surface Transportation Efficiency Act of 1991 required the TIP to be developed by the Metropolitan Planning Organization in cooperation with the State (TxDOT) and local public transit operators. The TIP must cover a period of at least three years, and must be updated every two years. The TIP is required to prioritize projects by the year in which they will be implemented. The City of Victoria Transportation Improvement Program for Fiscal Years 2013-2016 can be viewed in its entirety at http://www.victoriampo.org/documents/VictoriaMPO2013-2016TIPFirstAmendment_000.pdf .

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.

Financial Information – (Continued)

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 which result in an overrun of subfunction balances are not released until additional appropriations are made available. Open encumbrances are reported as reservations of fund balance at September 30, 2012.

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. This contract is in effect until July 31, 2015. Under this agreement, at the City's discretion, all excess funds above predetermined balances can be swept out at the end of each business day. These funds are held in securities chosen by the City, and interest is earned based on the market value of the instrument, less a service rate. Before the open of business the following day, the funds are swept back and interest earned is deposited into a separate account. The interest earned daily is reallocated at month-end based on each bank account's daily sweep balance. As of the end of Fiscal Year 2012, the City is not utilizing the sweep product. Instead, the collective balances held in each bank account generate earnings credit that offset the charges for the full suite of depository services. Any excess funds are then invested accordingly.

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
2. Selected securities of U.S. Government agencies
3. FDIC insured bank certificates of deposit
4. Repurchase agreements
5. Pools
6. Commercial Paper
7. Money Market Mutual Funds

Investments are competitively bid by phone quotes and they are limited in maturity to less than two years per the City's investment policy.

Risk Management

For Fiscal Year 2012, the City had most of its liability risks covered by insurance. These coverages are summarized below:

General Liability, including	\$2,000,000 occurrence
EMS Errors & Omissions	\$4,000,000 aggregate
	\$1,000 deductible per occurrence
Police Professional Liability	\$1,000,000 occurrence
	\$3,000,000 aggregate
	\$5,000 deductible per occurrence

Risk Management - (Continued)

Public Officials' Liability	\$5,000,000 occurrence \$10,000,000 aggregate \$25,000 deductible per claim
Fleet Liability	\$2,000,000 occurrence \$1,000,000 uninsured/underinsured motorist \$25,000 medical payment per person \$0 deductible on liability \$500 deductible each vehicle on auto physical damage \$10,000 deductible each occurrence on auto physical damage \$25,000 deductible catastrophe
Contractors' Equipment	\$3,239,804 (per scheduled equipment) \$1,000,000 newly purchased equipment \$5,000 deductible per occurrence
Comprehensive Property Damage	\$134,833,225 combined building and contents \$500,000 blanket extra expense \$112,272,900 earth movement \$1,000,000 property in transit \$1,000,000 newly acq/constr. \$100,000 property of others \$20,000 pollutant cleanup \$5,000 blanket \$25,000 deductible per occurrence on flood and earthquake
Electronic Data Processing Equipment	\$6,105,975 per scheduled equipment (replacement cost) \$250 deductible on computer equipment \$25,000 on flood & earthquake
Employee Benefits Liability	Included in public officials & employee liability \$25,000 deductible per occurrence
Radio Towers	\$634,711 per scheduled equipment \$20,000 pollutant cleanup per premises \$2,500 deductible
Crime Coverage	\$1,000,000 per occurrence \$2,500 deductible per occurrence
Boiler and Machinery	\$63,398,061 (per scheduled equipment) \$1,000,000 newly acq. loc. \$500,000 extra expense \$20,000 pollutant removal \$1,000 deductible per occurrence

Risk Management - (Continued)

For several years, the City has been managing a self-insured health plan for employees, retirees, and dependents. Effective January 1, 1998, the City changed administrators to Boon Chapman. This firm provides intensive review of claims before they are paid, including managed care, utilization review, discharge review, precertification review, and hospital audits.

Effective October 1, 1989, the City made the decision to self-insure 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, 2011. This was the twenty-ninth 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 City's Mayor and Council for their continuing support.



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



Charmelle Garrett
City Manager

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Victoria
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

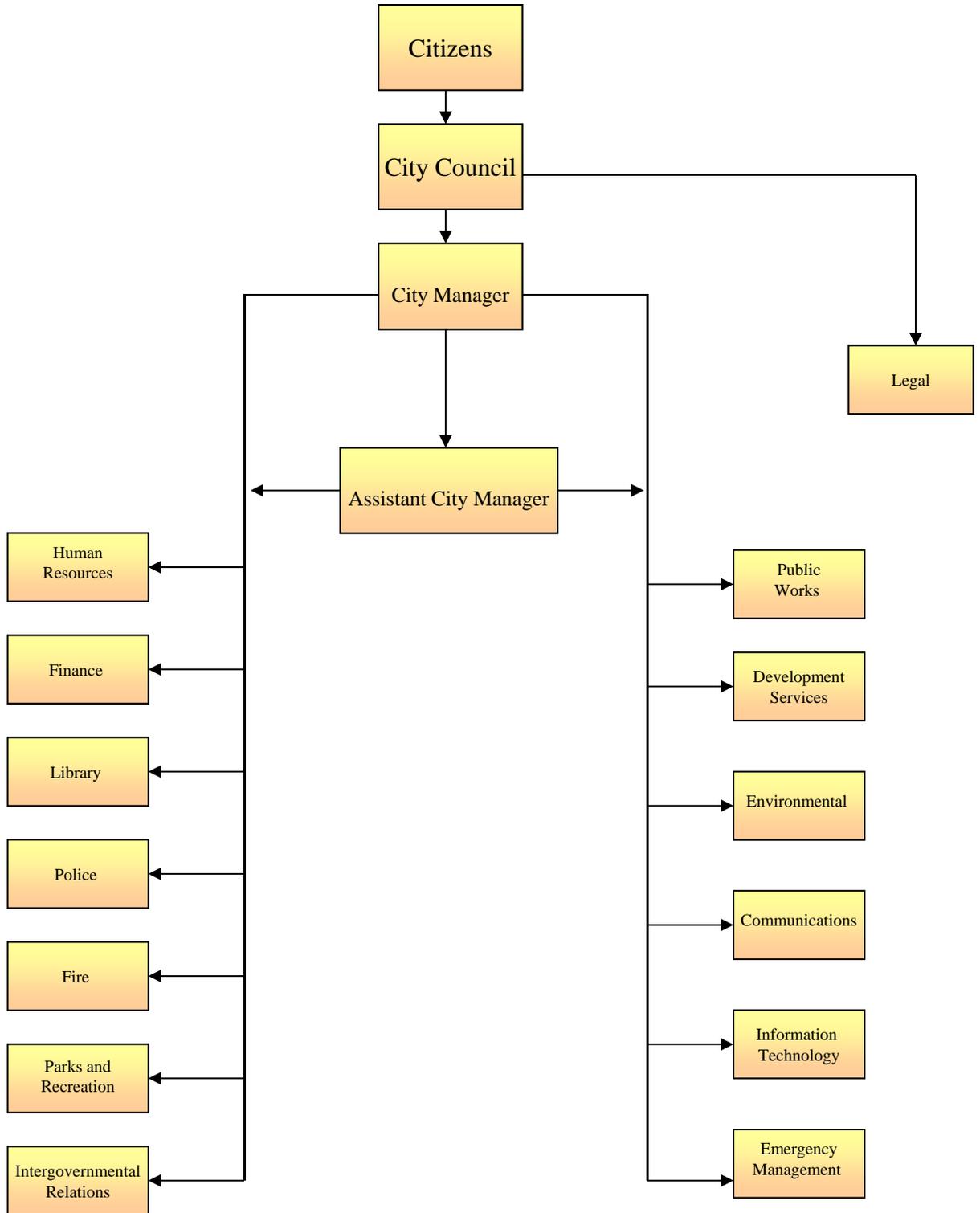


Christopher P. Moirrell

President

Jeffrey R. Emer

Executive Director



PRINCIPAL CITY OFFICIALS

ELECTED OFFICIALS



Name	Position	Years of Service	Term Expires
<i>Front Row</i>			
Josephine E. Soliz	Council Member, District 2	0	May, 2015
Will Armstrong	Mayor (5 years prior service 1973-1979)	8	May, 2013
Joe Truman	Council Member, Super District 5	3	May, 2013
<i>Back Row</i>			
Emett Alvarez	Council Member, District 1	0	May, 2015
David Hagan	Mayor Pro-Tem, District 4	6	May, 2015
Tom Halepaska	Council Member, Super District 6	8	May, 2013
Paul Polasek	Council Member, District 3	6	May, 2015

ADMINISTRATIVE OFFICIALS

Name	Position	Years of Service	
		Current With City	Position
Charmelle Garrett	City Manager	22	2
John Kaminski	Assistant City Manager	24	0
Gilbert P. Reyna, Jr.	Director of Finance	17	16
Thomas Gwosdz	City Attorney	3	3
Cheryl Marthiljohni	Director of Human Resources	2	2
James Foote	Director of Information Technology	5	0
Jared Mayfield	Director of Development Services	15	0
Jeffrey Craig	Police Chief	1	1
Taner Drake	Fire Chief	1	1
Doug Cochran	Director of Parks and Recreation	23	14
Dayna Williams-Capone	Director of Public Library	5	3
Lynn Short	Director of Public Works	20	9
Darryl Lesak	Director of Environmental Services	4	0
O.C. Garza	Director of Communications	11	3
Jerry James	Director of Intergovernmental Relations	10	0





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

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

VOICE: (361) 573-3255
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INDEPENDENT AUDITORS' REPORT

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

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 City of Victoria, Texas (the "City"), as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Sales Tax Development Corporation and the Victoria Recreation Association, Inc. were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of September 30, 2012 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2013, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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* and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and historical pension and other postemployment benefits information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

The Honorable Will Armstrong, Mayor
and Members of the City Council

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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, combining and individual major and nonmajor fund financial statements and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual major and nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Harrison, Waldrop & Uheuk, LLP

March 11, 2013

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, 2012. 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.

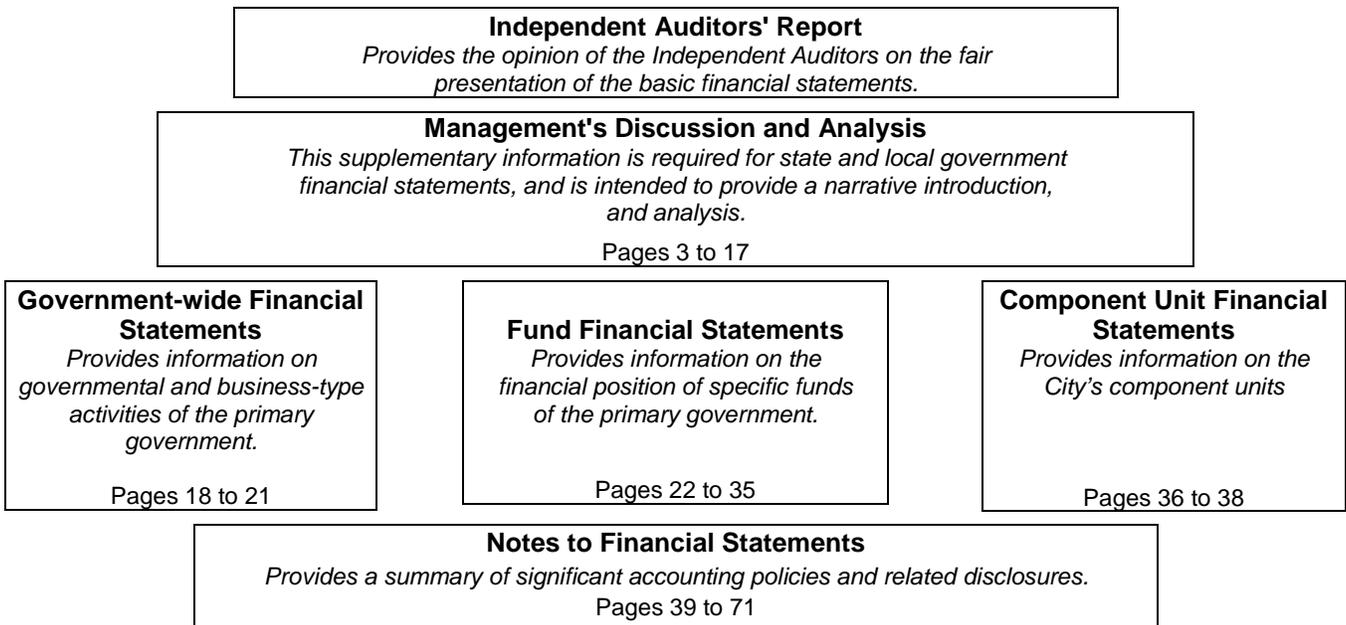
FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the fiscal year ended September 30, 2012, by \$182,893,954. Of this amount, \$40,027,764 of unrestricted net assets is available to meet the City's ongoing obligations to citizens and creditors (see pages 6 and 7 for further detail).
- At September 30, 2012, the City's governmental funds reported combined ending fund balances of \$26,446,410, a decrease of \$7,414,240 (22%) in comparison with prior year. The unassigned fund balance is \$16,846,702 (see page 10 for further detail).
- At September 30, 2012, unassigned fund balance for the General Fund was \$16,846,702 or 41% of total General Fund expenditures.
- The total cost of all City activities was \$86,100,131 for the fiscal year. Net cost of all activities was \$42,707,606.
- During the year, the City's general revenues exceeded net expenses of the primary government by \$3,679,449. This represents a 2.1% increase in net assets from the previous fiscal year.
- The City's outstanding long-term debt had a net increase of \$4,846,306. The main reason for the increase is due to the fact that during the fiscal year 2012, the City issued \$12,965,000 in new debt for both the governmental and business-type activities combined.

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 Assets

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The statement of net assets can be found on pages 18 through 19.

Statement of Activities

The statement of activities presents information showing how the government's net assets changed during fiscal year 2012. All changes in net assets 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 20 through 21.

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

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

Fund Financial Statements

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

Governmental Funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet (pages 22 and 23) and the governmental fund statement of revenues, expenditures, and changes in fund balances (pages 25 and 26) provide reconciliations to facilitate this comparison between governmental funds and governmental activities (pages 24 and 27).

OVERVIEW OF THE FINANCIAL STATEMENTS - (Continued)

Fund Financial Statements - (Continued)

Governmental Funds - (Continued)

The City maintains several individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, and the Capital Construction Fund (3037), which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining and individual statements and schedules following the required supplementary information.

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

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

Proprietary Funds

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

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

The basic proprietary fund financial statements follow the governmental fund financial statements (pages 28 through 33).

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 34 through 35 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 39 through 71 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. Required supplementary information can be found on pages 72 through 75 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 76 through 175 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$182,893,954 at the close of the fiscal year ended September 30, 2012.

At the end of fiscal year 2012, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

City of Victoria, Texas

Net Assets

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 47,650,956	\$ 55,099,984	\$ 33,437,478	\$ 26,867,929	\$ 81,088,434	\$ 81,967,913
Capital assets (net)	<u>175,727,132</u>	<u>170,310,471</u>	<u>116,161,530</u>	<u>110,157,624</u>	<u>291,888,662</u>	<u>280,468,095</u>
Total assets	<u>223,378,088</u>	<u>225,410,455</u>	<u>149,599,008</u>	<u>137,025,553</u>	<u>372,977,096</u>	<u>362,436,008</u>
Current and other liabilities	12,350,755	11,480,607	9,053,686	7,212,810	21,404,441	18,693,417
Noncurrent liabilities	<u>94,215,664</u>	<u>94,509,294</u>	<u>74,463,037</u>	<u>70,018,792</u>	<u>168,678,701</u>	<u>164,528,086</u>
Total liabilities	<u>106,566,419</u>	<u>105,989,901</u>	<u>83,516,723</u>	<u>77,231,602</u>	<u>190,083,142</u>	<u>183,221,503</u>
Net assets:						
Investment in capital assets, net of related debt	92,513,084	96,662,568	47,433,497	42,657,025	139,946,581	139,319,593
Restricted	2,919,609	4,685,266	-	-	2,919,609	4,685,266
Unrestricted	<u>21,378,976</u>	<u>18,072,720</u>	<u>18,648,788</u>	<u>17,136,926</u>	<u>40,027,764</u>	<u>35,209,646</u>
Total net assets	<u>\$ 116,811,669</u>	<u>\$ 119,420,554</u>	<u>\$ 66,082,285</u>	<u>\$ 59,793,951</u>	<u>\$ 182,893,954</u>	<u>\$ 179,214,505</u>

The largest portion of the City's fiscal year 2012 net assets (76.52% or \$139,946,581) consists of investment in capital assets (e.g., land, buildings, streets, and equipment); less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)

The City has restricted net assets of \$2,919,609 consisting of \$896,843 for debt service, \$1,729,627 for special programs related to culture and recreation, and \$293,139 for public safety programs. The remaining balance of \$40,027,764 may be used to meet the government's ongoing obligations to citizens and creditors; over all, the City's net assets increased by \$3,679,449, which consists of a decrease of \$2,608,885 in governmental net assets and an increase of \$6,288,334 in business-type net assets.

City of Victoria, Texas

Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
REVENUES						
Program revenues:						
Charges for services	\$ 7,564,142	\$ 6,668,184	\$ 29,226,309	\$ 28,889,017	\$36,790,451	\$35,557,201
Operating grants and contributions	2,419,230	3,961,041	-	-	2,419,230	3,961,041
Capital grants and contributions	1,307,549	2,598,637	2,875,295	3,127,754	4,182,844	5,726,391
General revenues:						
Property taxes	20,855,303	20,330,192	-	-	20,855,303	20,330,192
Other taxes	24,630,767	21,191,478	-	-	24,630,767	21,191,478
Other	<u>840,562</u>	<u>1,241,355</u>	<u>60,423</u>	<u>43,714</u>	<u>900,985</u>	<u>1,285,069</u>
Total revenues	<u>57,617,553</u>	<u>55,990,887</u>	<u>32,162,027</u>	<u>32,060,485</u>	<u>89,779,580</u>	<u>88,051,372</u>
EXPENSES						
General government	7,882,287	8,885,981	-	-	7,882,287	8,885,981
Public safety	26,018,770	24,668,502	-	-	26,018,770	24,668,502
Highways and streets	17,974,898	26,226,457	-	-	17,974,898	26,226,457
Culture and recreation	6,366,709	5,579,848	-	-	6,366,709	5,579,848
Interest on long-term debt	4,465,314	4,187,138	-	-	4,465,314	4,187,138
Water/wastewater	-	-	18,694,233	18,628,230	18,694,233	18,628,230
Environmental services	-	-	3,849,208	3,219,898	3,849,208	3,219,898
Other	<u>-</u>	<u>-</u>	<u>848,712</u>	<u>813,330</u>	<u>848,712</u>	<u>813,330</u>
Total expenses	<u>62,707,978</u>	<u>69,547,926</u>	<u>23,392,153</u>	<u>22,661,458</u>	<u>86,100,131</u>	<u>92,209,384</u>
Change in net assets before transfers	(5,090,425)	(13,557,039)	8,769,874	9,399,027	3,679,449	(4,158,012)
Transfers	<u>2,481,540</u>	<u>2,545,944</u>	<u>(2,481,540)</u>	<u>(2,545,944)</u>	<u>-</u>	<u>-</u>
Change in net assets	(2,608,885)	(11,011,095)	6,288,334	6,853,083	3,679,449	(4,158,012)
Net assets - 10/01/11, as restated	<u>119,420,554</u>	<u>130,431,649</u>	<u>59,793,951</u>	<u>52,940,868</u>	<u>179,214,505</u>	<u>183,372,517</u>
Net assets - 9/30/12	<u>\$116,811,669</u>	<u>\$119,420,554</u>	<u>\$ 66,082,285</u>	<u>\$ 59,793,951</u>	<u>\$182,893,954</u>	<u>\$179,214,505</u>

GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)

The over-all increase in net assets is \$3,679,449, which consists of a decrease of \$2,608,885 in governmental activities and an increase of \$6,288,334 in business-type activities. The decrease in the governmental type activities is mainly due to drawing down current assets in order to accommodate “one-time expenditure” purchases consisting of software, equipment, building improvements, vehicles, and other structure improvements. The definition of “one-time expenditure” by City staff is an expenditure not expected to reoccur within five or more years. The “one-time expenditures” were included in the fiscal year 2012 Budget (See *City of Victoria Fiscal Year 2012 Budget page 549*).

Governmental Activities

**City of Victoria, Texas
2012 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	\$ 7,882,287	12.57%	\$ 4,061,019	35.97%	(\$ 3,821,268)
Public safety	26,018,770	41.49%	4,802,337	42.53%	(21,216,433)
Highways and streets	17,974,898	28.67%	1,381,185	12.23%	(16,593,713)
Culture and recreation	6,366,709	10.15%	1,046,380	9.27%	(5,320,329)
Interest on long-term debt	4,465,314	7.12%	-	0.00%	(4,465,314)
	<u>\$62,707,978</u>		<u>\$11,290,921</u>		<u>(\$ 51,417,057)</u>

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

<u>Description</u>	<u>Revenues</u>		<u>Revenues</u>	
	<u>2012</u>	<u>% of Total</u>	<u>2011</u>	<u>% of Total</u>
Charges for services	\$ 7,564,142	12.59%	\$ 6,668,184	11.39%
Operating grants and contributions	2,419,230	4.02%	3,961,041	6.77%
Capital grants and contributions	1,307,549	2.18%	2,598,637	4.44%
Property taxes	20,855,303	34.70%	20,330,192	34.73%
Sales taxes	17,533,000	29.17%	14,768,729	25.23%
Franchise taxes	4,981,674	8.29%	4,761,009	8.13%
Other taxes	2,116,093	3.52%	1,661,740	2.84%
Unrestricted investment earnings	98,042	0.16%	128,013	0.22%
Miscellaneous	742,520	1.24%	1,113,342	1.90%
Transfers	2,481,540	4.13%	2,545,944	4.35%
Total	<u>\$ 60,099,093</u>		<u>\$ 58,536,831</u>	

GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)

Business-type Activities

Fiscal year 2012 business-type activities increased the City's net assets by \$6,288,334. The net asset increase is due mainly to:

- 1) Water and Wastewater Fund operating revenue came in \$545,869 over budget, mainly due to dry weather conditions;
- 2) Water and Wastewater Fund received a capital grant contribution from the Victoria Sales Tax Development Corporation in the amount of \$2.9 million;
- 3) Water and Wastewater Fund operating expenses came in \$883,631 less than budget, mainly due to personnel cost and maintenance expense accounts; and,
- 4) Two large capital projects came in under budget.

**City of Victoria, Texas
2012 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	\$18,694,233	79.92%	\$26,904,391	83.81%	\$8,210,158
Environmental services	3,849,208	16.45%	4,799,682	14.95%	950,474
Other	<u>848,712</u>	3.63%	<u>397,531</u>	1.24%	(451,181)
	<u>\$23,392,153</u>		<u>\$32,101,604</u>		<u>\$8,709,451</u>

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

<u>Description</u>	<u>Revenues 2012</u>	<u>% of Total</u>	<u>Revenues 2011</u>	<u>% of Total</u>
Charges for services	\$29,226,309	98.47%	\$28,889,017	97.88%
Capital grants and contributions	2,875,295	9.69%	3,127,754	10.60%
Unrestricted investment earnings	60,423	0.20%	43,714	0.15%
Transfers	(2,481,540)	(8.36%)	(2,545,944)	(8.63%)
Total	<u>\$29,680,487</u>		<u>\$29,514,541</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, unreserved 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 2012, the City's governmental funds reported combined ending fund balances of \$26,446,410, a decrease of \$7,414,240. The main reason for the decrease in the City's governmental funds is due to the spending of bond monies on several capital improvement projects which were included in the City's Capital Improvement Program Plan.

The City's governmental funds combined fund balance of \$26,446,410 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 2012, unassigned fund balance of the General Fund was \$16,846,702 while total General Fund fund balance was \$19,122,910. 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 41% of the total General Fund expenditures, while total fund balance represents 46% of that same amount.

The City's General Fund fund balance increased by \$3,932,155, which was mainly due to an increase in sales tax rebate revenue and decrease in personnel cost.

2. The Capital Construction Fund (3037) is a capital project fund used to account for the funding of general capital improvement projects and to pay for professional services related to bond issuance cost. At the end of fiscal year 2012, fund balance of the Capital Construction Fund (3037) was \$3,695,907.

The main reason for the decrease in the Capital Construction Fund (3037) fund balance is due to a "spend-down" of prior years (1) bond proceeds, (2) Sales Tax Development (4B) contribution, and other governmental fund contributions for the City's capital improvement program.

3. The Debt Service Fund is a debt service fund used to account for the General Obligation Bond and Certificate of Obligation Bond debt repayments and revenue collections. At the end of fiscal year 2012, fund balance of the Debt Service Fund was \$977,452. The main reason for the \$24,058 increase in the Debt Service Fund fund balance is mainly due to delinquent tax revenue coming in over budget.

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

Proprietary Funds

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

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

<u>Fund</u>	2012	(As Restated)
	<u>Unrestricted Net Assets</u>	<u>2011 Unrestricted Net Assets</u>
Water and Wastewater	\$11,096,373	\$ 10,179,454
Environmental Services	5,492,730	4,824,466
Other	<u>2,059,685</u>	<u>2,133,006</u>
Total	<u>\$18,648,788</u>	<u>\$17,136,926</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 2012 General Fund original budget and fiscal year 2012 General Fund final amended budget for expenditures was \$3,883,328. The \$3,883,328 is made up of the following: \$1,570,456 for fiscal year 2011 carryover encumbrances and \$2,312,872 in fiscal year 2012 budget amendments consisting of capital improvement projects and software acquisition.
- The City fiscal year 2012 budget included approximately \$4.8 million of one-time expenditures; of which \$2.3 million was budgeted in the General Fund and \$2.8 million was budgeted in the Water and Wastewater Fund.
- For fiscal year 2012, the General Fund revenues came in \$3.72 million higher than the General Fund amended fiscal year 2012 budget, mainly due to sales tax, charges for services, and municipal court revenue accounts.
- For fiscal year 2012, the General Fund actual expenditures came in approximately \$5.2 million lower than the General Fund amended fiscal year 2012 budget. This positive variance is mainly due to the following:
 - Personnel costs came in lower than expected;
 - Maintenance costs came in lower than expected;
 - Storm drainage maintenance costs came in lower than expected;
 - Professional services cost came in lower than expected;
 - Transfers to General Construction Fund were lower than expected; and,
 - Various capital outlay and capital improvement project expenditures came 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, 2012, amounts to \$291,888,662 (net of accumulated depreciation). This investment in capital assets includes land, buildings, office equipment, machinery and equipment, improvements other than buildings, streets and bridges, water and wastewater distribution system, and construction in progress. The total net increase in the City's investment in capital assets for the current fiscal year was \$11,420,567 or 4.07% (a \$5,416,661 or 3.2% increase for governmental activities and \$6,003,906 or 5.45% increase for business-type activities).

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

City of Victoria, Texas Capital Asset Investment Activity Schedule

Capital Asset Description	Additions Governmental Activities	Deletions Governmental Activities	Additions Business-type Activities	Deletions Business-type Activities	Net Total
Land	\$ -	\$ -	\$ -	\$ -	\$ -
Buildings	731,766	-	338,936	5,876	1,064,826
Other structure improvements	105,753	122,776	-	-	(17,023)
Infrastructure - streets, drainage, traffic, and sidewalks, etc.	14,812,808	-	-	-	14,812,808
Construction in progress	15,639,931	14,505,034	10,618,550	5,205,263	6,548,184
Machinery, equipment, and vehicles	4,296,683	2,015,560	346,387	48,821	2,578,689
Water and wastewater distribution system	-	-	<u>5,283,485</u>	-	<u>5,283,485</u>
Total	<u>\$ 35,586,941</u>	<u>\$ 16,643,370</u>	<u>\$ 16,587,358</u>	<u>\$ 5,259,960</u>	30,270,969
					FY 2012 depreciation expense (20,762,972)
					FY 2012 accumulated depreciation deletions 1,912,570
					Primary government beginning capital assets balance <u>280,468,095</u>
					Primary government ending capital assets balance <u>\$291,888,662</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, 2012:

	City of Victoria, Texas					
	Capital Assets					
	(Net of Depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 3,841,610	\$ 3,841,610	\$ 4,377,944	\$ 4,377,944	\$ 8,219,554	\$ 8,219,554
Construction in progress	25,936,306	24,801,409	10,203,322	4,790,035	36,139,628	29,591,444
Machinery and equipment	18,782,770	19,048,092	1,386,447	1,403,356	20,169,217	20,451,448
Buildings	7,996,452	8,003,612	27,954,738	28,880,403	35,951,190	36,884,015
Improvements other than buildings	3,325,395	3,536,221	1,050,493	1,178,417	4,375,888	4,714,638
Infrastructure	115,844,599	111,079,527	1,355,044	1,487,918	117,199,643	112,567,445
Water and wastewater distribution system	-	-	69,833,542	68,039,551	69,833,542	68,039,551
Total	<u>\$175,727,132</u>	<u>\$170,310,471</u>	<u>\$116,161,530</u>	<u>\$110,157,624</u>	<u>\$291,888,662</u>	<u>\$280,468,095</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 2012, the City had total bonded debt outstanding of \$171,760,000. Of this amount, \$97,810,000 comprises debt backed by the full faith and credit of the government and \$73,950,000 secured solely by specific revenue sources (i.e., revenue bonds). In addition, the City had outstanding \$1,406,350 in compensated absences, \$139,000 in other post employment benefits payable, \$3,192,652 in estimated landfill closure and post-closure care cost; \$3,173,879 in net bond premium (discount), and \$1,885,311 in deferred financing costs as of September 30, 2012.

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

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
General obligation bonds	\$ 39,975,000	\$ 38,135,000	\$ -	\$ -	\$ 39,975,000	\$ 38,135,000
Certificate of obligation bonds	57,835,000	59,740,000	-	-	57,835,000	59,740,000
Revenue bonds	-	-	73,950,000	69,125,000	73,950,000	69,125,000
Compensated absences	1,170,433	1,160,236	235,917	227,476	1,406,350	1,387,712
OPEB payable	113,481	113,481	25,519	25,519	139,000	139,000
Estimated landfill closure and post-closure care cost	-	-	3,192,652	3,087,456	3,192,652	3,087,456
Net bond premium (discount)	797,298	800,703	2,376,581	2,516,601	3,173,879	3,317,304
Deferred financing costs	(1,329,968)	(1,376,521)	(555,343)	(614,687)	(1,885,311)	(1,991,208)
Total	\$ 98,561,244	\$ 98,572,899	\$ 79,225,326	\$ 74,367,365	\$177,786,570	\$176,922,680

The City's debt had a net increase of \$863,890 or 0.5%. The key factors to this net increase are the following:

- Debt payments of \$3,990,000 in governmental activities bonds and \$4,330,000 in business-type activities bonds were made during fiscal year 2012,
- The City issued \$3,810,000 and \$9,155,000 in "new" debt for the governmental activities and the business-type activities, respectively,
- The City refunded the 2003 Certificates of Obligation by issuing the 2012 General Obligation Refunding Bonds in the amount of \$3,910,000 during fiscal year 2012,
- Compensated absences liability increased by \$18,638,
- Landfill closure/post-closure care cost was increased by the annual amortization cost of \$105,196,
- Bond premium had a net decrease of \$143,425, and
- Deferred financing cost decreased by \$105,897.

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 remains well positioned to outperform the United States economy for the foreseeable future. Growth is stemming from long-time sources of business activity as well as emerging industries, and the short-term outlook for the state and City of Victoria calls for moderate growth. The energy sector is likely to continue to be an important source of stimulus for the Texas and local economy. Activity has increased notably over the past several years, particularly in oil exploration. The Permian Basin rig count, for example, has been in the 400-450 range for much of the year; roughly triple the number operating just three years ago (*Victoria and the surrounding area rig count has been in the 96-103 range; and, the statewide total stands at 1,800 with 82% of rigs drilling for oil*). Thousands of jobs have been added, pushing unemployment rates in affected areas below 5.5 and 4 percent (*Victoria stood at 5.1% as of December 2012*) and creating challenges regarding sufficient housing and adequate infrastructure.

Although the oil and gas business is always cyclical, with demand influenced by the growth patterns and world events contributing to supply level as well as market prices, a significant “bust” like that of the 1980s is unlikely to be repeated. Currently, market prices are driven by increasing global demand. In addition, new technologies are enhancing the economic prospects of exploration and production, even for aging fields. The likelihood of the bottom falling out for prices is very low, though they will certainly fluctuate.

Other Texas industries are also contributing to the state and local relatively strong economic position. Recent job gains have been concentrated in professional and business services; trade, transportation, and utilities; and construction. The state and local housing market continues to improve, with single-family sales and new construction permits trending steadily upward. Employment in the construction sector is contributing to overall growth; and, with housing inventories dropping further, gain is likely.

The Perryman Group’s most recent forecast for Texas calls for growth over the 2012-2017 period at a relatively healthy pace. The level of output produced by the Texas economy is forecast to expand from \$1.2 trillion in 2012 to more than \$1.5 trillion in 2017, a 4.6% compound annual rate of growth. This pattern of increase is well in excess of that expected from the nation as a whole. The services and mining sectors are projected to see the largest gains, with the information and durable manufacturing industrial group also experiencing particularly strong growth.

While past performance in a local area is often a very strong indicator for future potential growth, such is not the case in Victoria. Victoria and the Golden Crescent Region are forecast to continue experiencing economic growth at a pace exceeding most parts of the United States. Several industries are contributing to the expansion both through direct stimulus of their operations and through multiplier effects through the economy. These notable gains enhance the outlook for the area economy, which is expected to expand at an annual rate of 4.21%, while employment grows by 2.33%. For the region as a whole, the pace of expansion is somewhat higher, with output of 4.68% per annum and employment growth of 2.78% over the period.

Although growth is likely, Texas faces its own set of hurdles in the economic path. In addition to the national challenges, state legislators will have to deal with tight budget conditions in the upcoming legislative session. Even so, the needs of a growing population, such as education, infrastructure, and water, must be adequately met to ensure future prosperity.

- Victoria, the second oldest incorporated city in Texas, celebrated its 188th birthday in October 2012. More than 175,000 people live in the seven-county region known as the “Golden Crescent,” which surrounds the City. The City’s population is approximately 63,131 and its growth rate from 2000 thru 2010 has been 3.3%, relatively steady.
- As of the first quarter of fiscal year 2013, sales tax revenues came in approximately \$44K or 1% under budget.

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

- Property taxes (i.e., ad valorem taxes) are based on the value of total appraised, assessed taxable property in the City. The property tax levy includes the taxable value of new improvements and property annexed since January 1, 2012. The fiscal year 2012-2013 total appraised value of all property in the City of Victoria, as rendered by the Victoria County Tax Appraisal District and adjusted for frozen taxable appraised values, is \$3,433,311,549; an increase of 7.01% or \$225 million over last year's tax roll (adjusted for frozen taxable appraised values) of \$3,208,342,376.
- The ad valorem tax rate for fiscal year 2013 was set at 60.56¢, a decrease of 3.94¢ from last year's tax rate of 64.50¢. The tax rate is allocated at 35.50¢ for General Fund maintenance and operating costs (a decrease of 3.46¢), and 25.06¢ for Debt Service Fund (a decrease of .48¢).
- 1,304 building permits were issued in fiscal year 2012, which represents a decrease of 187; however, in comparing fiscal year 2012 year permit value amount to fiscal year 2011 permit value amount, the total permit value amount increased by \$6.7million or 6% over last year.
- The General Fund unassigned fund balance at September 30, 2012, came in \$7,988,505 above the minimum required unassigned fund balance of \$8,858,197, for a total year-end unassigned fund balance of \$16,846,702. The City has a policy of maintaining a minimum unassigned fund balance of 20% of total expenditures (for fiscal year 2013, the minimum unassigned fund balance was raised to 22.5%). The excess unassigned fund balance will be used during fiscal year 2013 on one-time/non-reoccurring expenditures, capital improvement projects, or at Council's discretion.
- The fiscal year 2013 Budget includes \$7,849,738 of General Fund one-time expenditures and \$2,705,693 of Water and Wastewater Fund one-time expenses.
- Water and sewer base rates were not increased in fiscal year 2013.
- For fiscal year 2013, the Environmental Services Fund yard waste collection fee was increased by 70¢/month.
- City's landfill generates a large amount of methane gas which was being flared. While the flare system destroys the methane produced by the landfill, this potential energy source was not being recovered and put to beneficial use; it could be a new source of revenue for the City. Consequently, during the latter part of fiscal year 2010, the City partnered with Renovar Energy Corporation (Renovar) in order to capitalize on the potential benefits of usage of the City landfill gas.

Renovar will build and maintain a gas collection system, located at the City's landfill; and, will be allowed to sell the processed gas to a nearby industrial plant over the next 15 years. In return, the City received an up-front one-time payment of \$110,000 and 15 years of royalty payments (starting in fiscal year 2013). The net present value of the 15-years of royalty payment equates to approximately \$6.4 million. During the first years of operation, the City expects the royalty payment to be around \$200,000/year; and, eventually increase to \$800,000/year in the 5th year of the contract term.
- The City's next five fiscal years Capital Improvement Program Projects consist of approximately \$114.9 million; FY 2013 - \$99.5 million, FY 2014 - \$5.3 million, FY 2015 - \$6.4 million, FY 2016 - \$3.7 million, and FY 2017 - \$0 million. More detailed information on this subject can be found in the City's FY 2013 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 ASSETS
September 30, 2012

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 37,408,528	\$ 13,601,009	\$ 51,009,537	\$ 10,773,188
Investments	1,010,383	-	1,010,383	4,992,846
Receivables (net)	7,663,198	2,517,372	10,180,570	699,890
Internal balances	(545,500)	545,500	-	-
Due from primary government	-	-	-	1,023,211
Inventory	571,510	140,291	711,801	-
Returned checks	28,526	2,933	31,459	-
Restricted assets				
Cash and cash equivalents	22,000	15,292,553	15,314,553	-
Total current assets	<u>46,158,645</u>	<u>32,099,658</u>	<u>78,258,303</u>	<u>17,489,135</u>
Noncurrent assets				
Capital assets				
Land and other assets not being depreciated	29,777,916	14,581,266	44,359,182	4,364,051
Buildings, improvements, and equipment (net)	145,949,216	101,580,264	247,529,480	7,151,340
Bond issue costs (net)	<u>1,492,311</u>	<u>1,337,820</u>	<u>2,830,131</u>	<u>87,650</u>
Total noncurrent assets	<u>177,219,443</u>	<u>117,499,350</u>	<u>294,718,793</u>	<u>11,603,041</u>
Total assets	<u>223,378,088</u>	<u>149,599,008</u>	<u>372,977,096</u>	<u>29,092,176</u>

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
LIABILITIES				
Current liabilities				
Accounts payable	\$ 3,824,314	\$ 608,999	\$ 4,433,313	\$ 174,658
Accounts payable (payable from restricted assets)	-	1,715,903	1,715,903	-
Accrued expenses	1,537,312	244,110	1,781,422	-
Due to other governments	91,051	53,219	144,270	-
Due to component unit	500,000	523,211	1,023,211	-
Customer deposits	-	54,085	54,085	-
Claims payable	614,344	-	614,344	-
Unearned revenue	916,931	-	916,931	-
Accrued compensated absences	110,580	22,289	132,869	-
Accrued interest payable	521,223	1,091,870	1,613,093	79,572
Current portion of long-term obligations	<u>4,235,000</u>	<u>4,740,000</u>	<u>8,975,000</u>	<u>870,000</u>
Total current liabilities	<u>12,350,755</u>	<u>9,053,686</u>	<u>21,404,441</u>	<u>1,124,230</u>
Noncurrent liabilities				
Noncurrent portion of long-term obligations (net of deferred amounts)	93,042,330	71,031,238	164,073,568	3,951,022
Accrued compensated absences	1,059,853	213,628	1,273,481	-
Other post employment benefits payable	113,481	25,519	139,000	-
Estimated landfill closure and postclosure care cost	-	<u>3,192,652</u>	<u>3,192,652</u>	-
Total noncurrent liabilities	<u>94,215,664</u>	<u>74,463,037</u>	<u>168,678,701</u>	<u>3,951,022</u>
Total liabilities	<u>106,566,419</u>	<u>83,516,723</u>	<u>190,083,142</u>	<u>5,075,252</u>
NET ASSETS				
Invested in capital assets, net of related debt, as restated	92,513,084	47,433,497	139,946,581	6,694,369
Restricted for:				
Debt service	896,843	-	896,843	-
Public safety	293,139	-	293,139	-
Culture and recreation	1,729,627	-	1,729,627	-
Unrestricted net assets	<u>21,378,976</u>	<u>18,648,788</u>	<u>40,027,764</u>	<u>17,322,555</u>
Total net assets	<u>\$ 116,811,669</u>	<u>\$ 66,082,285</u>	<u>\$ 182,893,954</u>	<u>\$ 24,016,924</u>

The accompanying notes are an integral part of this statement.

CITY OF VICTORIA, TEXAS
STATEMENT OF ACTIVITIES
For the year ended September 30, 2012

Function/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government	\$ 7,882,287	\$ 3,086,126	\$ 974,893	\$ -
Public safety	26,018,770	4,055,811	746,526	-
Highways and streets	17,974,898	-	453,901	927,284
Culture and recreation	6,366,709	422,205	243,910	380,265
Interest on long-term debt	4,465,314	-	-	-
Total governmental activities	<u>62,707,978</u>	<u>7,564,142</u>	<u>2,419,230</u>	<u>1,307,549</u>
Business-type activities				
Water/wastewater	18,694,233	24,029,096	-	2,875,295
Environmental services	3,849,208	4,799,682	-	-
Other	848,712	397,531	-	-
Total business-type activities	<u>23,392,153</u>	<u>29,226,309</u>	<u>-</u>	<u>2,875,295</u>
Total primary government	<u>\$ 86,100,131</u>	<u>\$ 36,790,451</u>	<u>\$ 2,419,230</u>	<u>\$ 4,182,844</u>
Component Units	<u>\$ 5,608,830</u>	<u>\$ 27,468</u>	<u>\$ -</u>	<u>\$ 187,274</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 assets

Net assets - beginning, as restated

Net assets - ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and
Changes in Net Assets

Primary Government

Governmental Activities	Business- type Activities	Total	Component Units
\$ (3,821,268)	\$ -	\$ (3,821,268)	\$ -
(21,216,433)	-	(21,216,433)	-
(16,593,713)	-	(16,593,713)	-
(5,320,329)	-	(5,320,329)	-
(4,465,314)	-	(4,465,314)	-
<u>(51,417,057)</u>	<u>-</u>	<u>(51,417,057)</u>	<u>-</u>
-	8,210,158	8,210,158	-
-	950,474	950,474	-
<u>-</u>	<u>(451,181)</u>	<u>(451,181)</u>	<u>-</u>
<u>-</u>	<u>8,709,451</u>	<u>8,709,451</u>	<u>-</u>
<u>(51,417,057)</u>	<u>8,709,451</u>	<u>(42,707,606)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,394,088)</u>
13,496,525	-	13,496,525	-
7,358,778	-	7,358,778	-
17,533,000	-	17,533,000	8,791,577
4,981,674	-	4,981,674	-
2,116,093	-	2,116,093	-
98,042	60,423	158,465	42,859
742,520	-	742,520	-
<u>2,481,540</u>	<u>(2,481,540)</u>	<u>-</u>	<u>-</u>
<u>48,808,172</u>	<u>(2,421,117)</u>	<u>46,387,055</u>	<u>8,834,436</u>
(2,608,885)	6,288,334	3,679,449	3,440,348
<u>119,420,554</u>	<u>59,793,951</u>	<u>179,214,505</u>	<u>20,576,576</u>
<u>\$ 116,811,669</u>	<u>\$ 66,082,285</u>	<u>\$ 182,893,954</u>	<u>\$ 24,016,924</u>

CITY OF VICTORIA, TEXAS*BALANCE SHEET**GOVERNMENTAL FUNDS**September 30, 2012*

	<u>General</u>	<u>Debt Service</u>	<u>Capital Construction Fund (3037)</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 19,275,582	\$ 891,202	\$ 5,548,355
Investments	1,010,383	-	-
Receivables (net)	5,985,098	440,614	-
Due from other funds	326,349	86,250	-
Inventory	314,846	-	-
Returned checks	17,337	-	-
Total assets	<u>\$ 26,929,595</u>	<u>\$ 1,418,066</u>	<u>\$ 5,548,355</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 1,264,170	\$ -	\$ 1,852,448
Accrued expenditures	1,486,348	-	-
Accrued compensated absences	17,544	-	-
Due to other governments	91,051	-	-
Due to other funds	150,456	-	-
Due to component unit	500,000	-	-
Deferred revenue	4,297,116	440,614	-
Total liabilities	<u>7,806,685</u>	<u>440,614</u>	<u>1,852,448</u>
Fund balances			
Nonspendable			
Inventory	314,846	-	-
Restricted	-	977,452	3,695,907
Committed	1,961,362	-	-
Unassigned	16,846,702	-	-
Total fund balances	<u>19,122,910</u>	<u>977,452</u>	<u>3,695,907</u>
Total liabilities and fund balances	<u>\$ 26,929,595</u>	<u>\$ 1,418,066</u>	<u>\$ 5,548,355</u>

The accompanying notes are an integral part of this statement.

Other Governmental Funds	Total Governmental Funds
\$ 3,211,915	\$ 28,927,054
-	1,010,383
957,264	7,382,976
212,099	624,698
-	314,846
11,189	28,526
<u>\$ 4,392,467</u>	<u>\$ 38,288,483</u>

\$ 488,426	\$ 3,605,044
6,806	1,493,154
-	17,544
-	91,051
1,019,742	1,170,198
-	500,000
<u>227,352</u>	<u>4,965,082</u>
<u>1,742,326</u>	<u>11,842,073</u>

-	314,846
2,650,141	7,323,500
-	1,961,362
-	16,846,702
<u>2,650,141</u>	<u>26,446,410</u>
<u>\$ 4,392,467</u>	<u>\$ 38,288,483</u>

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

September 30, 2012

Total governmental fund balances		\$ 26,446,410
<i>Amounts reported for governmental activities in the statement of net assets 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 assets.		17,853,174
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 deferred in the funds.		1,541,895
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 deferred revenues in the governmental funds and thus are not included in fund balance.		2,506,256
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	\$ 293,347,580	
Accumulated depreciation of governmental capital assets	<u>(127,367,273)</u>	165,980,307
Issuance cost related to debt is not a financial resource and, therefore, is not reported in the funds. Issuance cost is amortized over the life of the debt.		1,492,311
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	(97,810,000)	
Premiums on bonds payable	(797,298)	
Deferred loss on refunding	1,329,968	
Accrued interest on the bonds	(521,223)	
Other post employment benefits payable	(113,481)	
Compensated absences	<u>(1,096,650)</u>	<u>(99,008,684)</u>
Net assets of governmental activities		<u>\$ 116,811,669</u>

The accompanying notes are an integral part of this statement.



CITY OF VICTORIA, TEXAS**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES****GOVERNMENTAL FUNDS**

For the year ended September 30, 2012

	General	Debt Service	Capital Construction Fund (3037)
REVENUES			
Taxes	\$ 36,346,183	\$ 7,415,467	\$ -
Licenses and permits	842,050	-	-
Intergovernmental	2,267,561	453,901	-
Charges for services	2,261,037	-	-
Fines and forfeitures	1,064,520	-	-
Investment income	36,430	12,036	21,660
Miscellaneous	189,973	-	103,500
Total revenues	<u>43,007,754</u>	<u>7,881,404</u>	<u>125,160</u>
EXPENDITURES			
Current			
General government	5,276,461	-	-
Public safety	25,032,486	-	-
Highways and streets	5,934,497	-	174,321
Culture and recreation	5,085,064	-	-
Capital outlay	-	-	11,877,198
Debt service			
Principal retirement	-	3,990,000	-
Interest and fiscal charges	-	4,340,073	-
Paying agents' fees and issue costs	-	123,167	82,631
Total expenditures	<u>41,328,508</u>	<u>8,453,240</u>	<u>12,134,150</u>
Excess (deficiency) of revenues over expenditures	1,679,246	(571,836)	(12,008,990)
OTHER FINANCING SOURCES (USES)			
Bonds issued	-	3,910,000	3,810,000
Premium on issuance of bonds	-	63,945	7,807
Payment to escrow	-	(3,867,191)	-
Transfers in	2,962,479	489,140	-
Transfers out	(709,570)	-	(20,647)
Total other financing sources (uses)	<u>2,252,909</u>	<u>595,894</u>	<u>3,797,160</u>
Change in fund balances	3,932,155	24,058	(8,211,830)
Fund balances at beginning of year, as restated	<u>15,190,755</u>	<u>953,394</u>	<u>11,907,737</u>
Fund balances at end of year	<u>\$ 19,122,910</u>	<u>\$ 977,452</u>	<u>\$ 3,695,907</u>

The accompanying notes are an integral part of this statement.

Other Governmental Funds	Total Governmental Funds
\$ 2,019,642	\$ 45,781,292
-	842,050
2,018,586	4,740,048
-	2,261,037
152,266	1,216,786
7,950	78,076
<u>1,177,320</u>	<u>1,470,793</u>
<u>5,375,764</u>	<u>56,390,082</u>
1,324,103	6,600,564
1,118,710	26,151,196
3,025,984	9,134,802
1,479,799	6,564,863
1,371,821	13,249,019
-	3,990,000
-	4,340,073
-	<u>205,798</u>
<u>8,320,417</u>	<u>70,236,315</u>
(2,944,653)	(13,846,233)
-	7,720,000
-	71,752
-	(3,867,191)
1,755,423	5,207,042
<u>(1,969,393)</u>	<u>(2,699,610)</u>
<u>(213,970)</u>	<u>6,431,993</u>
(3,158,623)	(7,414,240)
<u>5,808,764</u>	<u>33,860,650</u>
<u>\$ 2,650,141</u>	<u>\$ 26,446,410</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, 2012*

Total net change in fund balances - governmental funds \$ (7,414,240)

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. (369,280)

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	\$ 18,321,058	
Depreciation expense	<u>(13,571,465)</u>	4,749,593

The net effect of various transactions involving capital assets (i.e., transfers, adjustments and dispositions) is to increase (decrease) net assets. 220,341

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

Bonds at par value	(7,720,000)	
(Premium) discount	<u>(71,752)</u>	(7,791,752)

Payment to the escrow agent to refund bonds from refunding proceeds reduces long-term liabilities. 3,867,191

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		3,990,000
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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	(83,384)	
Other revenues	<u>156,852</u>	73,468

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	(14,763)	
Decrease in accrued interest	46,741	
Net increase in loss on bond refunding	(118,744)	
Net increase in bond premium	75,157	
Net increase in bond issue costs	<u>77,403</u>	<u>65,794</u>

Change in net assets of governmental activities **\$ (2,608,885)**

The accompanying notes are an integral part of this statement.



CITY OF VICTORIA, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
September 30, 2012

	Business-type Activities			Total	Governmental Activities Internal Service Funds
	Water and Wastewater	Environmental Services	Other Enterprise Funds		
ASSETS					
Current assets					
Cash and cash equivalents	\$ 9,524,913	\$ 3,418,285	\$ 657,811	\$ 13,601,009	\$ 8,481,474
Receivables (net)	2,223,874	293,315	183	2,517,372	280,222
Due from other funds	445,208	-	120,000	565,208	-
Inventory	140,291	-	-	140,291	256,664
Returned checks	2,121	-	812	2,933	-
Restricted assets					
Cash and cash equivalents	<u>8,667,647</u>	<u>5,224,829</u>	<u>1,400,077</u>	<u>15,292,553</u>	<u>22,000</u>
Total current assets	<u>21,004,054</u>	<u>8,936,429</u>	<u>2,178,883</u>	<u>32,119,366</u>	<u>9,040,360</u>
Noncurrent assets					
Capital assets					
Land and other assets not being depreciated	13,381,577	799,931	399,758	14,581,266	173,175
Buildings, improvements, and equipment (net)	96,041,031	1,869,324	3,669,909	101,580,264	9,573,650
Bond issue costs (net)	<u>1,337,820</u>	-	-	<u>1,337,820</u>	-
Total noncurrent assets	<u>110,760,428</u>	<u>2,669,255</u>	<u>4,069,667</u>	<u>117,499,350</u>	<u>9,746,825</u>
Total assets	<u>131,764,482</u>	<u>11,605,684</u>	<u>6,248,550</u>	<u>149,618,716</u>	<u>18,787,185</u>
LIABILITIES					
Current liabilities					
Accounts payable	487,714	71,019	50,266	608,999	219,270
Accounts payable (payable from restricted assets)	1,715,903	-	-	1,715,903	-
Accrued expenses	184,827	48,480	10,803	244,110	44,158
Accrued compensated absences	17,170	4,737	382	22,289	56,239
Due to other governments	-	53,219	-	53,219	-
Due to other funds	19,708	-	-	19,708	-
Due to component unit	500,000	23,211	-	523,211	-
Customer deposits	-	-	54,085	54,085	-
Claims payable	-	-	-	-	614,344
Accrued interest payable	1,091,870	-	-	1,091,870	-
Current portion of revenue bonds	<u>4,740,000</u>	-	-	<u>4,740,000</u>	-
Total current liabilities	<u>8,757,192</u>	<u>200,666</u>	<u>115,536</u>	<u>9,073,394</u>	<u>934,011</u>
Noncurrent liabilities					
Revenue bonds (net)	71,031,238	-	-	71,031,238	-
Accrued compensated absences	164,564	45,402	3,662	213,628	-
Other post employment benefits payable	20,540	4,979	-	25,519	-
Estimated landfill closure and postclosure care cost	-	<u>3,192,652</u>	-	<u>3,192,652</u>	-
Total noncurrent liabilities	<u>71,216,342</u>	<u>3,243,033</u>	<u>3,662</u>	<u>74,463,037</u>	-
Total liabilities	<u>79,973,534</u>	<u>3,443,699</u>	<u>119,198</u>	<u>83,536,431</u>	<u>934,011</u>
NET ASSETS					
Invested in capital assets, net of related debt	40,694,575	2,669,255	4,069,667	47,433,497	9,746,825
Unrestricted net assets	<u>11,096,373</u>	<u>5,492,730</u>	<u>2,059,685</u>	<u>18,648,788</u>	<u>8,106,349</u>
Total net assets	<u>\$ 51,790,948</u>	<u>\$ 8,161,985</u>	<u>\$ 6,129,352</u>	<u>\$ 66,082,285</u>	<u>\$ 17,853,174</u>

The accompanying notes are an integral part of this statement.

CITY OF VICTORIA, TEXAS

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

PROPRIETARY FUNDS

For the year ended September 30, 2012

	Business-type Activities			Total	Governmental Activities Internal Service Funds
	Water and Wastewater	Environmental Services	Other Enterprise Funds		
OPERATING REVENUES					
Charges for services	\$ 23,930,079	\$ 4,260,797	\$ 397,531	\$ 28,588,407	\$ 13,461,972
Miscellaneous	99,017	538,885	-	637,902	72,549
Total operating revenues	<u>24,029,096</u>	<u>4,799,682</u>	<u>397,531</u>	<u>29,226,309</u>	<u>13,534,521</u>
OPERATING EXPENSES					
Personnel	5,063,489	1,250,575	277,177	6,591,241	1,194,267
Materials and supplies	1,365,493	308,828	33,299	1,707,620	1,820,049
Maintenance	961,401	12,334	48,560	1,022,295	391,814
Heat, lights and power	1,454,195	16,141	140,526	1,610,862	24,057
Reinsurance premiums	-	-	-	-	710,672
Miscellaneous services	1,301,060	835,089	73,890	2,210,039	632,105
Contractual services	602,663	223,377	26,986	853,026	1,211,310
Computer services	158,877	48,082	-	206,959	52,055
Court costs, judgments and damages	-	-	-	-	6,938
Claims expense	-	-	-	-	5,949,651
Wellness program	-	-	-	-	16,219
Tipping fees	-	730,910	-	730,910	-
Landfill closure and postclosure care cost	-	105,196	-	105,196	-
Depreciation	4,800,807	318,676	243,416	5,362,899	1,828,608
Total operating expenses	<u>15,707,985</u>	<u>3,849,208</u>	<u>843,854</u>	<u>20,401,047</u>	<u>13,837,745</u>
Operating income (loss) before nonoperating revenues (expenses) and contributions and transfers	8,321,111	950,474	(446,323)	8,825,262	(303,224)
NONOPERATING REVENUES (EXPENSES)					
Investment income	33,625	22,048	4,750	60,423	19,966
Interest and fiscal charges	(2,975,818)	-	-	(2,975,818)	-
Loss on disposition of capital assets	(10,430)	-	(4,858)	(15,288)	(60,130)
Net nonoperating revenues (expenses)	<u>(2,952,623)</u>	<u>22,048</u>	<u>(108)</u>	<u>(2,930,683)</u>	<u>(40,164)</u>
Income before contributions and transfers	5,368,488	972,522	(446,431)	5,894,579	(343,388)
Contributions and transfers					
Capital contributions	2,875,295	-	-	2,875,295	-
Transfers in	20,647	-	480,000	500,647	114,108
Transfers out	(2,373,458)	(567,312)	(41,417)	(2,982,187)	(140,000)
Total contributions and transfers	<u>522,484</u>	<u>(567,312)</u>	<u>438,583</u>	<u>393,755</u>	<u>(25,892)</u>
Change in net assets	5,890,972	405,210	(7,848)	6,288,334	(369,280)
Total net assets at beginning of year, as restated	<u>45,899,976</u>	<u>7,756,775</u>	<u>6,137,200</u>	<u>59,793,951</u>	<u>18,222,454</u>
Total net assets at end of year	<u>\$ 51,790,948</u>	<u>\$ 8,161,985</u>	<u>\$ 6,129,352</u>	<u>\$ 66,082,285</u>	<u>\$ 17,853,174</u>

The accompanying notes are an integral part of this statement.

CITY OF VICTORIA, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended September 30, 2012

	Business-type Activities		
	Water and Wastewater	Environmental Services	Other Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers/other funds	\$ 24,392,702	\$ 4,821,054	\$ 397,360
Cash paid to suppliers for goods and services	(5,763,015)	(2,143,597)	(390,737)
Cash paid to employees for services	(5,046,968)	(1,239,378)	(285,702)
Net cash provided (used) by operating activities	<u>13,582,719</u>	<u>1,438,079</u>	<u>(279,079)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Increase (decrease) in customer deposits	-	-	14,650
Borrowings from (to) other funds	(278,899)	31,040	(64,001)
Borrowings from (to) component unit	-	1,084	-
Transfers in from other funds	20,647	-	480,000
Transfers out to other funds	(2,373,458)	(567,312)	(41,417)
Net cash provided (used) by noncapital financing activities	<u>(2,631,710)</u>	<u>(535,188)</u>	<u>389,232</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(6,891,677)	(55,622)	(313,747)
Proceeds from sale of capital assets	-	-	-
Proceeds from issuance of revenue bonds	9,155,000	-	-
Principal paid on revenue bonds	(4,330,000)	-	-
Interest paid on revenue bonds	(3,012,205)	-	-
Net cash provided (used) by capital and related financing activities	<u>(5,078,882)</u>	<u>(55,622)</u>	<u>(313,747)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sales and maturities of investments	1,497,662	-	-
Investment income	35,472	22,048	4,750
Net cash provided (used) by investing activities	<u>1,533,134</u>	<u>22,048</u>	<u>4,750</u>
Net increase (decrease) in cash and cash equivalents	7,405,261	869,317	(198,844)
Cash and cash equivalents at beginning of year, as restated	<u>10,787,299</u>	<u>7,773,797</u>	<u>2,256,732</u>
Cash and cash equivalents at end of year	<u>\$ 18,192,560</u>	<u>\$ 8,643,114</u>	<u>\$ 2,057,888</u>

The accompanying notes are an integral part of this statement.

<u>Total</u>	<u>Governmental Activities Internal Service Funds</u>
\$ 29,611,116	\$ 13,554,529
(8,297,349)	(10,621,787)
<u>(6,572,048)</u>	<u>(1,197,311)</u>
14,741,719	1,735,431
14,650	-
(311,860)	(922,599)
1,084	-
500,647	114,108
<u>(2,982,187)</u>	<u>(140,000)</u>
<u>(2,777,666)</u>	<u>(948,491)</u>
(7,261,046)	(2,420,204)
-	84,740
9,155,000	-
(4,330,000)	-
<u>(3,012,205)</u>	<u>-</u>
<u>(5,448,251)</u>	<u>(2,335,464)</u>
1,497,662	-
<u>62,270</u>	<u>19,966</u>
<u>1,559,932</u>	<u>19,966</u>
8,075,734	(1,528,558)
<u>20,817,828</u>	<u>10,032,032</u>
<u>\$ 28,893,562</u>	<u>\$ 8,503,474</u>

(continued)

CITY OF VICTORIA, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended September 30, 2012

	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)	\$ 8,321,111	\$ 950,474	\$ (446,323)
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation	4,800,807	318,676	243,416
Changes in assets and liabilities			
(Increase) decrease in accounts receivable	362,413	(26,280)	-
(Increase) decrease in other receivables	(753)	47,652	(171)
(Increase) decrease in inventory	(22,984)	-	-
(Increase) decrease in returned checks	1,946	-	-
(Increase) decrease in due from other funds	-	-	-
Increase (decrease) in accounts payable	103,658	8,663	(67,476)
Increase (decrease) in accrued expenses	8,040	5,628	84
Increase (decrease) in compensated absences	8,481	5,569	(8,609)
Increase (decrease) in due to other governments	-	22,501	-
Increase (decrease) in claims payable	-	-	-
Increase (decrease) in landfill closure and postclosure care cost	-	105,196	-
Total adjustments	<u>5,261,608</u>	<u>487,605</u>	<u>167,244</u>
Net cash provided (used) by operating activities	<u>\$ 13,582,719</u>	<u>\$ 1,438,079</u>	<u>\$ (279,079)</u>
Reconciliation of cash and cash equivalents			
Unrestricted			
Cash and cash equivalents	\$ 9,524,913	\$ 3,418,285	\$ 657,811
Restricted			
Cash and cash equivalents	<u>8,667,647</u>	<u>5,224,829</u>	<u>1,400,077</u>
Total	<u>\$ 18,192,560</u>	<u>\$ 8,643,114</u>	<u>\$ 2,057,888</u>

The accompanying notes are an integral part of this statement.

<u>Total</u>	<u>Governmental Activities Internal Service Funds</u>
\$ 8,825,262	\$ (303,224)
5,362,899	1,828,608
336,133	-
46,728	(10,063)
(22,984)	(57,198)
1,946	213
-	29,858
44,845	76,727
13,752	1,919
5,441	(4,963)
22,501	-
-	173,554
<u>105,196</u>	<u>-</u>
<u>5,916,457</u>	<u>2,038,655</u>
<u>\$ 14,741,719</u>	<u>\$ 1,735,431</u>
\$ 13,601,009	\$ 8,481,474
<u>15,292,553</u>	<u>22,000</u>
<u>\$ 28,893,562</u>	<u>\$ 8,503,474</u>

(concluded)

CITY OF VICTORIA, TEXAS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
September 30, 2012

	Private Purpose Trust	Agency
	<u> </u>	<u> </u>
ASSETS		
Cash and cash equivalents	\$ 27,839	\$ 55,303
Total assets	<u>27,839</u>	<u>55,303</u>
LIABILITIES		
Liabilities		
Accounts payable	-	160
Due to other agencies	-	55,143
Total liabilities	<u>-</u>	<u>55,303</u>
NET ASSETS		
Unrestricted net assets	<u>\$ 27,839</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

CITY OF VICTORIA, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For the year ended September 30, 2012

	Private Purpose Trust
ADDITIONS	
Miscellaneous	
Participants' contributions	\$ 126,413
DEDUCTIONS	
General government	
Participants' withdrawals	114,371
Changes in net assets	12,042
Net assets - beginning	15,797
Net assets - ending	\$ 27,839

The accompanying notes are an integral part of this statement.



CITY OF VICTORIA, TEXAS
STATEMENT OF NET ASSETS
COMPONENT UNITS
September 30, 2012

	Sales Tax Development Corporation	Victoria Recreation	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 10,748,453	\$ 24,735	\$ 10,773,188
Investments	4,992,846	-	4,992,846
Receivables (net)			
Sales taxes	699,890	-	699,890
Due from primary government	1,023,211	-	1,023,211
Total current assets	<u>17,464,400</u>	<u>24,735</u>	<u>17,489,135</u>
Noncurrent assets			
Capital assets			
Land and other assets not being depreciated	4,364,051	-	4,364,051
Buildings, improvements, and equipment (net)	6,952,209	199,131	7,151,340
Bond issue costs (net)	87,650	-	87,650
Total noncurrent assets	<u>11,403,910</u>	<u>199,131</u>	<u>11,603,041</u>
Total assets	<u>28,868,310</u>	<u>223,866</u>	<u>29,092,176</u>
LIABILITIES			
Current liabilities			
Accounts payable	174,658	-	174,658
Accrued interest payable	79,572	-	79,572
Current portion of long-term obligations	870,000	-	870,000
Noncurrent liabilities			
Noncurrent portion of long-term obligations	3,951,022	-	3,951,022
Total liabilities	<u>5,075,252</u>	<u>-</u>	<u>5,075,252</u>
NET ASSETS			
Invested in capital assets, net of related debt	6,495,238	199,131	6,694,369
Unrestricted net assets	17,297,820	24,735	17,322,555
Total net assets	<u>\$ 23,793,058</u>	<u>\$ 223,866</u>	<u>\$ 24,016,924</u>

The accompanying notes are an integral part of this statement.

CITY OF VICTORIA, TEXAS
STATEMENT OF ACTIVITIES
COMPONENT UNITS
For the year ended September 30, 2012

Function/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Component Units				
Sales Tax Development Corporation	\$ 5,560,652	\$ -	\$ -	\$ 187,274
Victoria Recreation	48,178	27,468	-	-
Total component units	<u>\$ 5,608,830</u>	<u>\$ 27,468</u>	<u>\$ -</u>	<u>\$ 187,274</u>

General revenues:
 Taxes:
 Sales taxes
 Unrestricted investment earnings
 Total general revenues
 Change in net assets
 Net assets - beginning, as restated
 Net assets - ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue
and Changes
in Net Assets

Component Units		
Sales Tax Development Corporation	Victoria Recreation	Total
\$ (5,373,378)	\$ -	\$ (5,373,378)
-	(20,710)	(20,710)
(5,373,378)	(20,710)	(5,394,088)
8,791,577	-	8,791,577
42,859	-	42,859
8,834,436	-	8,834,436
3,461,058	(20,710)	3,440,348
20,332,000	244,576	20,576,576
\$ 23,793,058	\$ 223,866	\$ 24,016,924



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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

Excluded from the reporting entity:

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

Advisory Boards and Commissions - The City Council uses an extensive network of advisory boards and commissions in order to ensure public input to the City's decision-making process. These boards and commissions are: Building, Electrical, Health, Library, Minimum Housing, Food Establishment Appeals Board, Mechanical, Plumbing, and Sign boards, Housing Authority, Parks and Recreation Commission, Planning Commission, Building and Standards Commission, Victoria Housing Finance Corporation Board, Victoria Central Appraisal District, Golden Crescent Regional Planning Commission, Victoria Economic Development Corporation, Victoria Metropolitan Planning Commission, Victoria Development Commission, and Victoria Health Facilities Development Corporation. The advisory boards and commissions are appointed, partially or entirely, by the City Council; however, these boards and commissions do not perform any financial activity.

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

A. Reporting Entity - (Continued)

Included in the reporting entity:

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

1. The Sales Tax Development Corporation was created for the purpose of aiding, assisting and acting on behalf of the City in undertaking and completing projects to acquire and improve drainage, water and sewage, streets and roads, parks and recreational facilities, and public safety facilities. All powers of the Corporation are vested in the Board of Directors consisting of three members of the City Council and four individuals appointed by the City Council. The Board of Directors operates at the direction of the City Council. The City is able to impose its will on the Corporation by approving its annual budgets and bonded debt issuance. This entity is reported as a governmental fund type.
2. The Victoria Recreation Association, Inc. was created in May 1998, to operate and maintain the softball recreational complex owned by the City of Victoria. The Corporation raises and holds economic resources for the direct benefit of the City. The management of the Corporation is vested in the Board of Directors consisting of three City of Victoria employees. The Board of Directors operates at the direction of the City Council and the City Council approves the Corporation's annual budgets. The Victoria Recreation Association, Inc. operates as a proprietary fund type.

These component units are discretely presented in the financial statements. Complete financial statements of the individual component units can be obtained from the Office of the Finance Director, 700 Main Center, Suite 100, Victoria, Texas 77901.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all nonfiduciary activities of the City and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes, and intergovernmental revenues are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from its legally separate component units.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

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

Separate financial statements are provided for governmental funds, proprietary funds, discretely presented component units, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and trust fund financial statements. Agency funds have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

The City reports the following major governmental funds:

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

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

The Capital Project Funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of major capital facilities or other capital assets. Capital Project Funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments. The City has three Capital Project Funds, one of which has been reported as a major fund. The Capital Construction Fund (3037) accounts for the funding of general capital improvement projects and to pay for professional services related to bond issuance costs.

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

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

The City reports the following major proprietary funds:

Enterprise Funds are used to account for operations: 1) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or 2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The Water and Wastewater Fund, an enterprise fund, accounts for the activities of the City related to its sewage treatment plant and the water distribution system.

The Environmental Services Fund, an enterprise fund, accounts for the operation of the City's garbage collection and landfill.

Additionally, the City reports the following fund types:

The Internal Service Funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis. The City maintains eight Internal Service Funds: Vehicle and Equipment Services, Information Technology, Communications, Purchasing, Safety Management, Workers' Compensation, Print Shop, and Employee Health Plan.

The Private Purpose Trust Fund, or the Section 125 Flexible Benefits Fund, is used to account for amounts withheld from employee paychecks before FICA and withholding taxes are computed. All resources of the fund, including any earnings on invested resources, may be used to benefit parties outside the City. The fund is excluded from the government-wide financial statements.

The Agency Fund accounts for the collection and payment of various trust funds such as refundable deposits and single check payments that need to be allocated to different funds. The fund is excluded from the government-wide financial statements.

The Special Revenue Funds account and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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

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

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

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

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

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

D. Budgets and Budgetary Accounting

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

1. Prior to September 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted through passage of an ordinance.
4. No funds may be expended or encumbered which will exceed appropriations; however, the City Manager is authorized to transfer budgeted amounts within any department or agency. Any revisions that alter the total expenditures of any department or agency must be approved by the City Council. There were several supplemental appropriations made during the year. The effect of budget supplements was to increase appropriations for the General Fund in the amount of \$2,312,872.
5. Budgets for the General, Special Revenue, Debt Service, Capital Projects, and all Proprietary Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended by the City Council during the fiscal year. Unlike the governmental funds, the proprietary funds use the accrual basis of accounting in adopting its budget. Budget comparisons are presented in the accompanying financial statements for the funds with appropriated budgets, which are the General Fund, Debt Service Fund, and Capital Project Funds.

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

D. Budgets and Budgetary Accounting - (Continued)

6. The Debt Service Fund is budgeted by debt service issues.
7. The Capital Project Funds are budgeted on a project basis. Annually the City Council budgets only those portions of projects that have not been previously appropriated, along with new appropriations for new projects.
8. Formal budgetary integration is employed as a management control device during the year for all governmental funds and proprietary funds.
9. All appropriations lapse at year-end except for that portion related to encumbered amounts.

E. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund, Special Revenue Funds, and Capital Project Funds. Encumbrances outstanding at year-end in the General Fund are reported as commitments of fund balance since they do not constitute expenditures or liabilities.

F. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The City may invest its excess funds in any instruments authorized by the Public Funds Investment Act of Texas. Investments authorized under this Act include, but are not limited to, the following: Obligations of the United States or its agencies and instrumentalities; direct obligations of the State of Texas or its agencies and instrumentalities; collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities; certificates of deposit issued by a state or financial institution domiciled in the State of Texas which is guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC) or otherwise secured; and certain repurchase agreements.

The City Council has adopted a written investment policy regarding the investment of its funds as defined by the Public Funds Investment Act of 1995. The investments of the City are in compliance with the City Council's investment policies.

Investments for the City, as well as the component units, are recorded at amortized cost, which as of September 30, 2012, approximates fair value. Because the fair value of the City's investments did not materially differ from cost, no adjustments were made to the City's reporting amounts. See Note 3 for further discussion.

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

G. Receivables and Payables - (Continued)

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property tax receivables include unpaid property taxes at year-end along with penalties and interest assessed on these unpaid taxes. The allowance on the unpaid property taxes is equal to 5% of the outstanding property taxes and the allowance on the penalties and interest is equal to 50% of the assessed amount.

H. Inventory and Prepaid Items

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

Certain payments to vendors reflect costs applicable to future accounting periods. These payments are reported as deferred expenditures (governmental funds) or prepaid expenses (proprietary funds) in the fund financial statements and as deferred expenditures/expenses in the government-wide statements.

I. Restricted Assets

The City has interest and sinking accounts in the Water and Wastewater Fund that are used to segregate resources accumulated for debt service payments. The City also has set aside resources in the Environmental Services Fund to pay for closure and postclosure care costs and to fund a new facility, and in the Community Center Fund to fund any future improvements to the Community Center facility. The restricted cash in the Workers' Compensation Fund represents those funds held by a third party administrator for future claims.

J. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, drainage systems, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide statement of net assets. The City defines capital assets as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest is capitalized on capital assets of business-type activities when acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred during the period of construction until completion of the project with interest earned on invested proceeds over the same period.

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

J. Capital Assets - (Continued)

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Improvements other than buildings	40
Water and wastewater distribution system	40
Streets and bridges - parking lots	10
Sidewalks	10
Machinery and equipment	2-20
Office equipment and fixtures	2-10

K. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All compensated absence pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

L. Long-Term Obligations

In the government-wide financial statements, and in proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. Losses on refunding are capitalized and amortized over the shorter of the life of the new issuance or the life on existing debt.

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.

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

M. Fund Equity

GASB Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*,” (the “Statement”) was issued in February 2009. This Statement eliminates the requirement to report governmental fund balances as reserved, unreserved, or designated. It replaces those categories with five possible classifications of governmental fund balances – nonspendable, restricted, committed, assigned, and unassigned. This Statement also redefines the governmental funds for clarity and to be consistent with these new fund balance classifications. The provisions of this Statement are effective for periods beginning after June 15, 2010. The City did not adopt a new fund balance policy in accordance with GASB Statement No. 54 during fiscal year 2012. This Statement did not have an impact on the City’s functions, financial position or results of operations.

For the classification of Governmental Fund balances, the City considers an expenditure to be made from the most restrictive first when more than one classification is available.

N. 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 fund level in the Debt Service Fund. There was one situation of expenditures exceeding the amount appropriated during the fiscal year 2011-2012.

<u>Fund/Department</u>	<u>Budget</u>	<u>Actual</u>	<u>Negative Variance</u>
Debt Service Fund	\$ 8,368,144	\$ 8,453,240	\$ (85,096)

These over expenditures were funded by an available fund balance in the Debt Service Fund.

NOTE 3: DEPOSITS AND INVESTMENTS

As of September 30, 2012, the Reporting Entity had the following investments:

<u>Investment Type</u>	<u>Amortized Cost</u>	<u>Weighted Average Maturity (Days)</u>
Public Funds Investment Pool		
L.O.G.I.C. Pool	\$ 22,637,366	50
TexPool Prime Pool	26,033,096	32
Money Market Fund	23,433,200	30
Municipal Bonds	1,010,383	271
Total	<u>\$ 73,114,045</u>	

The investment pools operate in a manner consistent with the Securities and Exchange Commission's (SEC) Rule 2(a)(7) of the Investment Company Act of 1940 but are not registered with the SEC as an investment company. Instead, the regulatory oversight for the pools is the State of Texas. The pools use amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in the pools is the same as the value of the shares in the pools.

As previously discussed in Note 1, the investments are reported in the accompanying statements at amortized cost.

Interest Rate Risk

In accordance with the City's investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio for investments to less than one year from the time of purchase. The maximum weighted average maturities for the pools according to their respective policies are as follows: 60 days for the L.O.G.I.C. Pool and 60 days for TexPool.

Credit Risk

It is the City's policy to limit its investments to those with ratings of not less than A or its equivalent. The City's investments in the public funds investment pools include those with the L.O.G.I.C. Pool and TexPool. The pools operate in full compliance with the Public Funds Investment Act. The investments held by the City at September 30, 2012, are rated AAAm by Standard & Poor's.

Concentration of Credit Risk

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

NOTE 3: DEPOSITS AND INVESTMENTS - (Continued)Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy requires that deposits at financial institutions be insured by the FDIC and/or collateralized by securities pledged to the City by the depository in an amount equal to at least 102% of the carrying value of deposits held. During the fiscal year and at year-end, all deposits held in the depository bank were fully collateralized and therefore the City was not exposed to custodial credit risk.

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that securities be held in the name of the City or held on behalf of the City and that all securities are purchased using the delivery versus payment method. As of September 30, 2012, and for the year then ended, the City was not exposed to any custodial credit risk.

NOTE 4: RECEIVABLES

Receivables at September 30, 2012 consist of the following:

	<u>General</u>	<u>Debt Service</u>	<u>Water and Wastewater</u>	<u>Environmental Services</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Gross receivables:						
Accounts	\$ -	\$ -	\$ 2,337,846	\$ 262,993	\$ -	\$ 2,600,839
Ad valorem taxes	1,399,789	463,804	-	-	-	1,863,593
Franchise taxes	782,370	-	-	-	-	782,370
Sales taxes	1,399,781	-	-	-	-	1,399,781
Weedy lots	2,211,468	-	-	-	-	2,211,468
Ambulance	2,798,131	-	-	-	-	2,798,131
Fines	1,383,590	-	-	-	-	1,383,590
Other	290,708	-	29,463	55,599	1,237,669	1,613,439
Total gross receivables	10,265,837	463,804	2,367,309	318,592	1,237,669	14,653,211
Less: allowances	4,280,739	23,190	143,435	25,277	-	4,472,641
Total net receivables	<u>\$ 5,985,098</u>	<u>\$ 440,614</u>	<u>\$ 2,223,874</u>	<u>\$ 293,315</u>	<u>\$ 1,237,669</u>	<u>\$ 10,180,570</u>

NOTE 4: RECEIVABLES - (Continued)

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

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
General Fund			
Ad valorem taxes receivable	\$ 1,101,281	\$ -	\$ 1,101,281
Weedy lots	316,445	-	316,445
Ambulance	1,843,913	-	1,843,913
Fines	345,898	-	345,898
Franchise fees	-	689,579	689,579
Debt Service Fund			
Ad valorem taxes receivable	440,614	-	440,614
Nonmajor Funds			
Grants	-	227,352	227,352
	<u>\$ 4,048,151</u>	<u>\$ 916,931</u>	<u>\$ 4,965,082</u>

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

The City is permitted by a local charter to levy taxes up to \$2.00 per \$100 of assessed valuation. The combined tax rate for the year ended September 30, 2012, was \$0.645 per \$100, which means that the City has a tax margin of \$1.355 per \$100 and could raise up to \$43,473,039 on \$3,208,342,376 before the limit is reached.

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, 2012, total assets were \$488,139, total liabilities were \$31,427, total fund net assets was \$456,712, total support and revenues were \$760,071 and total expenses were \$690,221. Excess revenues over expenses resulted in a net income of \$69,850. The amount contributed by the City for years ended September 30, 2012 and 2011, was \$150,000 and \$150,000, respectively. Complete audited financial statements for the South Texas Zoo may be obtained at 110 Memorial Drive, Victoria, Texas 77901.

NOTE 6: CAPITAL ASSETS

The City's capital asset activity for the year ended September 30, 2012, 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	\$ 3,841,610	\$ -	\$ -	\$ 3,841,610
Construction in progress	<u>24,801,409</u>	<u>15,639,931</u>	<u>14,505,034</u>	<u>25,936,306</u>
Total capital assets not being depreciated	<u>28,643,019</u>	<u>15,639,931</u>	<u>14,505,034</u>	<u>29,777,916</u>
Capital assets, being depreciated				
Machinery and equipment	45,516,500	4,296,683	2,015,560	47,797,623
Buildings	12,537,782	731,766	-	13,269,548
Improvements other than buildings	6,347,622	105,753	122,776	6,330,599
Infrastructure	<u>204,890,976</u>	<u>14,812,808</u>	<u>-</u>	<u>219,703,784</u>
Total capital assets being depreciated	<u>269,292,880</u>	<u>19,947,010</u>	<u>2,138,336</u>	<u>287,101,554</u>
Less accumulated depreciation for				
Machinery and equipment	26,468,408	4,323,602	1,777,157	29,014,853
Buildings	4,534,170	738,926	-	5,273,096
Improvements other than buildings	2,811,401	289,809	96,006	3,005,204
Infrastructure	<u>93,811,449</u>	<u>10,047,736</u>	<u>-</u>	<u>103,859,185</u>
Total accumulated depreciation	<u>127,625,428</u>	<u>15,400,073</u>	<u>1,873,163</u>	<u>141,152,338</u>
Total capital assets being depreciated, net	<u>141,667,452</u>	<u>4,546,937</u>	<u>265,173</u>	<u>145,949,216</u>
Governmental activities capital assets, net	<u>\$170,310,471</u>	<u>\$ 20,186,868</u>	<u>\$14,770,207</u>	<u>\$175,727,132</u>
Business-type activities				
Capital assets, not being depreciated				
Land	\$ 4,377,944	\$ -	\$ -	\$ 4,377,944
Construction in progress	<u>4,790,035</u>	<u>10,618,550</u>	<u>5,205,263</u>	<u>10,203,322</u>
Total capital assets not being depreciated	<u>9,167,979</u>	<u>10,618,550</u>	<u>5,205,263</u>	<u>14,581,266</u>
Capital assets, being depreciated				
Machinery and equipment	3,747,196	346,387	48,821	4,044,762
Buildings	42,087,170	338,936	5,876	42,420,230
Improvements other than buildings	2,053,089	-	-	2,053,089
Infrastructure	1,793,382	-	-	1,793,382
Water and wastewater distribution system	<u>128,554,640</u>	<u>5,283,485</u>	<u>-</u>	<u>133,838,125</u>
Total capital assets being depreciated	<u>178,235,477</u>	<u>5,968,808</u>	<u>54,697</u>	<u>184,149,588</u>
Less accumulated depreciation for				
Machinery and equipment	2,343,840	338,204	23,729	2,658,315
Buildings	13,206,767	1,274,403	15,678	14,465,492
Improvements other than buildings	874,672	127,924	-	1,002,596
Infrastructure	305,464	132,874	-	438,338
Water and wastewater distribution system	<u>60,515,089</u>	<u>3,489,494</u>	<u>-</u>	<u>64,004,583</u>
Total accumulated depreciation	<u>77,245,832</u>	<u>5,362,899</u>	<u>39,407</u>	<u>82,569,324</u>
Total capital assets being depreciated, net	<u>100,989,645</u>	<u>605,909</u>	<u>15,290</u>	<u>101,580,264</u>
Business-type activities capital assets, net	<u>\$110,157,624</u>	<u>\$ 11,224,459</u>	<u>\$ 5,220,553</u>	<u>\$116,161,530</u>

NOTE 6: CAPITAL ASSETS - (Continued)

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

Governmental activities

General government	\$ 501,124
Public safety	1,033,979
Highways and streets	11,360,670
Culture and recreation	675,692

Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets 1,828,608

Total depreciation expense - governmental activities \$ 15,400,073

Business-type activities

Water/wastewater	\$ 4,800,807
Environmental services	318,676
Other	243,416

Total depreciation expense - business-type activities \$ 5,362,899

Discretely Presented Component Units:

	-As Restated- Beginning Balance	Increases	Decreases	Ending Balance
Sales Tax Development Corporation				
Capital assets, not being depreciated				
Land	\$ 4,356,551	\$ -	\$ -	\$ 4,356,551
Construction in progress	340,644	7,500	340,644	7,500
Total capital assets not being depreciated	4,697,195	7,500	340,644	4,364,051
Capital assets, being depreciated				
Improvements other than buildings	9,913,733	-	-	9,913,733
Total capital assets being depreciated	9,913,733	-	-	9,913,733
Less accumulated depreciation for				
Improvements other than buildings	1,970,151	991,373	-	2,961,524
Total accumulated depreciation	1,970,151	991,373	-	2,961,524
Total capital assets being depreciated, net	7,943,582	(991,373)	-	6,952,209
Sales Tax Development Corporation capital assets, net	12,640,777	(983,873)	340,644	11,316,260
Victoria Recreation				
Capital assets, being depreciated				
Machinery and equipment	38,352	-	-	38,352
Improvements other than buildings	461,588	-	-	461,588
Total capital assets being depreciated	499,940	-	-	499,940
Less accumulated depreciation for				
Machinery and equipment	38,326	26	-	38,352
Improvements other than buildings	239,305	23,152	-	262,457
Total accumulated depreciation	277,631	23,178	-	300,809
Total capital assets being depreciated, net	222,309	(23,178)	-	199,131
Victoria Recreation capital assets, net	222,309	(23,178)	-	199,131
Discretely presented component units capital assets, net	<u>\$ 12,863,086</u>	<u>\$ (1,007,051)</u>	<u>\$ 340,644</u>	<u>\$ 11,515,391</u>

NOTE 7: EMPLOYEES' RETIREMENT PLANPlan Description

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

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by TMRS. This report may be obtained from TMRS' website at www.TMRS.com.

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

	<u>Plan Year 2011</u>	<u>Plan Year 2012</u>
Employee deposit rate	6.0%	6.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% repeating transfers	100% repeating transfers
Annuity increase (to retirees)	70% of CPI repeating	70% of CPI repeating

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect.

NOTE 7: EMPLOYEES' RETIREMENT PLAN - (Continued)

Contributions - (Continued)

The annual pension cost and net pension obligation (asset) are as follows:

Contributions Required and Contributions Made			
<u>Year-end September 30</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2012	\$ 4,398,292	100%	\$ -
2011	4,305,054	100%	-
2010	3,805,936	100%	-

The required contribution rates for fiscal year 2012 were determined as part of the December 31, 2009 and 2010 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2011, also follows:

	Actuarial Valuation Information		
	<u>12/31/11</u>	<u>12/31/10</u>	<u>12/31/09</u>
Actuarial cost method	projected unit credit	projected unit credit	projected unit credit
Amortization method	level percent of payroll	level percent of payroll	level percent of payroll
GASB 25 equivalent single amortization period	26.2 years; closed period	27.1 years; closed period	28.1 years; closed period
Amortization period for new gains/losses	30 years	30 years	30 years
Asset valuation method	10-year smoothed market	10-year smoothed market	10-year smoothed market
Investment rate of return *	7.0%	7.0%	7.5%
Projected salary increases *	varies by age and service	varies by age and service	varies by age and service
*Includes Inflation at	3.0%	3.0%	3.0%
Cost of living adjustments	2.1%	2.1%	2.1%

NOTE 7: EMPLOYEES' RETIREMENT PLAN - (Continued)**Funded Status and Funding Progress**

The funded status as of December 31, 2011, under the two separate actuarial valuations is presented as follows:

Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/11	\$111,822,395	\$148,553,461	\$36,731,066	75.27%	\$25,062,698	146.56%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

NOTE 8: SUPPLEMENTAL DEATH BENEFIT PLAN

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by TMRS known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1st of any year to be effective the following January 1st.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit", or OPEB.

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retired term life insurance during employees' entire careers.

The City's contributions to the TMRS SDBF for the years ended 2012, 2011, and 2010 were \$17,650, \$18,222, and \$17,252, respectively, which equaled the required contributions each year.

NOTE 9: OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

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

Funding Policy

Retirees, retired as of 12/31/08 (not yet age 65) with 30 years or more of service and with Medicare coverage, pay a monthly health premium of \$68, without Medicare, \$136; with 20 to 29 years of service and with Medicare coverage pay a monthly health premium of \$136, without Medicare, \$272; with less than 20 years of service and with Medicare coverage pay a monthly health premium of \$340, without Medicare \$680.

Retirees, retired after 1/01/09 (not yet age 65) with 20 years or more of service and with Medicare coverage, pay a monthly health premium of \$68, without Medicare, \$136; with 10 to 19 years of service and with Medicare coverage pay a monthly health premium of \$136, without Medicare, \$272; with less than 10 years of service and with Medicare coverage pay a monthly health premium of \$340, without Medicare \$340.

Retirees, retired as of 12/31/08, age 65 and older on the Medigap Plan, with 30 years or more of service pay a monthly health premium of \$71; with 20 to 29 years of service pay a monthly health premium of \$142; with less than 20 years of service pay a monthly health premium of \$356.

Retirees, retired after 1/1/09, age 65 and older on the Medigap Plan, with 20 years or more of service pay a monthly health premium of \$84; with 10 to 19 years of service pay a monthly health premium of \$152; with less than 10 years of service pay a monthly health premium of \$356.

The retiree's dependents are allowed to participate in the plan; however, it is up to the retiree to pay for their dependent's health insurance premiums.

The City is under no obligation, statutory or otherwise, to pay any portion of the cost of postemployment benefits to any retirees. Allocation of City funds to pay other postemployment benefits is determined on an annual basis by the City Council as part of the budget process.

Other postemployment benefits are expensed and funded on a pay-as-you-go basis. The City recognizes the cost of providing these benefits as a payroll expense/expenditure in an operating fund with corresponding revenue in the Employee Health Plan Fund. Payments for health insurance are shown as an expense in the Employee Health Plan Fund. The cost of providing these benefits for fiscal years 2012 and 2011 is as follows:

	<u>2012</u>	<u>2011</u>
Retirees	172	172
Active employees	611	605
Payments to Employee Health Plan Fund	\$ 5,561,244	\$ 4,810,715

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

Annual OPEB Expense

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 and the two preceding years are as follows:

Year End September 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 594,072	100.00%	\$ 139,000
2011	573,624	75.77%	139,000
2010	657,000	100.00%	-

Funded Status and Funding Progress

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
9/30/2012	\$ -	\$ 9,497,294	\$ 9,497,294	0.00%	\$ 31,430,238	30.22%

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

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

NOTE 9: OTHER POSTEMPLOYMENT BENEFITS (OPEB) - (Continued)Actuarial Methods and Assumptions

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

	Actuarial Valuation Information	
	9/30/11	9/30/09
Actuarial cost method	projected unit credit	projected unit credit
Amortization method	level percent of payroll	level percent of payroll
Amortization period in years	24 - closed	24 - closed
Asset valuation method	fair value	fair value
Healthcare trend rate *		
Current retirees		
Pre-65 and post-65	10.00%; 0.00%	0.00; 0.00%%
Future retirees		
Pre-65	0.00%	10.00%
Post-65	0.00%	0.00%
Projected salary increases *	3.00%	3.00%
Investment rate of return *	4.50%	4.00%

*Includes an inflation adjustment of 4.50%.

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 \$150,000 of claims per participant annually; after this a reinsurance policy pays any remaining claims for the remainder of the year. The reinsurance premiums were \$292,112 and \$287,142 for the fiscal years ended September 30, 2012 and 2011, 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, 2012 and 2011, the City paid health claims of \$5,564,615 and \$4,031,231. The fund incurred a net loss for the year of \$566,048 compared to a net income of \$7,909 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.

	Beginning Liability	Current Year Claims and Changes In Estimates	Claim Payments	Ending Liability
Fiscal Year 2008	\$ 352,258	\$ 3,561,021	\$ 3,405,204	\$ 508,075
Fiscal Year 2009	508,075	3,896,153	3,798,074	606,154
Fiscal Year 2010	606,154	4,133,734	4,526,201	213,687
Fiscal Year 2011	213,687	4,031,231	4,020,984	223,934
Fiscal Year 2012	223,934	5,564,615	5,512,595	275,954

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 \$338,390 and \$216,856, for the fiscal years 2011-2012 and 2010-2011, are based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. As a result of this, the Workers' Compensation Fund incurred a fund surplus (deficit) of (\$74,858) and \$61,384 in the fiscal years 2012 and 2011, respectively. Settlements of claims did not exceed insurance coverage for any of the past three fiscal years.

	Beginning Liability	Current Year Claims and Changes In Estimates	Claim Payments	Ending Liability
Fiscal Year 2008	\$ 190,082	\$ 276,084	\$ 314,381	\$ 151,785
Fiscal Year 2009	151,785	258,219	327,617	82,387
Fiscal Year 2010	82,387	320,622	234,380	168,629
Fiscal Year 2011	168,629	257,498	209,271	216,856
Fiscal Year 2012	216,856	385,036	263,502	338,390

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 2012 and 2011, total contributions from the various City funds totaled \$514,302 and \$512,525, respectively. During the fiscal years 2012 and 2011, the City paid \$418,560 and \$473,597 in reinsurance premiums and \$6,938 and \$4,523 in legal fees and claims. In addition to this, the fund incurred a net loss of \$22,397, compared to a net income of \$13,960 for the prior year. Full insurance coverage was in effect for the year ended September 30, 2012. 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 2012. 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, 2012, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Primary government					
Governmental activities					
Bonds and certificates payable					
Certificates of obligation	\$ 59,740,000	\$ 3,810,000	\$ 5,715,000	\$ 57,835,000	\$ 1,815,000
General obligation bonds	38,135,000	3,910,000	2,070,000	39,975,000	2,420,000
Less deferred amounts:					
Issuance premiums	800,703	71,752	75,157	797,298	-
Loss on refunding	<u>(1,376,521)</u>	<u>(72,191)</u>	<u>(118,744)</u>	<u>(1,329,968)</u>	<u>-</u>
Net bonds and certificates payable	97,299,182	7,719,561	7,741,413	97,277,330	4,235,000
Other post employment benefits payable	113,481	-	-	113,481	-
Compensated absences	<u>1,160,236</u>	<u>1,807,957</u>	<u>1,797,760</u>	<u>1,170,433</u>	<u>110,580</u>
Total governmental activity long-term liabilities	<u>\$ 98,572,899</u>	<u>\$ 9,527,518</u>	<u>\$ 9,539,173</u>	<u>\$ 98,561,244</u>	<u>\$ 4,345,580</u>
Business-type activities					
Bonds payable					
Revenue bonds	\$ 69,125,000	\$ 9,155,000	\$ 4,330,000	\$ 73,950,000	\$ 4,740,000
Less deferred amounts:					
Issuance premiums	2,516,601	67,534	207,554	2,376,581	-
Loss on refunding	<u>(614,687)</u>	<u>-</u>	<u>(59,344)</u>	<u>(555,343)</u>	<u>-</u>
Net bonds payable	71,026,914	9,222,534	4,478,210	75,771,238	4,740,000
Estimated landfill closure and postclosure care cost	3,087,456	105,196	-	3,192,652	-
Other post employment benefits payable	25,519	-	-	25,519	-
Compensated absences	<u>227,476</u>	<u>386,627</u>	<u>378,186</u>	<u>235,917</u>	<u>22,289</u>
Total business-type activity long-term liabilities	<u>\$ 74,367,365</u>	<u>\$ 9,714,357</u>	<u>\$ 4,856,396</u>	<u>\$ 79,225,326</u>	<u>\$ 4,762,289</u>
Discretely presented component units					
Sales Tax Development Corporation					
Bonds payable					
Revenue bonds	\$ 5,560,000	\$ -	\$ 830,000	\$ 4,730,000	\$ 870,000
Less deferred amounts:					
Issuance premiums	<u>112,439</u>	<u>-</u>	<u>21,417</u>	<u>91,022</u>	<u>-</u>
Net bonds payable	<u>5,672,439</u>	<u>-</u>	<u>851,417</u>	<u>4,821,022</u>	<u>870,000</u>
Total discretely presented component units	<u>\$ 5,672,439</u>	<u>\$ -</u>	<u>\$ 851,417</u>	<u>\$ 4,821,022</u>	<u>\$ 870,000</u>

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

Bonds and certificates payable at September 30, 2012, are comprised of the following individual issues:

\$9,915,000 2004 General Obligation Refunding Bonds due in annual installments ranging from \$465,000 to \$1,435,000 through August 15, 2021; interest varying between 1.70% and 4.35%.	\$ 8,050,000
\$12,335,000 2005 General Obligation Refunding Bonds due in annual installments ranging from \$30,000 to \$2,235,000 through August 15, 2023; interest varying between 3.00% and 4.20%.	10,445,000
\$14,120,000 2005 Certificates of Obligation due in annual installments ranging from \$605,000 to \$1,070,000 through August 15, 2026, interest varying between 3.00% and 5.00%.	11,385,000
\$9,880,000 2006 Certificates of Obligation due in annual installments ranging from \$430,000 to \$730,000 through August 15, 2026; interest varying between 3.875% and 4.50%.	7,970,000
\$9,995,000 2007 Certificates of Obligation due in annual installments ranging from \$455,000 to \$835,000 through August 15, 2027; interest varying between 4.00% and 4.50%.	9,285,000
\$3,325,000 2009A Certificates of Obligation due in annual installments ranging from \$180,000 to \$755,000 through August 15, 2017; interest varying between 2.00% and 3.50%.	2,380,000
\$23,005,000 2009B Certificates of Obligation "Build America Bonds" due in annual installments ranging from \$1,085,000 to \$2,280,000 through August 15, 2030; interest varying between 4.449% and 5.449%.	23,005,000
\$8,715,000 2010 General Obligation Refunding Bonds due in annual installments ranging from \$30,000 to \$1,260,000 through August 15, 2023; interest varying between 2.00% and 4.00%.	7,865,000
\$9,740,000 2011 Pass-Through Toll Revenue and Limited Tax Bonds due in annual installments ranging from \$375,000 to \$730,000 through August 15, 2031; interest varying between 2.00% and 4.00%.	9,740,000
\$3,910,000 2012 General Obligation Refunding Bonds due in annual installments ranging from \$35,000 to \$385,000 through August 15, 2023; interest varying between 2.00% and 2.25%.	3,875,000
\$3,810,000 2012 General Obligation Refunding Bonds due in annual installments ranging from \$145,000 to \$250,000 through August 15, 2032; interest varying between 2.00% and 3.75%.	<u>3,810,000</u>
Total General Obligation Certificates and Bonds	<u>\$ 97,810,000</u>

NOTE 12: LONG-TERM DEBT - (Continued)

B. General Obligation Certificates and Bonds - Primary Government - (Continued)

The City generally issues general obligation certificates and bonds to provide funds for the construction of improvements to various City infrastructures and for the payment of related contractual obligations for professional services. The proceeds from the 2011 Pass-Through Toll Revenue and Limited Tax Bonds will be used for the purpose of paying the City's obligations arising under the agreement for improvements to the State Highway Loop 463 and costs associated with issuing the bonds. Payments on these bonds will be reimbursed by the Texas Department of Transportation through a pass-through toll contract as well as funds pledged by the County of Victoria, Texas over the next eleven years. 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
2013	\$ 4,235,000	\$ 4,169,781	\$ 8,404,781
2014	4,950,000	4,031,700	8,981,700
2015	5,280,000	3,865,337	9,145,337
2016	5,590,000	3,678,363	9,268,363
2017	5,890,000	3,493,045	9,383,045
2018-2022	34,570,000	13,788,621	48,358,621
2023-2027	26,765,000	6,440,621	33,205,621
2028-2031	10,530,000	1,244,192	11,774,192
Total	<u>\$ 97,810,000</u>	<u>\$ 40,711,660</u>	<u>\$ 138,521,660</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, \$56,239 of internal service funds' compensated absences are included in the above amounts. Also, for the governmental activities, compensated absences and other post employment benefits are generally liquidated by the General Fund.

NOTE 12: LONG-TERM DEBT - (Continued)

C. Revenue Bonds - Primary Government

Revenue bonds payable are comprised of the following individual issues:

\$20,045,000 2005 Utility System Revenue Refunding Bonds, Series 2005 due in annual installments ranging from \$605,000 to \$2,205,000 through December 1, 2021; interest varying between 3.00% and 5.00%.	\$ 15,140,000
\$18,360,000 2007 Utility System Revenue Refunding Bonds, Series 2007 due in annual installments ranging from \$580,000 to \$1,325,000 through December 1, 2027; interest varying between 4.00% and 5.00%.	14,775,000
\$6,555,000 2008 Utility System Revenue Bonds, Series 2008 due in annual installments ranging from \$260,000 to \$505,000 through December 1, 2028; interest varying between 4.00% and 5.00%.	5,835,000
\$24,590,000 2009 Utility System Revenue Refunding Bonds, Series 2009 due in annual installments ranging from \$1,495,000 to \$3,695,000 through December 1, 2023; interest varying between 3.00% and 5.00%.	21,765,000
\$7,550,000 2010 Utility System Revenue Bonds, Series 2010 due in annual installments ranging from \$275,000 to \$530,000 through December 1, 2031; interest varying between 2.00% and 4.00%.	7,280,000
\$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%.	<u>9,155,000</u>
Total Revenue Bonds	<u>\$ 73,950,000</u>

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

Year Ending September 30	Business-type Activities		
	Principal	Interest	Total
2013	\$ 4,915,000	\$ 3,057,009	\$ 7,972,009
2014	5,170,000	2,817,770	7,987,770
2015	5,390,000	2,616,645	8,006,645
2016	5,625,000	2,384,282	8,009,282
2017	5,860,000	2,137,707	7,997,707
2018-2022	30,160,000	6,589,730	36,749,730
2023-2027	12,445,000	2,107,032	14,552,032
2028-2031	<u>4,385,000</u>	<u>303,510</u>	<u>4,688,510</u>
Total	<u>\$ 73,950,000</u>	<u>\$ 22,013,685</u>	<u>\$ 95,963,685</u>

The revenues of the Water and Wastewater Fund are pledged for the repayment of debt reported by the fund.

NOTE 12: LONG-TERM DEBT - (Continued)

D. Revenue Bonds - Primary Government - (Continued)

The revenue bond debt agreements contain certain requirements regarding the establishment and funding of an interest and sinking fund. In addition, the agreements provide that the City maintain a coverage ratio of at least 1.35 times the average annual debt service. The City complied in all aspects as of September 30, 2012.

E. Revenue Bonds - Sales Tax Development Corporation

Revenue bonds payable are comprised of the following individual issue:

\$8,395,000 2007 Sales Tax Revenue Bonds Series 2007 due in annual installments ranging from \$870,000 to \$1,025,000 through 2017; interest at 4.25%. \$ 4,730,000

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

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

Year Ending September 30	Sales Tax Development Corporation		
	Principal	Interest	Total
2013	\$ 870,000	\$ 201,025	\$ 1,071,025
2014	905,000	164,050	1,069,050
2015	945,000	125,588	1,070,588
2016	985,000	85,425	1,070,425
2017	1,025,000	43,563	1,068,563
Total	<u>\$ 4,730,000</u>	<u>\$ 619,651</u>	<u>\$ 5,349,651</u>

The revenue bond debt agreements contain certain requirements regarding the establishment and funding of a debt service fund and a reserve fund. The Corporation complied in all respects as of September 30, 2012.

F. 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, 2012.

G. Refunding Bonds

In February 2012, the City issued \$3,910,000 General Obligation Refunding Bonds with interest varying between 2.00% and of 2.25% to advance refund \$3,795,000 of the City's Certificates of Obligation, Series 2003, which were still outstanding in the amount of \$4,070,000 with interest rates ranging from 3.35% to 4.35% and to provide funding for costs of issuance. As a result, the Series 2003 bonds are considered defeased and the liability has been removed from the governmental activities column of the statement of net assets. The net proceeds available for refunding bonds in the amount of \$3,867,191 was deposited in an irrevocable trust with an escrow agent to provide for all future debt service on the refunded issue. The refunding of the Series 2003 bonds resulted in an economic gain of \$375,586 and an increase in cash flow of \$411,708.

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, 2012, were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor Governmental	\$ 326,349
Debt Service	General	86,250
Nonmajor Governmental	General	64,206
	Nonmajor Governmental	128,185
	Water and Wastewater	19,708
Water and Wastewater	Nonmajor Governmental	445,208
Nonmajor Business-type	Nonmajor Governmental	<u>120,000</u>
		<u>\$ 1,189,906</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>Water and Wwater.</u>	<u>Nonmajor Bus.-type</u>	<u>Internal Service</u>	
General	\$ -	\$ -	\$ 595,462	\$ -	\$ -	\$ 114,108	\$ 709,570
Capital Const. (3037)	-	-	-	20,647	-	-	20,647
Nonmajor Govt.	-	489,140	1,000,253	-	480,000	-	1,969,393
Water and Wwater.	2,353,750	-	19,708	-	-	-	2,373,458
Environmental Svcs.	567,312	-	-	-	-	-	567,312
Nonmajor Bus.-type	41,417	-	-	-	-	-	41,417
Internal Service	-	-	140,000	-	-	-	140,000
	<u>\$ 2,962,479</u>	<u>\$ 489,140</u>	<u>\$ 1,755,423</u>	<u>\$ 20,647</u>	<u>\$ 480,000</u>	<u>\$ 114,108</u>	<u>\$ 5,821,797</u>

NOTE 14: RELATED PARTY TRANSACTIONS

During fiscal year 2012, the Sales Tax Development Corporation, a discretely presented component unit of the City, contributed to the City \$340,644 in capital assets for the fiscal year ended September 30, 2012. The contribution consisted of \$340,644 in Governmental Activities assets. The Sales Tax Development Corporation also contributed \$3,461,935 to the City's capital project funds and the Water and Sewer Fund during fiscal year 2012.

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, 2012, \$71,185,000 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 collectibility of any related receivable at September 30, 2012, 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 postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the useful life of the landfill. The estimated remaining useful life of the landfill at September 30, 2012, is 18 years.

The estimated liability for landfill closure and postclosure care costs has a balance of \$3,192,652 and \$3,087,456 as of September 30, 2012 and 2011, determined by calculating the lapsed portion of the landfill's life. It is estimated that an additional \$1,893,526 will be recognized as closure and postclosure care expense between the date of the balance sheet and the date the landfill is expected to be filled to capacity (2030). However, the City anticipates a modification to the permit to increase allowable vertical height, which will result in extending the life of the landfill an additional 30-35 years. In addition, the City is in the process of acquiring additional land for future landfill cells, which will add life to the landfill of an additional 20-25 years. The estimated total current cost of the landfill closure and postclosure care (\$4,980,982) is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of September 30, 2012. However, the actual cost of closure and postclosure care may be different due to inflation, changes in technology, or changes in landfill laws and regulations.

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

As of September 30, 2012, 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 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/postclosure fund to accommodate those future liabilities.

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 September 1997, Warm Springs Rehabilitation Foundation issued \$4,000,000 in bonds using the name of Victoria Health Facilities Development Corporation in order to provide funding for a rehabilitation facility in Victoria, Texas. 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. The foundation will pay interest only on the bonds until the year 2027 when the entire principal will mature.

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 to issue up to \$24,000,000 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, 2012:

	Governmental Fund Balances				Total
	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Unassigned</u>	
General					
Inventory	\$ 314,846	\$ -	\$ -	\$ -	\$ 314,846
Outstanding encumbrances	-	-	1,961,362	-	1,961,362
Unassigned	-	-	-	16,846,702	16,846,702
Debt Service Fund					
Retirement of long-term debt	-	977,452	-	-	977,452
Capital Construction Fund (3037)					
Various capital projects	-	3,695,907	-	-	3,695,907
Nonmajor Governmental					
City parks	-	110,486	-	-	110,486
Arts, tourism and conventions	-	1,619,141	-	-	1,619,141
Police department	-	170,841	-	-	170,841
Emergency management	-	56,078	-	-	56,078
Municipal court security and technology	-	66,220	-	-	66,220
Various capital projects	-	627,375	-	-	627,375
	<u>\$ 314,846</u>	<u>\$ 7,323,500</u>	<u>\$ 1,961,362</u>	<u>\$ 16,846,702</u>	<u>\$ 26,446,410</u>

NOTE 21: ADJUSTMENTS TO AND RESTATEMENTS OF BEGINNING BALANCES

The City's governmental and business-type activities financial statements for the fiscal year September 30, 2011 have been restated to properly reflect the cash and net asset balances for fiscal year ending September 30, 2011. The result of the restatement was to decrease the cash and unrestricted net assets of the governmental and business-type activities by \$1,062,045 and \$233,307, respectively. Similar adjustments were made to the fund financial statements. The General Fund's September 30, 2011 cash and unassigned fund balance were decreased by \$1,037,544. The Information Technology Fund's, an Internal Service Fund, cash and unrestricted net assets were decreased by \$24,501. The Water and Wastewater Fund's and the Environmental Services Fund's September 30, 2011 cash and unrestricted net assets were decreased by \$184,827 and \$48,480, respectively.

The Sales Tax Development Corporation's (a discretely presented component unit) financial statements for the fiscal year September 30, 2011 have been restated to properly reflect capital assets for fiscal year ending September 30, 2011. The result of the restatement was to decrease non-depreciable capital assets, land, and increase investment in capital assets, net of related debt balances by \$2,027,059.

NOTE 22: SUBSEQUENT EVENTS

In December 2012, the City issued General Obligation Refunding Bonds, Series 2013A of \$9,075,000. The bonds are due in annual installments ranging from \$65,000 to \$1,000,000 through 2026 with interest varying from 2.00% to 3.00%. The proceeds from the sale of the bonds will be used to refund a portion of the City's currently outstanding general obligation bonds (Certificates of Obligation, Series 2005), and to pay costs of issuance of the bonds.

Also in December 2012, the City issued General Obligation Refunding Bonds, Series 2013B of \$15,940,000. The bonds are due in annual installments ranging from \$50,000 to \$2,655,000 through 2023 with interest varying from 0.40% to 4.00%. The proceeds from the sale of the bonds will be used to refund a portion of the City's currently outstanding general obligation bonds (General Obligation Refunding Bonds, Series 2004 and Series 2005), and to pay costs of issuance of the bonds.



CITY OF VICTORIA, TEXAS
MAJOR GOVERNMENTAL FUNDS - GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended September 30, 2012
With comparative totals for the year ended September 30, 2011

	2012			Variance Positive (Negative)	2011 Actual
	Original Budget	Final Budget	Actual		
REVENUES					
Taxes	\$ 33,195,977	\$ 33,195,977	\$ 36,346,183	\$ 3,150,206	\$ 32,945,173
Licenses and permits	624,475	624,475	842,050	217,575	654,829
Intergovernmental	2,437,582	2,437,582	2,267,561	(170,021)	2,279,670
Charges for services	1,965,310	1,965,310	2,261,037	295,727	2,108,045
Fines and forfeitures	820,000	820,000	1,064,520	244,520	786,914
Investment income	45,000	45,000	36,430	(8,570)	41,243
Miscellaneous	199,591	199,591	189,973	(9,618)	255,814
Total revenues	<u>39,287,935</u>	<u>39,287,935</u>	<u>43,007,754</u>	<u>3,719,819</u>	<u>39,071,688</u>
EXPENDITURES					
General government	5,641,714	5,704,841	5,276,461	428,380	5,839,278
Public safety	25,643,233	26,634,068	25,032,486	1,601,582	24,558,229
Highways and streets	6,392,673	8,061,470	5,934,497	2,126,973	4,165,782
Culture and recreation	5,452,498	5,668,357	5,085,064	583,293	4,554,085
Total expenditures	<u>43,130,118</u>	<u>46,068,736</u>	<u>41,328,508</u>	<u>4,740,228</u>	<u>39,117,374</u>
Excess (deficiency) of revenues over expenditures	(3,842,183)	(6,780,801)	1,679,246	8,460,047	(45,686)
OTHER FINANCING SOURCES (USES)					
Transfers in	2,962,479	2,962,479	2,962,479	-	3,010,618
Transfers out	(235,000)	(1,179,712)	(709,570)	470,142	(888,539)
Total other financing sources (uses)	<u>2,727,479</u>	<u>1,782,767</u>	<u>2,252,909</u>	<u>470,142</u>	<u>2,122,079</u>
Change in fund balance	(1,114,704)	(4,998,034)	3,932,155	8,930,189	2,076,393
Fund balance at beginning of year, as restated	<u>15,190,755</u>	<u>15,190,755</u>	<u>15,190,755</u>	<u>-</u>	<u>13,114,362</u>
Fund balance at end of year	<u>\$ 14,076,051</u>	<u>\$ 10,192,721</u>	<u>\$ 19,122,910</u>	<u>\$ 8,930,189</u>	<u>\$ 15,190,755</u>

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

CITY OF VICTORIA, TEXAS*REQUIRED SUPPLEMENTARY INFORMATION**HISTORICAL PENSION AND OTHER POSTEMPLOYMENT**BENEFITS INFORMATION**September 30, 2012***TEXAS MUNICIPAL RETIREMENT SYSTEM**

The schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
12/31/2011	\$ 111,822,395	\$ 148,553,461	\$ 36,731,066	75.27%	\$ 25,062,698	146.56%
12/31/2010	105,965,272	142,899,122	36,933,850	74.15%	24,790,021	148.99%
12/31/2009	47,863,557	93,540,824	45,677,267	51.17%	24,240,975	188.43%
12/31/2008	45,617,283	88,874,185	43,256,902	51.33%	23,720,529	182.36%
12/31/2007	46,442,240	87,624,753	41,182,513	53.00%	21,367,076	192.74%
12/31/2006	46,282,645	71,171,140	24,888,495	65.03%	21,219,310	117.29%
12/31/2005	47,221,367	70,045,633	22,824,266	67.42%	20,507,818	111.30%
12/31/2004	47,745,102	68,950,382	21,205,280	69.25%	19,761,134	107.31%
12/31/2003	48,467,691	68,277,880	19,810,189	70.99%	18,626,220	106.36%
12/31/2002	48,339,276	65,745,670	17,406,394	73.52%	18,843,180	92.38%

CITY OF VICTORIA, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 HISTORICAL PENSION AND OTHER POSTEMPLOYMENT
 BENEFITS INFORMATION
 September 30, 2012

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
9/30/2012	\$ -	\$ 9,497,294	\$ 9,497,294	0.00%	\$ 31,430,238	30.22%
9/30/2011	-	9,417,793	9,417,793	0.00%	30,514,794	30.86%
9/30/2010	-	10,283,626	10,283,626	0.00%	30,952,000	33.22%
9/30/2009	-	10,148,222	10,148,222	0.00%	29,762,000	34.10%

Actuarial Valuation Information

	9/30/11	9/30/09
Actuarial cost method	projected unit credit	projected unit credit
Amortization method	level percent of payroll	level percent of payroll
Amortization period in years	24 - closed	24 - closed
Asset valuation method	fair value	fair value
Healthcare trend rate *		
Current retirees		
Pre-65 and post-65	10.00%; 0.00%	0.00; 0.00%%
Future retirees		
Pre-65	0.00%	10.00%
Post-65	0.00%	0.00%
Projected salary increases *	3.00%	3.00%
Investment rate of return *	4.50%	4.00%

*Includes an inflation adjustment of 4.50%.

CITY OF VICTORIA, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2012

NOTE 1: BUDGETARY BASIS OF ACCOUNTING

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

CITY OF VICTORIA, TEXAS
ALL NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
September 30, 2012

	Total Nonmajor Special Revenue Funds	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
ASSETS			
Current assets			
Cash and cash equivalents	\$ 2,566,830	\$ 645,085	\$ 3,211,915
Receivables (net)	576,999	380,265	957,264
Due from other funds	212,099	-	212,099
Returned checks	11,189	-	11,189
Total assets	\$ 3,367,117	\$ 1,025,350	\$ 4,381,278
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 456,827	\$ 31,599	\$ 488,426
Accrued expenditures	6,806	-	6,806
Due to other funds	653,366	366,376	1,019,742
Deferred revenue	227,352	-	227,352
Total liabilities	1,344,351	397,975	1,742,326
Fund balances			
Restricted			
City parks	110,486	-	110,486
Arts, tourism and conventions	1,619,141	-	1,619,141
Public safety	226,919	-	226,919
Municipal court	66,220	-	66,220
Various capital projects	-	627,375	627,375
Total fund balances	2,022,766	627,375	2,650,141
Total liabilities and fund balances	\$ 3,367,117	\$ 1,025,350	\$ 4,392,467

CITY OF VICTORIA, TEXAS*ALL NONMAJOR GOVERNMENTAL FUNDS**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**For the year ended September 30, 2012*

	Total Nonmajor Special Revenue Funds	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
REVENUES			
Taxes	\$ 2,019,642	\$ -	\$ 2,019,642
Intergovernmental	1,638,321	380,265	2,018,586
Fines and forfeitures	152,266	-	152,266
Investment income	1,997	5,953	7,950
Miscellaneous	523,167	654,153	1,177,320
Total revenues	<u>4,335,393</u>	<u>1,040,371</u>	<u>5,375,764</u>
EXPENDITURES			
Current			
General government	1,324,103	-	1,324,103
Public safety	1,118,710	-	1,118,710
Highways and streets	-	3,025,984	3,025,984
Culture and recreation	1,479,799	-	1,479,799
Capital outlay	-	1,371,821	1,371,821
Total expenditures	<u>3,922,612</u>	<u>4,397,805</u>	<u>8,320,417</u>
Excess (deficiency) of revenues over expenditures	412,781	(3,357,434)	(2,944,653)
OTHER FINANCING SOURCES (USES)			
Transfers in	1,226,007	529,416	1,755,423
Transfers out	(1,230,000)	(739,393)	(1,969,393)
Total other financing sources (uses)	<u>(3,993)</u>	<u>(209,977)</u>	<u>(213,970)</u>
Change in fund balances	408,788	(3,567,411)	(3,158,623)
Fund balances at beginning of year	<u>1,613,978</u>	<u>4,194,786</u>	<u>5,808,764</u>
Fund balances at end of year	<u>\$ 2,022,766</u>	<u>\$ 627,375</u>	<u>\$ 2,650,141</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:

Operation Stonegarden Grant - Operation Stonegarden funds are intended to enhance cooperation and coordination among local, tribal, territorial, state and federal law enforcement agencies in a joint mission to secure the United States' borders along routes of ingress from international borders to include travel corridors in states bordering Mexico and Canada, as well as states and territories with international water borders. Funds were used to purchase two sport utility vehicles with police package equipment in 2012.

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.

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

Library Grant - Texas State Library and Archives Commission grant is designed to reimburse the City for providing National Circulation Interchange Protocol (NCIP) as part of the new Interlibrary Loan Program. The Commission will reimburse the City for the first year subscription and implementation costs for the purchase of NCIP.

Parks Improvement - Used to account for funds donated to the City for our parks. Currently holds funds from the Ethel Lee Tracy Foundation, the Estate of Billie Ray Slotnick, and sponsorship fees. The planned use of the funds will be for construction of an amphitheatre and items that need repair or replacement of play equipment in the future.

LEOSE Training Grant - Used to account for funds received to provide for the continuing education of persons licensed under Chapter 1701, Occupations Code, or to provide the necessary training, as determined by the agency head, to full-time, fully paid law enforcement support personnel.

Auto Theft Grant - Used to account for the funding of salaries, fringe benefits, overtime, and in-state travel for law enforcement officers in order to help reduce automobile theft.

TCEQ Grant - Used to account for funds received in order for the City to conduct air quality planning activities within the City/County of Victoria. This includes the identifying, inventorying, and monitoring of current air pollution levels; the modeling of future air pollution levels; and the identification and quantification of potential pollution reduction through voluntary controls.

MPO Grant - Used to account for funds received to provide continuing education for the City staff, administrative expense, and other expenditures relating to metropolitan planning.

NONMAJOR SPECIAL REVENUE FUNDS - (Continued)

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 2012, \$1,555,160 was allocated as follows: for professional services not to exceed \$5,000; for operations of the Community Center not to exceed \$330,000; for Community Center building improvements not to exceed \$150,000; to the Convention and Visitors Bureau, funding not to exceed \$750,000; for Victoria Regional Museum Association not to exceed \$24,000; for Victoria Symphony not to exceed 18,620; for Victoria Bach Festival not to exceed \$11,700; for the Theatre Victoria not to exceed \$60,000; for the Film Festival not to exceed \$43,150; for the Quilt Guild not to exceed \$2,180; for the Victoria Ballet Theatre not to exceed \$31,000; for the Main Street Program not to exceed \$103,210; and for the Museum of the Coastal Bend not to exceed \$26,300.

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

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

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

Victoria Kids Recycle - Used to account for a program funded by LyondellBasell which educates students at eleven VISD elementary campuses and provides curricular experiences that give rise to lifelong learning, citizenship, and environmental stewardship.

Community Oriented Policing Services (COPS) Hiring Recovery Program - Used to account for funds received by the U.S. Department of Justice for the salaries and benefits of five (5) full-time police officers for three (3) years. The City is required to keep the officers for year four (4), paying all associated costs for these officers with City funds.

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

Border Security Program - Used to account for funds received by the Governor's Division of Emergency Management for additional manpower by local law enforcement agencies for state surge operations for improved border security. Eligible activities and costs are project overtime, transportation, lodging, per diem, and operating expenses incurred during field operations that correlate with the Border Star grant. Reimbursement is processed through the Texas Department of Public Safety, Texas Ranger Division.

Federal Home Loan Bank Affordable Housing - Used to account for the Affordable Housing Program and the agreement between the Federal Home Loan Bank of Dallas, First Capital Bank and the City of Victoria for the Owner Occupied Project. This project rehabilitated ten housing units for low-income families.

NONMAJOR SPECIAL REVENUE FUNDS - (Continued)

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

Lightning Arrestor Grant - Used to account for funds received from the Texas Division of Emergency Management, Hazard Mitigation Grant Program (HMGP) for a lightning arrestor on the City's water pumping plant #3 to protect the plant's sensitive electronic SCADA systems from being damaged during lightning storms.

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, 2012

	Operation Stonegarden Grant	GCRAC EMS/Trauma System Grant	GCRPC Grant	EMS Local Project Grant	Library Grant
ASSETS					
Cash and cash equivalents	\$ -	\$ 10,171	\$ 166,105	\$ -	\$ -
Receivables (net)					
Other	17,220	-	-	-	6,190
Due from other funds	2,785	-	-	-	-
Returned checks	-	-	-	-	-
Total assets	<u>\$ 20,005</u>	<u>\$ 10,171</u>	<u>\$ 166,105</u>	<u>\$ -</u>	<u>\$ 6,190</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued expenditures	-	-	-	-	-
Due to other funds	20,005	-	-	-	6,190
Deferred revenue	-	10,171	166,105	-	-
Total liabilities	<u>20,005</u>	<u>10,171</u>	<u>166,105</u>	<u>-</u>	<u>6,190</u>
Fund balances					
Restricted					
City parks	-	-	-	-	-
Arts, tourism and conventions	-	-	-	-	-
Public safety	-	-	-	-	-
Municipal court	-	-	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 20,005</u>	<u>\$ 10,171</u>	<u>\$ 166,105</u>	<u>\$ -</u>	<u>\$ 6,190</u>

<u>Parks Improvement</u>	<u>LEOSE Training Grant</u>	<u>Auto Theft Grant</u>	<u>TCEQ Grant</u>	<u>MPO Grant</u>	<u>Motel Tax</u>	<u>Forfeiture Fund</u>	<u>Office of Justice Grants</u>
\$ 181,163	\$ 8,091	\$ -	\$ -	\$ -	\$ 1,527,627	\$ 170,957	\$ 1,041
-	-	31,452	101,035	61,387	147,661	-	-
-	-	40,471	-	-	-	-	-
-	-	-	-	-	11,189	-	-
<u>\$ 181,163</u>	<u>\$ 8,091</u>	<u>\$ 71,923</u>	<u>\$ 101,035</u>	<u>\$ 61,387</u>	<u>\$ 1,686,477</u>	<u>\$ 170,957</u>	<u>\$ 1,041</u>
\$ 70,677	\$ -	\$ -	\$ 41,484	\$ 14,903	\$ 102,621	\$ 116	\$ 887
-	-	-	-	-	-	-	-
-	-	71,923	59,551	46,484	245,000	-	-
-	8,091	-	-	-	-	-	154
<u>70,677</u>	<u>8,091</u>	<u>71,923</u>	<u>101,035</u>	<u>61,387</u>	<u>347,621</u>	<u>116</u>	<u>1,041</u>
110,486	-	-	-	-	-	-	-
-	-	-	-	-	1,338,856	-	-
-	-	-	-	-	-	170,841	-
-	-	-	-	-	-	-	-
<u>110,486</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,338,856</u>	<u>170,841</u>	<u>-</u>
<u>\$ 181,163</u>	<u>\$ 8,091</u>	<u>\$ 71,923</u>	<u>\$ 101,035</u>	<u>\$ 61,387</u>	<u>\$ 1,686,477</u>	<u>\$ 170,957</u>	<u>\$ 1,041</u>

(continued)

CITY OF VICTORIA, TEXAS

NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

September 30, 2012

	K-9 Unit Program	Victoria Kids Recycle	COPS Hiring Program	Municipal Court Special Revenue	Border Security Program
ASSETS					
Cash and cash equivalents	\$ 2,790	\$ 3,553	\$ -	\$ 66,220	\$ 3,218
Receivables					
Other	-	-	62,167	-	22,493
Due from other funds	-	-	24,135	-	-
Returned checks	-	-	-	-	-
Total assets	<u>\$ 2,790</u>	<u>\$ 3,553</u>	<u>\$ 86,302</u>	<u>\$ 66,220</u>	<u>\$ 25,711</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued expenditures	-	-	-	-	-
Due to other funds	-	-	86,302	-	473
Deferred revenue	2,790	3,553	-	-	25,238
Total liabilities	<u>2,790</u>	<u>3,553</u>	<u>86,302</u>	<u>-</u>	<u>25,711</u>
Fund balance					
Restricted					
City parks	-	-	-	-	-
Arts, tourism and conventions	-	-	-	-	-
Public safety	-	-	-	-	-
Municipal court	-	-	-	66,220	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>66,220</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 2,790</u>	<u>\$ 3,553</u>	<u>\$ 86,302</u>	<u>\$ 66,220</u>	<u>\$ 25,711</u>

<u>F.H.L.B. Grant</u>	<u>Community Development Block Grant</u>	<u>Lightning Arrestor Grant</u>	<u>Homeland Security Grant</u>	<u>Emergency Management</u>	<u>Convention and Visitors Bureau</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ 148,420	\$ 277,474	\$ 2,566,830
-	40,637	59,124	24,890	214	2,529	576,999
-	-	19,708	-	-	125,000	212,099
-	-	-	-	-	-	11,189
<u>\$ -</u>	<u>\$ 40,637</u>	<u>\$ 78,832</u>	<u>\$ 24,890</u>	<u>\$ 148,634</u>	<u>\$ 405,003</u>	<u>\$ 3,367,117</u>
\$ -	\$ 15,671	\$ -	\$ -	\$ 92,556	\$ 117,912	\$ 456,827
-	-	-	-	-	6,806	6,806
-	13,716	78,832	24,890	-	-	653,366
-	11,250	-	-	-	-	227,352
-	40,637	78,832	24,890	92,556	124,718	1,344,351
-	-	-	-	-	-	110,486
-	-	-	-	-	280,285	1,619,141
-	-	-	-	56,078	-	226,919
-	-	-	-	-	-	66,220
-	-	-	-	56,078	280,285	2,022,766
<u>\$ -</u>	<u>\$ 40,637</u>	<u>\$ 78,832</u>	<u>\$ 24,890</u>	<u>\$ 148,634</u>	<u>\$ 405,003</u>	<u>\$ 3,367,117</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, 2012

	Operation Stonegarden Grant	GCRAC EMS/Trauma System Grant	GCRPC Grant	EMS Local Project Grant	Library Grant
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	21,426	6,190
Fines and forfeitures	-	-	-	-	-
Investment income	-	-	-	-	-
Miscellaneous	68,950	11,222	4,155	-	-
Total revenues	<u>68,950</u>	<u>11,222</u>	<u>4,155</u>	<u>21,426</u>	<u>6,190</u>
EXPENDITURES					
General government	-	-	-	-	-
Public safety	71,735	11,222	4,155	214,024	-
Culture and recreation	-	-	-	-	6,190
Total expenditures	<u>71,735</u>	<u>11,222</u>	<u>4,155</u>	<u>214,024</u>	<u>6,190</u>
Excess (deficiency) of revenues over expenditures	(2,785)	-	-	(192,598)	-
OTHER FINANCING SOURCES (USES)					
Transfers in	2,785	-	-	192,598	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>2,785</u>	<u>-</u>	<u>-</u>	<u>192,598</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>

<u>Parks Improvement</u>	<u>LEOSE Training Grant</u>	<u>Auto Theft Grant</u>	<u>TCEQ Grant</u>	<u>MPO Grant</u>	<u>Motel Tax</u>	<u>Forfeiture Fund</u>	<u>Office of Justice Grants</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,019,642	\$ -	\$ -
-	1,536	97,215	262,689	144,260	-	-	30,967
-	-	-	-	-	-	101,065	-
-	-	-	-	-	1,955	18	-
<u>12,620</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,390</u>	<u>-</u>	<u>-</u>
<u>12,620</u>	<u>1,536</u>	<u>97,215</u>	<u>262,689</u>	<u>144,260</u>	<u>2,034,987</u>	<u>101,083</u>	<u>30,967</u>
-	-	-	262,689	144,260	-	-	-
-	1,536	137,686	-	-	-	4,444	30,967
<u>363,187</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>279,514</u>	<u>-</u>	<u>-</u>
<u>363,187</u>	<u>1,536</u>	<u>137,686</u>	<u>262,689</u>	<u>144,260</u>	<u>279,514</u>	<u>4,444</u>	<u>30,967</u>
(350,567)	-	(40,471)	-	-	1,755,473	96,639	-
108,359	-	40,471	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,230,000)</u>	<u>-</u>	<u>-</u>
<u>108,359</u>	<u>-</u>	<u>40,471</u>	<u>-</u>	<u>-</u>	<u>(1,230,000)</u>	<u>-</u>	<u>-</u>
(242,208)	-	-	-	-	525,473	96,639	-
<u>352,694</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>813,383</u>	<u>74,202</u>	<u>-</u>
<u>\$ 110,486</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,338,856</u>	<u>\$ 170,841</u>	<u>\$ -</u>

(continued)

CITY OF VICTORIA, TEXAS

NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND

CHANGES IN FUND BALANCE

For the year ended September 30, 2012

	K-9 Unit Program	Victoria Kids Recycle	COPS Hiring Program	Municipal Court Special Revenue	Border Security Program
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	243,787	-	37,663
Fines and forfeitures	-	-	-	51,201	-
Investment income	-	-	-	5	5
Miscellaneous	-	-	-	7,586	-
Total revenues	<u>-</u>	<u>-</u>	<u>243,787</u>	<u>58,792</u>	<u>37,668</u>
EXPENDITURES					
General government	-	-	-	89,355	-
Public safety	-	-	267,922	-	37,668
Culture and recreation	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>267,922</u>	<u>89,355</u>	<u>37,668</u>
Excess (deficiency) of revenues over expenditures	-	-	(24,135)	(30,563)	-
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	24,135	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>24,135</u>	<u>-</u>	<u>-</u>
Change in fund balances	-	-	-	(30,563)	-
Fund balance at beginning of year	-	-	-	96,783	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 66,220</u>	<u>\$ -</u>

<u>F.H.L.B. Grant</u>	<u>Community Development Block Grant</u>	<u>Lightning Arrestor Grant</u>	<u>Homeland Security Grant</u>	<u>Emergency Management</u>	<u>Convention and Visitors Bureau</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,019,642
-	567,944	59,124	164,342	1,178	-	1,638,321
-	-	-	-	-	-	152,266
-	-	-	-	-	14	1,997
<u>259,855</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>145,389</u>	<u>523,167</u>
<u>259,855</u>	<u>567,944</u>	<u>59,124</u>	<u>164,342</u>	<u>1,178</u>	<u>145,403</u>	<u>4,335,393</u>
259,855	567,944	-	-	-	-	1,324,103
-	-	78,832	164,342	94,177	-	1,118,710
-	-	-	-	-	830,908	1,479,799
<u>259,855</u>	<u>567,944</u>	<u>78,832</u>	<u>164,342</u>	<u>94,177</u>	<u>830,908</u>	<u>3,922,612</u>
-	-	(19,708)	-	(92,999)	(685,505)	412,781
-	-	19,708	-	87,951	750,000	1,226,007
-	-	-	-	-	-	(1,230,000)
-	-	19,708	-	87,951	750,000	(3,993)
-	-	-	-	(5,048)	64,495	408,788
-	-	-	-	61,126	215,790	1,613,978
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,078</u>	<u>\$ 280,285</u>	<u>\$ 2,022,766</u>

(concluded)



NONMAJOR CAPITAL PROJECT FUNDS

The City maintains three Capital Project Funds: Capital Construction Fund (3035), the Capital Construction Fund (3036) and the Capital Construction Fund (3037). The purpose of these funds is to account for the acquisition or construction of City facilities, usually accounting for proceeds of bond issues and local sources. These funds are not used to account for projects financed by proprietary funds, trust funds, or Special Revenue Funds. The Capital Construction Fund (3037) is reported as a major fund.

CITY OF VICTORIA, TEXAS
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECT FUNDS
COMBINING BALANCE SHEET
September 30, 2012

	Capital Construction Fund (3035)	Capital Construction Fund (3036)	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 192,797	\$ 452,288	\$ 645,085
Receivables (net)			
Other	<u>380,265</u>	<u>-</u>	<u>380,265</u>
Total assets	<u>\$ 573,062</u>	<u>\$ 452,288</u>	<u>\$ 1,025,350</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 31,599	\$ -	\$ 31,599
Due to other funds	<u>366,376</u>	<u>-</u>	<u>366,376</u>
Total liabilities	<u>397,975</u>	<u>-</u>	<u>397,975</u>
Fund balances			
Restricted			
Various capital projects	<u>175,087</u>	<u>452,288</u>	<u>627,375</u>
Total fund balances	<u>175,087</u>	<u>452,288</u>	<u>627,375</u>
Total liabilities and fund balances	<u>\$ 573,062</u>	<u>\$ 452,288</u>	<u>\$ 1,025,350</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, 2012

	Capital Construction Fund (3035)	Capital Construction Fund (3036)	Total
REVENUES			
Intergovernmental	\$ 380,265	\$ -	\$ 380,265
Investment income			
Interest	1,304	4,649	5,953
Miscellaneous	<u>150,000</u>	<u>504,153</u>	<u>654,153</u>
Total revenues	<u>531,569</u>	<u>508,802</u>	<u>1,040,371</u>
EXPENDITURES			
Current			
Highways and streets	-	3,025,984	3,025,984
Capital outlay	<u>1,371,821</u>	<u>-</u>	<u>1,371,821</u>
Total expenditures	<u>1,371,821</u>	<u>3,025,984</u>	<u>4,397,805</u>
Excess (deficiency) of revenues over expenditures	(840,252)	(2,517,182)	(3,357,434)
OTHER FINANCING SOURCES (USES)			
Transfers in	529,416	-	529,416
Transfers out	<u>-</u>	<u>(739,393)</u>	<u>(739,393)</u>
Total other financing sources (uses)	<u>529,416</u>	<u>(739,393)</u>	<u>(209,977)</u>
Change in fund balances	(310,836)	(3,256,575)	(3,567,411)
Fund balances at beginning of year	<u>485,923</u>	<u>3,708,863</u>	<u>4,194,786</u>
Fund balances at end of year	<u>\$ 175,087</u>	<u>\$ 452,288</u>	<u>\$ 627,375</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, 2012
With comparative totals for September 30, 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and cash equivalents	\$ 19,275,582	\$ 15,606,979
Investments	1,010,383	-
Receivables (net)		
Ad valorem taxes (prior years)	1,101,281	1,127,719
Franchise taxes	782,370	700,684
Sales taxes	1,399,781	1,408,885
Ambulance	1,843,913	1,749,004
Fines	345,898	312,303
Other	511,855	615,182
Due from other funds	326,349	1,051,462
Inventory	314,846	315,614
Returned checks	<u>17,337</u>	<u>16,878</u>
Total assets	<u>\$ 26,929,595</u>	<u>\$ 22,904,710</u>
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	\$ 1,264,170	\$ 880,258
Accrued expenditures	1,486,348	1,626,280
Accrued compensated absences	17,544	17,146
Due to other governments	91,051	87,764
Due to other funds	150,456	84,895
Due to component unit	500,000	500,000
Deferred revenue	<u>4,297,116</u>	<u>3,480,068</u>
Total liabilities	<u>7,806,685</u>	<u>6,676,411</u>
Fund balances		
Nonspendable		
Inventory	314,846	315,614
Committed	1,961,362	1,570,456
Unassigned, as restated	<u>16,846,702</u>	<u>13,304,685</u>
Total fund balances	<u>19,122,910</u>	<u>15,190,755</u>
Total liabilities and fund balances	<u>\$ 26,929,595</u>	<u>\$ 21,867,166</u>

CITY OF VICTORIA, TEXAS
MAJOR GOVERNMENTAL FUNDS - GENERAL FUND
SCHEDULE OF REVENUES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended September 30, 2012
With comparative totals for the year ended September 30, 2011

	2012			2011 Actual
	Final Budget	Actual	Variance Positive (Negative)	
Taxes				
Ad valorem taxes	\$ 13,377,537	\$ 13,523,220	\$ 145,683	\$ 13,117,998
Penalty and interest	215,000	236,838	21,838	234,705
Franchise tax	4,778,440	4,981,674	203,234	4,761,009
Sales tax	14,764,000	17,533,000	2,769,000	14,768,729
Other	61,000	71,451	10,451	62,732
Total taxes	33,195,977	36,346,183	3,150,206	32,945,173
Licenses and permits				
Building	130,000	246,771	116,771	162,092
Electrical	32,060	81,472	49,412	46,072
Mechanical	25,000	63,424	38,424	29,173
Liquor	165,000	186,019	21,019	178,713
Plumbing	30,000	56,799	26,799	40,159
Vital statistics	148,000	130,455	(17,545)	135,886
Miscellaneous	94,415	77,110	(17,305)	62,734
Total licenses and permits	624,475	842,050	217,575	654,829
Intergovernmental	2,437,582	2,267,561	(170,021)	2,279,670
Charges for services				
Ambulance	1,710,000	1,843,913	133,913	1,748,944
Victoria Public Library	50,000	68,241	18,241	63,091
Parks and recreation	84,000	129,752	45,752	116,717
Miscellaneous	121,310	219,131	97,821	179,293
Total charges for services	1,965,310	2,261,037	295,727	2,108,045
Fines and forfeitures				
Court costs	105,000	168,700	63,700	97,205
Criminal and traffic court	700,000	882,436	182,436	678,628
Parking violations	15,000	13,384	(1,616)	11,081
Total fines and forfeitures	820,000	1,064,520	244,520	786,914
Investment income				
Interest	45,000	36,430	(8,570)	41,243
Miscellaneous				
Rents	1,800	2,278	478	1,750
Salvage and asset sales	25,000	25,230	230	22,421
Contributions and miscellaneous	172,791	162,465	(10,326)	231,643
Total miscellaneous	199,591	189,973	(9,618)	255,814
Total revenues	\$ 39,287,935	\$ 43,007,754	\$ 3,719,819	\$ 39,071,688

CITY OF VICTORIA, TEXAS
MAJOR GOVERNMENTAL FUNDS - GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended September 30, 2012
With comparative totals for the year ended September 30, 2011

	2012			2011 Actual
	Final Budget	Actual	Variance Positive (Negative)	
General government				
City manager and council				
Personnel	\$ 518,785	\$ 487,928	\$ 30,857	\$ 593,607
Maintenance and operations	74,169	54,466	19,703	42,935
Capital outlay	1,100	-	1,100	6,450
Total city manager and council	594,054	542,394	51,660	642,992
Legal - city attorney				
Personnel	375,052	358,282	16,770	352,466
Maintenance and operations	150,623	121,098	29,525	146,922
Capital outlay	4,741	4,741	-	6,890
Total legal - city attorney	530,416	484,121	46,295	506,278
Finance				
Personnel	441,284	430,440	10,844	394,551
Maintenance and operations	162,685	143,547	19,138	154,683
Capital outlay	25,545	19,771	5,774	689
Total finance	629,514	593,758	35,756	549,923
Municipal court				
Personnel	243,406	237,593	5,813	195,837
Maintenance and operations	84,406	69,757	14,649	77,658
Capital outlay	1,500	1,196	304	-
Total municipal court	329,312	308,546	20,766	273,495
Human resources				
Personnel	297,386	290,871	6,515	286,357
Maintenance and operations	127,172	107,492	19,680	120,703
Capital outlay	1,100	2,863	(1,763)	9,461
Total human resources	425,658	401,226	24,432	416,521

(continued)

CITY OF VICTORIA, TEXAS
MAJOR GOVERNMENTAL FUNDS - GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended September 30, 2012
With comparative totals for the year ended September 30, 2011

	2012		Variance Positive (Negative)	2011 Actual
	Final Budget	Actual		
General government - (continued)				
Planning				
Personnel	\$ 535,144	\$ 508,040	\$ 27,104	\$ 472,667
Maintenance and operations	324,361	306,607	17,754	307,722
Capital outlay	<u>1,850</u>	<u>1,729</u>	<u>121</u>	<u>3,829</u>
Total planning	<u>861,355</u>	<u>816,376</u>	<u>44,979</u>	<u>784,218</u>
Building services				
Personnel	298,357	278,177	20,180	280,826
Maintenance and operations	150,166	131,938	18,228	173,619
Capital outlay	<u>112,600</u>	<u>23,444</u>	<u>89,156</u>	<u>1,108</u>
Total building services	<u>561,123</u>	<u>433,559</u>	<u>127,564</u>	<u>455,553</u>
Custodial services				
Personnel	160,779	159,455	1,324	149,597
Maintenance and operations	<u>34,196</u>	<u>29,145</u>	<u>5,051</u>	<u>28,296</u>
Total custodial services	<u>194,975</u>	<u>188,600</u>	<u>6,375</u>	<u>177,893</u>
City secretary				
Personnel	139,816	140,242	(426)	126,920
Maintenance and operations	112,515	78,881	33,634	53,136
Capital outlay	<u>11,873</u>	<u>11,764</u>	<u>109</u>	<u>1,284</u>
Total city secretary	<u>264,204</u>	<u>230,887</u>	<u>33,317</u>	<u>181,340</u>
Public information office				
Personnel	191,113	185,040	6,073	149,270
Maintenance and operations	64,538	39,075	25,463	38,824
Capital outlay	<u>11,925</u>	<u>9,786</u>	<u>2,139</u>	<u>3,332</u>
Total public information office	<u>267,576</u>	<u>233,901</u>	<u>33,675</u>	<u>191,426</u>
Non-departmental				
Personnel	11,032	18,860	(7,828)	29,613
Maintenance and operations	<u>1,035,622</u>	<u>1,024,233</u>	<u>11,389</u>	<u>1,630,026</u>
Total non-departmental	<u>1,046,654</u>	<u>1,043,093</u>	<u>3,561</u>	<u>1,659,639</u>
Total general government	<u>5,704,841</u>	<u>5,276,461</u>	<u>428,380</u>	<u>5,839,278</u>

(continued)

CITY OF VICTORIA, TEXAS
MAJOR GOVERNMENTAL FUNDS - GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended September 30, 2012
With comparative totals for the year ended September 30, 2011

	2012			2011 Actual
	Final Budget	Actual	Variance Positive (Negative)	
Public safety				
Police				
Personnel	\$ 9,640,770	\$ 9,352,956	\$ 287,814	\$ 8,774,911
Maintenance and operations	1,851,329	1,642,998	208,331	1,617,560
Capital outlay	433,874	240,014	193,860	459,477
Total police	11,925,973	11,235,968	690,005	10,851,948
Fire				
Personnel	8,789,251	8,357,526	431,725	8,511,578
Maintenance and operations	2,042,361	1,976,000	66,361	1,390,604
Capital outlay	898,375	716,301	182,074	1,071,840
Total fire	11,729,987	11,049,827	680,160	10,974,022
Development center/inspections				
Personnel	630,412	580,469	49,943	554,870
Maintenance and operations	178,307	164,051	14,256	161,562
Capital outlay	1,224	2,810	(1,586)	4,032
Total development center/inspections	809,943	747,330	62,613	720,464
Code enforcement				
Personnel	135,640	141,328	(5,688)	125,499
Maintenance and operations	150,528	98,419	52,109	128,789
Capital outlay	6,200	5,973	227	499
Total code enforcement	292,368	245,720	46,648	254,787
Traffic control				
Personnel	433,939	384,812	49,127	395,152
Maintenance and operations	1,432,558	1,361,912	70,646	1,348,079
Capital outlay	9,300	6,917	2,383	13,777
Total traffic control	1,875,797	1,753,641	122,156	1,757,008
Total public safety	26,634,068	25,032,486	1,601,582	24,558,229

(continued)

CITY OF VICTORIA, TEXAS
MAJOR GOVERNMENTAL FUNDS - GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended September 30, 2012
With comparative totals for the year ended September 30, 2011

	2012			2011 Actual
	Final Budget	Actual	Variance Positive (Negative)	
Highways and streets				
Engineering				
Personnel	\$ 707,322	\$ 687,067	\$ 20,255	\$ 667,954
Maintenance and operations	170,503	151,190	19,313	141,018
Capital outlay	3,010	2,889	121	-
Total engineering	880,835	841,146	39,689	808,972
Streets and drainage				
Personnel	1,457,688	1,307,960	149,728	1,269,777
Maintenance and operations	1,493,145	1,242,482	250,663	1,093,195
Capital outlay	4,229,802	2,542,909	1,686,893	993,838
Total streets and drainage	7,180,635	5,093,351	2,087,284	3,356,810
Total highways and streets	8,061,470	5,934,497	2,126,973	4,165,782
Culture and recreation				
Parks and recreation				
Personnel	1,723,831	1,533,615	190,216	1,478,909
Maintenance and operations	1,626,852	1,363,713	263,139	1,079,859
Capital outlay	213,010	201,986	11,024	170,934
Total parks and recreation	3,563,693	3,099,314	464,379	2,729,702
Public library				
Personnel	1,267,524	1,208,766	58,758	1,135,443
Maintenance and operations	453,569	425,247	28,322	405,956
Capital outlay	383,571	351,737	31,834	282,984
Total public library	2,104,664	1,985,750	118,914	1,824,383
Total culture and recreation	5,668,357	5,085,064	583,293	4,554,085
Total expenditures	\$ 46,068,736	\$ 41,328,508	\$ 4,740,228	\$ 39,117,374

(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:

2003 Residential Street and Arterial Street Improvement Issue - To accumulate monies for payment of the 2003 \$5,325,000 3.35% - 4.35% Certificates of Obligation, 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. Proceeds to be used to make street improvements and to pay for professional services related to the issuance of the Certificates.

2004 General Obligation Refunding Issue - To accumulate monies for payment of the 2004 advance refunding issue of \$9,915,000 1.70% - 4.35% Refunding General Obligation Bonds which are serial bonds due in annual installments of various amounts plus interest until maturity in 2021. Property tax is levied to finance debt service. The \$9,915,000 from the proceeds was deposited into an escrow account to pay off the maturities of the 1999 Certificates of Obligation and the 2000 General Obligation Bonds as they become due. Property taxes levied in excess of actual requirements are legally restricted to servicing this debt.

2005 General Obligation Refunding Issue - To accumulate monies for payment of the 2005 advance refunding issue of \$12,330,000 3.00% - 4.20% Refunding General Obligation Bonds which are serial bonds due in annual installments of various amounts plus interest until maturity in 2023. Property tax is levied to finance debt service. The \$12,330,000 from the proceeds was deposited into an escrow account to pay off the maturities of the 2000 General Obligation Bonds and the 2001 General Obligation Bonds as they become due. Property taxes levied in excess of actual requirements are legally restricted to servicing this debt.

2005 Streets, Drainage, Traffic Control, Water and Sewer Line Improvements, and Rights-of-Way Issue - To accumulate monies for payment of the 2005 \$14,120,000 3.00% - 5.00% Certificates of Obligation, which are serial bonds due in annual installments of various amounts plus interest until maturity in 2026. Property tax is levied to finance debt service. Proceeds from the sale of the Certificates will be used (1) to construct improvements and extensions to the City's waterworks and sewer systems, (2) construct street and drainage improvements, (3) acquire and install traffic controls, (4) acquire rights-of-way for the Lone Tree Street Project and Laurent Street Project, (5) pay legal, fiscal, and engineering fees in connection with the above projects, and (6) pay other costs related to the issuance of the Certificates.

2006 Streets, Sidewalk, Drainage, Traffic Control, Water and Sewer Line Improvements, and Rights-of-Way Issue - To accumulate monies for payment of the 2006 \$9,880,000 3.875% - 4.50% Certificates of Obligation, which are serial bonds due in annual installments of various amounts plus interest until maturity in 2026. Property tax is levied to finance debt service. Proceeds from the sale of the Certificates will be used (1) to construct improvements and extensions to the City's waterworks and sewer systems, (2) construct street, sidewalk, and drainage improvements, (3) acquire and install traffic controls, (4) acquire rights-of-way for the Laurent Street Project, and (5) pay for professional services rendered by engineers, attorneys, and financial advisors in connection with the above projects and the Certificates.

DEBT SERVICE FUND - (Continued)

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.

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.

DEBT SERVICE FUND - (Continued)

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.

CITY OF VICTORIA, TEXAS
MAJOR GOVERNMENTAL FUNDS - DEBT SERVICE FUND
BALANCE SHEET
September 30, 2012
With comparative totals for September 30, 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and cash equivalents	\$ 891,202	\$ 994,635
Receivables (net)		
Ad valorem taxes (prior years)	440,614	453,372
Due from other funds	<u>86,250</u>	<u>-</u>
Total assets	<u>\$ 1,418,066</u>	<u>\$ 1,448,007</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accrued interest payable	\$ -	\$ 41,241
Deferred revenue	<u>440,614</u>	<u>453,372</u>
Total liabilities	<u>440,614</u>	<u>494,613</u>
Fund balance		
Restricted	<u>977,452</u>	<u>953,394</u>
Total liabilities and fund balance	<u>\$ 1,418,066</u>	<u>\$ 1,448,007</u>

CITY OF VICTORIA, TEXAS

MAJOR GOVERNMENTAL FUNDS - DEBT SERVICE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET (GAAP BASIS) AND ACTUAL

For the year ended September 30, 2012

With comparative totals for the year ended September 30, 2011

	2012		Variance Positive (Negative)	2011 Actual
	Final Budget	Actual		
REVENUES				
Taxes				
Ad valorem - current				
2001 Issue	\$ -	\$ -	\$ -	\$ 1,062,651
2003 Issue	423,395	423,503	108	392,639
2004 Issue	772,264	771,717	(547)	708,277
2005 Issues	2,362,844	2,360,035	(2,809)	2,197,366
2006 Issue	740,618	739,864	(754)	690,916
2007 Issue	853,366	852,074	(1,292)	393,293
2009 Issues	1,101,373	1,099,660	(1,713)	1,634,647
2010 Issue	993,482	992,518	(964)	-
Ad valorem - delinquent	125,000	176,096	51,096	157,660
Intergovernmental	453,900	453,901	1	453,901
Investment income - interest	6,000	12,036	6,036	5,756
Total revenues	<u>7,832,242</u>	<u>7,881,404</u>	<u>49,162</u>	<u>7,697,106</u>
EXPENDITURES				
Debt service				
Principal retirement				
2001 Issue	-	-	-	725,000
2003 Issue	275,000	275,000	-	265,000
2004 Issue	455,000	455,000	-	430,000
2005 Issues	1,425,000	1,425,000	-	1,380,000
2006 Issue	410,000	410,000	-	395,000
2007 Issue	440,000	440,000	-	-
2009 Issues	205,000	205,000	-	415,000
2010 Issue	745,000	745,000	-	105,000
2012 Issues	-	35,000	(35,000)	-
Interest				
2001 Issue	-	-	-	36,250
2003 Issue	158,003	83,676	74,327	167,013
2004 Issue	334,789	334,789	-	349,301
2005 Issues	991,464	991,464	-	1,037,714
2006 Issue	347,425	347,425	-	365,200
2007 Issue	432,731	432,731	-	432,731
2009 Issues	1,375,266	1,375,266	-	1,383,566
2010 Issue	271,026	271,025	1	265,538
2011 Issue	489,140	447,898	41,242	-
2012 Issues	-	55,799	(55,799)	-
Paying agents' fees and issue costs	13,300	123,167	(109,867)	15,525
Total expenditures	<u>8,368,144</u>	<u>8,453,240</u>	<u>(85,096)</u>	<u>7,767,838</u>
Excess (deficiency) of revenues over expenditures	(535,902)	(571,836)	(35,934)	(70,732)
OTHER FINANCING SOURCES (USES)				
Bonds issued	-	3,910,000	3,910,000	-
Premium on issuance of bonds	-	63,945	63,945	-
Payment to escrow	-	(3,867,191)	(3,867,191)	-
Transfer in	489,140	489,140	-	-
Total other financing sources (uses)	<u>489,140</u>	<u>595,894</u>	<u>106,754</u>	<u>-</u>
Changes in fund balance	(46,762)	24,058	70,820	(70,732)
Fund balance at beginning of year	953,394	953,394	-	1,024,126
Fund balance at end of year	<u>\$ 906,632</u>	<u>\$ 977,452</u>	<u>\$ 70,820</u>	<u>\$ 953,394</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, 2012

With comparative totals for the year ended September 30, 2011

	2012		Variance Positive (Negative)	2011 Actual
	Final Budget	Actual		
REVENUES				
Intergovernmental	\$ 500,000	\$ 380,265	\$ (119,735)	\$ -
Investment income				
Interest	-	1,304	1,304	534
Miscellaneous	150,000	150,000	-	48,527
Total revenues	<u>650,000</u>	<u>531,569</u>	<u>(118,431)</u>	<u>49,061</u>
EXPENDITURES				
Capital outlay	1,485,339	1,371,821	113,518	171,355
Excess (deficiency) of revenues over expenditures	(835,339)	(840,252)	(4,913)	(122,294)
OTHER FINANCING SOURCES (USES)				
Transfers in	349,416	529,416	180,000	608,217
Total other financing sources (uses)	<u>349,416</u>	<u>529,416</u>	<u>180,000</u>	<u>608,217</u>
Change in fund balance	(485,923)	(310,836)	175,087	485,923
Fund balance at beginning of year	485,923	485,923	-	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ 175,087</u>	<u>\$ 175,087</u>	<u>\$ 485,923</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, 2012

With comparative totals for the year ended September 30, 2011

	2012		Variance Positive (Negative)	2011 Actual
	Final Budget	Actual		
REVENUES				
Investment income				
Interest	\$ 5,000	\$ 4,649	\$ (351)	\$ 7,641
Miscellaneous	2,503,073	504,153	(1,998,920)	250,000
Total revenues	<u>2,508,073</u>	<u>508,802</u>	<u>(1,999,271)</u>	<u>257,641</u>
EXPENDITURES				
Current				
Highways and streets	3,025,985	3,025,984	1	12,867,785
Capital outlay	250,000	-	250,000	-
Debt service				
Bond issue costs	-	-	-	188,284
Total expenditures	<u>3,275,985</u>	<u>3,025,984</u>	<u>250,001</u>	<u>13,056,069</u>
Excess (deficiency) of revenues over expenditures	(767,912)	(2,517,182)	(1,749,270)	(12,798,428)
OTHER FINANCING SOURCES (USES)				
Bonds issued	-	-	-	9,740,000
Premium on issuance of bonds	-	-	-	97,204
Transfers in	-	-	-	6,448,657
Transfers out	(739,393)	(739,393)	-	-
Total other financing sources (uses)	<u>(739,393)</u>	<u>(739,393)</u>	<u>-</u>	<u>16,285,861</u>
Change in fund balance	(1,507,305)	(3,256,575)	(1,749,270)	3,487,433
Fund balance at beginning of year	<u>3,708,863</u>	<u>3,708,863</u>	<u>-</u>	<u>221,430</u>
Fund balance at end of year	<u>\$ 2,201,558</u>	<u>\$ 452,288</u>	<u>\$ (1,749,270)</u>	<u>\$ 3,708,863</u>

CITY OF VICTORIA, TEXAS**MAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECT FUNDS****CAPITAL CONSTRUCTION FUND (3037)****SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -****BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended September 30, 2012

With comparative totals for the year ended September 30, 2011

	2012		Variance Positive (Negative)	2011 Actual
	Final Budget	Actual		
REVENUES				
Investment income				
Interest	\$ 17,000	\$ 21,660	\$ 4,660	\$ 57,495
Miscellaneous	4,492,197	103,500	(4,388,697)	2,050,110
Total revenues	<u>4,509,197</u>	<u>125,160</u>	<u>(4,384,037)</u>	<u>2,107,605</u>
EXPENDITURES				
Current				
Highways and streets	174,321	174,321	-	100,335
Capital outlay	20,775,424	11,877,198	8,898,226	18,718,308
Debt service				
Bond issue costs	82,631	82,631	-	-
Total expenditures	<u>21,032,376</u>	<u>12,134,150</u>	<u>8,898,226</u>	<u>18,818,643</u>
Excess (deficiency) of revenues over expenditures	(16,523,179)	(12,008,990)	4,514,189	(16,711,038)
OTHER FINANCING SOURCES (USES)				
Bonds issued	3,810,000	3,810,000	-	-
Premium on issuance of bonds	7,807	7,807	-	-
Transfers in	558,720	-	(558,720)	-
Transfers out	(20,647)	(20,647)	-	(6,448,657)
Total other financing sources (uses)	<u>4,355,880</u>	<u>3,797,160</u>	<u>(558,720)</u>	<u>(6,448,657)</u>
Change in fund balance	(12,167,299)	(8,211,830)	3,955,469	(23,159,695)
Fund balance at beginning of year	11,907,737	11,907,737	-	35,067,432
Fund balance at end of year	<u>\$ (259,562)</u>	<u>\$ 3,695,907</u>	<u>\$ 3,955,469</u>	<u>\$ 11,907,737</u>

NONMAJOR ENTERPRISE FUNDS

The City maintains four Enterprise Funds: Water and Wastewater, Community Center, 700 Main Center, and Environmental Services. The purpose of these funds is to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the City is that the costs (expenses, including depreciation) of providing the services to the general public on a continuing basis be financed or recovered primarily through user charges. Services accounted for in Enterprise Funds are tangible, and therefore it is possible to determine the extent to which they benefit individual service consumers. In addition, Enterprise Funds provide separate accountability for their own debt and debt requirements. The Water and Wastewater and Environmental Services are major funds.

Community Center Fund - This Enterprise Fund was established to account for all transactions generated by operations of the City Community Center. Revenues include usage fees and an annual allocation of motel tax. Expenses include all maintenance and operations costs of the Community Center complex.

700 Main Center Fund - The 700 Main Center Fund was created to account for the revenues and expenses of a large office complex, operated by the City as an enterprise. The building was purchased and renovated by the City primarily to be used as a business incubator center. It is currently leasing space to several City departments and the Victoria Economic Development Corporation.

CITY OF VICTORIA, TEXAS
ALL NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET ASSETS
September 30, 2012

	Community Center	700 Main Center	Total Nonmajor Enterprise Funds
ASSETS			
Current assets			
Cash and cash equivalents	\$ 502,623	\$ 155,188	\$ 657,811
Receivables (net)	-	183	183
Due from other funds	120,000	-	120,000
Returned checks	812	-	812
Restricted assets			
Cash and cash equivalents	<u>1,400,077</u>	<u>-</u>	<u>1,400,077</u>
Total current assets	<u>2,023,512</u>	<u>155,371</u>	<u>2,178,883</u>
Noncurrent assets			
Capital assets			
Land and other assets not being depreciated	175,160	224,598	399,758
Buildings, improvements, and equipment (net)	<u>2,298,388</u>	<u>1,371,521</u>	<u>3,669,909</u>
Total noncurrent assets	<u>2,473,548</u>	<u>1,596,119</u>	<u>4,069,667</u>
Total assets	<u>4,497,060</u>	<u>1,751,490</u>	<u>6,248,550</u>
LIABILITIES			
Current liabilities			
Accounts payable	31,876	18,390	50,266
Accrued expenses	10,803	-	10,803
Accrued compensated absences	382	-	382
Customer deposits	<u>54,085</u>	<u>-</u>	<u>54,085</u>
Total current liabilities	<u>97,146</u>	<u>18,390</u>	<u>115,536</u>
Noncurrent liabilities			
Accrued compensated absences	<u>3,662</u>	<u>-</u>	<u>3,662</u>
Total liabilities	<u>100,808</u>	<u>18,390</u>	<u>119,198</u>
NET ASSETS			
Invested in capital assets	2,473,548	1,596,119	4,069,667
Unrestricted net assets	<u>1,922,704</u>	<u>136,981</u>	<u>2,059,685</u>
Total net assets	<u>\$ 4,396,252</u>	<u>\$ 1,733,100</u>	<u>\$ 6,129,352</u>

CITY OF VICTORIA, TEXAS*ALL NONMAJOR ENTERPRISE FUNDS**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**For the year ended September 30, 2012*

	Community Center	700 Main Center	Total Nonmajor Enterprise Funds
OPERATING REVENUES			
Charges for services	\$ 245,895	\$ 151,636	\$ 397,531
OPERATING EXPENSES			
Personnel	277,177	-	277,177
Materials and supplies	31,963	1,336	33,299
Maintenance	36,117	12,443	48,560
Heat, lights and power	82,734	57,792	140,526
Miscellaneous services	61,319	12,571	73,890
Contractual services	5,536	21,450	26,986
Depreciation	146,120	97,296	243,416
Total operating expenses	<u>640,966</u>	<u>202,888</u>	<u>843,854</u>
Operating income (loss) before nonoperating revenues (expenses) and transfers	(395,071)	(51,252)	(446,323)
NONOPERATING REVENUES (EXPENSES)			
Investment income	4,719	31	4,750
Loss on disposition of capital assets	<u>-</u>	<u>(4,858)</u>	<u>(4,858)</u>
Net nonoperating revenues (expenses)	<u>4,719</u>	<u>(4,827)</u>	<u>(108)</u>
Income before transfers	(390,352)	(56,079)	(446,431)
Transfers			
Transfers in	480,000	-	480,000
Transfers out	<u>(19,800)</u>	<u>(21,617)</u>	<u>(41,417)</u>
Total transfers	<u>460,200</u>	<u>(21,617)</u>	<u>438,583</u>
Change in net assets	69,848	(77,696)	(7,848)
Total net assets at beginning of year	<u>4,326,404</u>	<u>1,810,796</u>	<u>6,137,200</u>
Total net assets at end of year	<u>\$ 4,396,252</u>	<u>\$ 1,733,100</u>	<u>\$ 6,129,352</u>

CITY OF VICTORIA, TEXAS
ALL NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the year ended September 30, 2012

	Community Center	700 Main Center	Total Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 245,895	\$ 151,465	\$ 397,360
Cash paid to suppliers for goods and services	(296,469)	(94,268)	(390,737)
Cash paid to employees for services	(285,702)	-	(285,702)
Net cash provided (used) by operating activities	<u>(336,276)</u>	<u>57,197</u>	<u>(279,079)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Increase (decrease) in customer deposits	14,650	-	14,650
Borrowings from (to) other funds	(64,001)	-	(64,001)
Transfers in from other funds	480,000	-	480,000
Transfers out to other funds	(19,800)	(21,617)	(41,417)
Net cash provided (used) by noncapital financing activities	<u>410,849</u>	<u>(21,617)</u>	<u>389,232</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(279,885)	(33,862)	(313,747)
Net cash provided (used) by capital and related financing activities	<u>(279,885)</u>	<u>(33,862)</u>	<u>(313,747)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	4,719	31	4,750
Net cash provided (used) by investing activities	<u>4,719</u>	<u>31</u>	<u>4,750</u>
Net increase (decrease) in cash and cash equivalents	(200,593)	1,749	(198,844)
Cash and cash equivalents at beginning of year	<u>2,103,293</u>	<u>153,439</u>	<u>2,256,732</u>
Cash and cash equivalents at end of year	<u>\$ 1,902,700</u>	<u>\$ 155,188</u>	<u>\$ 2,057,888</u>

CITY OF VICTORIA, TEXAS
ALL NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the year ended September 30, 2012

	<u>Community Center</u>	<u>700 Main Center</u>	<u>Total Nonmajor Enterprise Funds</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ (395,071)	\$ (51,252)	\$ (446,323)
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation	146,120	97,296	243,416
Changes in assets and liabilities			
(Increase) decrease in other receivables	-	(171)	(171)
Increase (decrease) in accounts payable	(78,800)	11,324	(67,476)
Increase (decrease) in accrued expenses	84	-	84
Increase (decrease) in compensated absences	<u>(8,609)</u>	<u>-</u>	<u>(8,609)</u>
Total adjustments	<u>58,795</u>	<u>108,449</u>	<u>167,244</u>
Net cash provided (used) by operating activities	<u>\$ (336,276)</u>	<u>\$ 57,197</u>	<u>\$ (279,079)</u>



WATER AND WASTEWATER FUND

CITY OF VICTORIA, TEXAS
MAJOR ENTERPRISE FUND
WATER AND WASTEWATER FUND
BALANCE SHEET
September 30, 2012
With comparative totals for September 30, 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 9,524,913	\$ 8,377,873
Receivables (net)		
Accounts	2,194,411	2,556,824
Other	29,463	28,710
Due from other funds	445,208	146,601
Inventory	140,291	117,307
Returned checks	2,121	4,067
Restricted assets		
Cash and cash equivalents	8,667,647	2,409,426
Investments	-	1,499,509
Total current assets	<u>21,004,054</u>	<u>15,140,317</u>
Noncurrent assets		
Capital assets		
Buildings	35,818,882	35,815,581
Water and wastewater distribution system	133,838,125	128,554,640
Improvements other than buildings	1,413,250	1,413,250
Machinery and equipment	<u>2,430,512</u>	<u>2,151,002</u>
Total capital assets	173,500,769	167,934,473
Less accumulated depreciation	<u>77,459,738</u>	<u>72,681,642</u>
Subtotal	96,041,031	95,252,831
Land and water rights	3,178,255	3,178,255
Construction in progress	<u>10,203,322</u>	<u>4,790,035</u>
Net capital assets	<u>109,422,608</u>	<u>103,221,121</u>
Other assets		
Bond issue costs (net)	<u>1,337,820</u>	<u>1,294,533</u>
Total other assets	<u>1,337,820</u>	<u>1,294,533</u>
Total noncurrent assets	<u>110,760,428</u>	<u>104,515,654</u>
Total assets	<u>131,764,482</u>	<u>119,655,971</u>

CITY OF VICTORIA, TEXAS
MAJOR ENTERPRISE FUND
WATER AND WASTEWATER FUND
BALANCE SHEET
September 30, 2012
With comparative totals for September 30, 2011

	<u>2012</u>	<u>2011</u>
LIABILITIES		
Current liabilities		
Accounts payable	\$ 487,714	\$ 384,056
Accounts payable (payable from restricted assets)	1,715,903	470,151
Accrued expenses	184,827	176,787
Accrued compensated absences	17,170	16,217
Due to other funds	19,708	-
Due to component unit	500,000	500,000
Accrued interest payable	1,091,870	1,004,294
Current portion of waterworks and sewer system revenue bonds	<u>4,740,000</u>	<u>4,330,000</u>
Total current liabilities	<u>8,757,192</u>	<u>6,881,505</u>
Noncurrent liabilities		
Waterworks and sewer system revenue bonds (net of current portion)	69,210,000	64,795,000
Deferred financing costs (net of amortization)	1,821,238	1,901,914
Other post employment benefits payable	20,540	20,540
Accrued compensated absences	<u>164,564</u>	<u>157,036</u>
Total noncurrent liabilities	<u>71,216,342</u>	<u>66,874,490</u>
Total liabilities	<u>79,973,534</u>	<u>73,755,995</u>
NET ASSETS		
Invested in capital assets, net of related debt	40,694,575	35,720,522
Unrestricted net assets, as restated	<u>11,096,373</u>	<u>10,179,454</u>
Total net assets	<u>\$ 51,790,948</u>	<u>\$ 45,899,976</u>

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

For the year ended September 30, 2012

With comparative totals for the year ended September 30, 2011

	<u>2012</u>	<u>2011</u>
OPERATING REVENUES		
Water sales	\$ 12,660,912	\$ 12,983,001
Sewer service	10,952,157	10,595,050
Tap and connection fees	317,010	261,060
Miscellaneous	<u>99,017</u>	<u>247,289</u>
Total operating revenues	<u>24,029,096</u>	<u>24,086,400</u>
OPERATING EXPENSES		
Personnel	5,063,489	4,834,231
Materials and supplies	1,365,493	1,282,173
Maintenance	961,401	919,795
Heat, lights, and power	1,454,195	1,506,046
Miscellaneous services	1,301,060	1,385,142
Contractual services	602,663	1,064,214
Computer services	158,877	121,656
Depreciation	<u>4,800,807</u>	<u>4,484,336</u>
Total operating expenses	<u>15,707,985</u>	<u>15,597,593</u>
Operating income (loss) before nonoperating revenues (expenses) and contributions and transfers	8,321,111	8,488,807
NONOPERATING REVENUES (EXPENSES)		
Investment income	33,625	21,968
Interest and fiscal charges	(2,975,818)	(3,017,114)
Loss on disposition of capital assets	<u>(10,430)</u>	<u>(13,523)</u>
Net nonoperating revenues (expenses)	<u>(2,952,623)</u>	<u>(3,008,669)</u>
Income before contributions and transfers	5,368,488	5,480,138
Contributions and transfers		
Capital contributions	2,875,295	3,127,754
Transfers in	20,647	67,672
Transfers out	<u>(2,373,458)</u>	<u>(2,271,000)</u>
Total contributions and transfers	<u>522,484</u>	<u>924,426</u>
Change in net assets	5,890,972	6,404,564
Total net assets at beginning of year, as restated	<u>45,899,976</u>	<u>39,495,412</u>
Total net assets at end of year	<u>\$ 51,790,948</u>	<u>\$ 45,899,976</u>

CITY OF VICTORIA, TEXAS

MAJOR ENTERPRISE FUND

WATER AND WASTEWATER FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2012

With comparative totals for the year ended September 30, 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 24,392,702	\$ 23,420,242
Cash paid to suppliers for goods and services	(5,763,015)	(6,013,262)
Cash paid to employees for services	(5,046,968)	(4,972,527)
Net cash provided (used) by operating activities	<u>13,582,719</u>	<u>12,434,453</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Borrowings from (to) other funds	(278,899)	(183,160)
Borrowings from (to) component unit	-	500,000
Transfers in from other funds	20,647	67,672
Transfers out to other funds	(2,373,458)	(2,271,000)
Net cash provided (used) by noncapital financing activities	<u>(2,631,710)</u>	<u>(1,886,488)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(6,891,677)	(7,368,853)
Proceeds from issuance of revenue bonds	9,155,000	-
Principal paid on revenue bonds	(4,330,000)	(3,915,000)
Interest paid on revenue bonds	(3,012,205)	(3,038,985)
Net cash provided (used) by capital and related financing activities	<u>(5,078,882)</u>	<u>(14,322,838)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	-	(1,197,662)
Proceeds from sales and maturities of investments	1,497,662	-
Investment income	35,472	20,230
Net cash provided (used) by investing activities	<u>1,533,134</u>	<u>(1,177,432)</u>
Net increase (decrease) in cash and cash equivalents	7,405,261	(4,952,305)
Cash and cash equivalents at beginning of year, as restated	<u>10,787,299</u>	<u>15,739,604</u>
Cash and cash equivalents at end of year	<u>\$ 18,192,560</u>	<u>\$ 10,787,299</u>

CITY OF VICTORIA, TEXAS

MAJOR ENTERPRISE FUND

WATER AND WASTEWATER FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2012

With comparative totals for the year ended September 30, 2011

	<u>2012</u>	<u>2011</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 8,321,111	\$ 8,488,807
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	4,800,807	4,484,336
Changes in assets and liabilities		
(Increase) decrease in accounts receivable	362,413	(638,278)
(Increase) decrease in other receivables	(753)	(26,245)
(Increase) decrease in inventory	(22,984)	91,807
(Increase) decrease in returned checks	1,946	(1,635)
(Increase) decrease in deposits	-	82,673
Increase (decrease) in accounts payable	103,658	91,284
Increase (decrease) in accrued expenses	8,040	(152,874)
Increase (decrease) in compensated absences	8,481	(5,962)
Increase (decrease) in other post employment benefits payable	-	20,540
Total adjustments	<u>5,261,608</u>	<u>3,945,646</u>
Net cash provided (used) by operating activities	<u>\$ 13,582,719</u>	<u>\$ 12,434,453</u>

COMMUNITY CENTER FUND

CITY OF VICTORIA, TEXAS
NONMAJOR ENTERPRISE FUND
COMMUNITY CENTER FUND
BALANCE SHEET
September 30, 2012
With comparative totals for September 30, 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 502,623	\$ 1,134,100
Due from other funds	120,000	55,999
Returned checks	812	812
Restricted assets		
Cash and cash equivalents	<u>1,400,077</u>	<u>969,193</u>
Total current assets	<u>2,023,512</u>	<u>2,160,104</u>
Noncurrent assets		
Capital assets		
Buildings	3,891,054	3,624,621
Infrastructure	288,581	288,581
Machinery and equipment	<u>113,179</u>	<u>115,405</u>
Total capital assets	4,292,814	4,028,607
Less accumulated depreciation	<u>1,994,426</u>	<u>1,863,984</u>
Subtotal	2,298,388	2,164,623
Land	<u>175,160</u>	<u>175,160</u>
Net capital assets	<u>2,473,548</u>	<u>2,339,783</u>
Total noncurrent assets	<u>2,473,548</u>	<u>2,339,783</u>
Total assets	<u>4,497,060</u>	<u>4,499,887</u>
LIABILITIES		
Current liabilities		
Accounts payable	31,876	110,676
Accrued expenses	10,803	10,719
Accrued compensated absences	382	1,184
Customer deposits	<u>54,085</u>	<u>39,435</u>
Total current liabilities	<u>97,146</u>	<u>162,014</u>
Noncurrent liabilities		
Accrued compensated absences	<u>3,662</u>	<u>11,469</u>
Total liabilities	<u>100,808</u>	<u>173,483</u>
NET ASSETS		
Invested in capital assets	2,473,548	2,339,783
Unrestricted net assets	<u>1,922,704</u>	<u>1,986,621</u>
Total net assets	<u>\$ 4,396,252</u>	<u>\$ 4,326,404</u>

CITY OF VICTORIA, TEXAS
NONMAJOR ENTERPRISE FUND
COMMUNITY CENTER FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
For the year ended September 30, 2012
With comparative totals for the year ended September 30, 2011

	<u>2012</u>	<u>2011</u>
OPERATING REVENUES		
Rental fees	\$ 244,723	\$ 231,049
Miscellaneous	<u>1,172</u>	<u>9,380</u>
Total operating revenues	<u>245,895</u>	<u>240,429</u>
OPERATING EXPENSES		
Personnel	277,177	281,457
Materials and supplies	31,963	33,927
Maintenance	36,117	22,930
Heat, lights, and power	82,734	75,513
Miscellaneous services	61,319	41,422
Contractual services	5,536	3,259
Depreciation	<u>146,120</u>	<u>112,745</u>
Total operating expenses	<u>640,966</u>	<u>571,253</u>
Operating income (loss) before nonoperating revenues (expenses) and transfers	(395,071)	(330,824)
NONOPERATING REVENUES (EXPENSES)		
Investment income	4,719	3,918
Loss on disposition of capital assets	<u>-</u>	<u>(11,851)</u>
Net nonoperating revenues (expenses)	<u>4,719</u>	<u>(7,933)</u>
Income (loss) before transfers	(390,352)	(338,757)
Transfers		
Transfers in	480,000	330,000
Transfers out	<u>(19,800)</u>	<u>(164,850)</u>
Total transfers	<u>460,200</u>	<u>165,150</u>
Change in net assets	69,848	(173,607)
Total net assets at beginning of year	<u>4,326,404</u>	<u>4,500,011</u>
Total net assets at end of year	<u>\$ 4,396,252</u>	<u>\$ 4,326,404</u>

CITY OF VICTORIA, TEXAS
NONMAJOR ENTERPRISE FUND
COMMUNITY CENTER FUND
STATEMENT OF CASH FLOWS
For the year ended September 30, 2012
With comparative totals for the year ended September 30, 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 245,895	\$ 240,429
Cash paid to suppliers for goods and services	(296,469)	(76,606)
Cash paid to employees for services	(285,702)	(292,416)
Net cash provided (used) by operating activities	<u>(336,276)</u>	<u>(128,593)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Increase (decrease) in customer deposits	14,650	5,100
Borrowings from (to) other funds	(64,001)	(5,673)
Transfers in from other funds	480,000	330,000
Transfers out to other funds	(19,800)	(164,850)
Net cash provided (used) by noncapital financing activities	<u>410,849</u>	<u>164,577</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(279,885)	(201,441)
Net cash provided (used) by capital and related financing activities	<u>(279,885)</u>	<u>(201,441)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	-	600,000
Investment income	4,719	4,185
Net cash provided (used) by investing activities	<u>4,719</u>	<u>604,185</u>
Net increase (decrease) in cash and cash equivalents	(200,593)	438,728
Cash and cash equivalents at beginning of year	<u>2,103,293</u>	<u>1,664,565</u>
Cash and cash equivalents at end of year	<u>\$ 1,902,700</u>	<u>\$ 2,103,293</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (395,071)	\$ (330,824)
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	146,120	112,745
Changes in assets and liabilities		
Increase (decrease) in accounts payable	(78,800)	100,445
Increase (decrease) in accrued expenses	84	(10,095)
Increase (decrease) in compensated absences	(8,609)	(864)
Total adjustments	<u>58,795</u>	<u>202,231</u>
Net cash provided (used) by operating activities	<u>\$ (336,276)</u>	<u>\$ (128,593)</u>

700 MAIN CENTER FUND

CITY OF VICTORIA, TEXAS
NONMAJOR ENTERPRISE FUND
700 MAIN CENTER FUND
BALANCE SHEET
September 30, 2012
With comparative totals for September 30, 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 155,188	\$ 153,439
Receivables (net)		
Other	<u>183</u>	<u>12</u>
Total current assets	<u>155,371</u>	<u>153,451</u>
Noncurrent assets		
Capital assets		
Buildings	2,554,939	2,526,953
Improvements other than buildings	78,216	78,216
Machinery and equipment	<u>113,698</u>	<u>113,698</u>
Total capital assets	2,746,853	2,718,867
Less accumulated depreciation	<u>1,375,332</u>	<u>1,279,054</u>
Subtotal	1,371,521	1,439,813
Land	<u>224,598</u>	<u>224,598</u>
Net capital assets	<u>1,596,119</u>	<u>1,664,411</u>
Total assets	<u>1,751,490</u>	<u>1,817,862</u>
LIABILITIES		
Current liabilities		
Accounts payable	<u>18,390</u>	<u>7,066</u>
NET ASSETS		
Invested in capital assets	1,596,119	1,664,411
Unrestricted net assets	<u>136,981</u>	<u>146,385</u>
Total net assets	<u>\$ 1,733,100</u>	<u>\$ 1,810,796</u>

CITY OF VICTORIA, TEXAS
NONMAJOR ENTERPRISE FUND
700 MAIN CENTER FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
For the year ended September 30, 2012
With comparative totals for the year ended September 30, 2011

	<u>2012</u>	<u>2011</u>
OPERATING REVENUES		
Rental fees	\$ 151,636	\$ 99,194
OPERATING EXPENSES		
Materials and supplies	1,336	2,318
Maintenance	12,443	17,323
Heat, lights, and power	57,792	67,418
Miscellaneous services	12,571	15,390
Contractual services	21,450	20,400
Depreciation	<u>97,296</u>	<u>100,556</u>
Total operating expenses	<u>202,888</u>	<u>223,405</u>
Operating income (loss) before nonoperating revenues (expenses) and transfers	(51,252)	(124,211)
NONOPERATING REVENUES		
Investment income	31	36
Loss on disposition of capital assets	<u>(4,858)</u>	<u>-</u>
Net nonoperating revenues (expenses)	<u>(4,827)</u>	<u>36</u>
Income (loss) before transfers	(56,079)	(124,175)
Transfers		
Transfers out	<u>(21,617)</u>	<u>(21,617)</u>
Total transfers	<u>(21,617)</u>	<u>(21,617)</u>
Change in net assets	(77,696)	(145,792)
Total net assets at beginning of year	<u>1,810,796</u>	<u>1,956,588</u>
Total net assets at end of year	<u>\$ 1,733,100</u>	<u>\$ 1,810,796</u>

CITY OF VICTORIA, TEXAS
NONMAJOR ENTERPRISE FUND
700 MAIN CENTER FUND
STATEMENT OF CASH FLOWS
For the year ended September 30, 2012
With comparative totals for the year ended September 30, 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 151,465	\$ 99,203
Cash paid to suppliers for goods and services	<u>(94,268)</u>	<u>(122,421)</u>
Net cash provided (used) by operating activities	<u>57,197</u>	<u>(23,218)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers out to other funds	<u>(21,617)</u>	<u>(21,617)</u>
Net cash provided (used) by noncapital financing activities	<u>(21,617)</u>	<u>(21,617)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	<u>(33,862)</u>	<u>(8,343)</u>
Net cash provided (used) by capital and related financing activities	<u>(33,862)</u>	<u>(8,343)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	<u>31</u>	<u>36</u>
Net cash provided (used) by investing activities	<u>31</u>	<u>36</u>
Net increase (decrease) in cash and cash equivalents	1,749	(53,142)
Cash and cash equivalents at beginning of year	<u>153,439</u>	<u>206,581</u>
Cash and cash equivalents at end of year	<u><u>\$ 155,188</u></u>	<u><u>\$ 153,439</u></u>

CITY OF VICTORIA, TEXAS
NONMAJOR ENTERPRISE FUND
700 MAIN CENTER FUND
STATEMENT OF CASH FLOWS
For the year ended September 30, 2012
With comparative totals for the year ended September 30, 2011

	<u>2012</u>	<u>2011</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (51,252)	\$ (124,211)
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	97,296	100,556
Changes in assets and liabilities		
(Increase) decrease in other receivables	(171)	9
Increase (decrease) in accounts payable	<u>11,324</u>	<u>428</u>
Total adjustments	<u>108,449</u>	<u>100,993</u>
Net cash provided (used) by operating activities	<u>\$ 57,197</u>	<u>\$ (23,218)</u>



ENVIRONMENTAL SERVICES FUND

CITY OF VICTORIA, TEXAS
MAJOR ENTERPRISE FUND
ENVIRONMENTAL SERVICES FUND
BALANCE SHEET
September 30, 2012
With comparative totals for September 30, 2011

	2012	2011
ASSETS		
Current assets		
Cash and cash equivalents	\$ 3,418,285	\$ 2,698,734
Receivables (net)		
Accounts	237,716	211,436
Other	55,599	103,251
Due from other funds	-	31,040
Restricted assets		
Cash and cash equivalents	<u>5,224,829</u>	<u>5,075,063</u>
Total current assets	<u>8,936,429</u>	<u>8,119,524</u>
Noncurrent assets		
Capital assets		
Buildings	155,352	120,012
Infrastructure	1,504,801	1,504,801
Improvements other than buildings	561,623	561,623
Machinery and equipment	<u>1,387,373</u>	<u>1,367,091</u>
Total capital assets	3,609,149	3,553,527
Less accumulated depreciation	<u>1,739,825</u>	<u>1,421,149</u>
Subtotal	1,869,324	2,132,378
Land	<u>799,931</u>	<u>799,931</u>
Net capital assets	<u>2,669,255</u>	<u>2,932,309</u>
Total noncurrent assets	<u>2,669,255</u>	<u>2,932,309</u>
Total assets	<u>11,605,684</u>	<u>11,051,833</u>
LIABILITIES		
Current liabilities		
Accounts payable	71,019	62,356
Accrued expenses	48,480	42,852
Accrued compensated absences	4,737	4,172
Due to other governments	53,219	30,718
Due to component unit	<u>23,211</u>	<u>22,127</u>
Total current liabilities	<u>200,666</u>	<u>162,225</u>
Noncurrent liabilities		
Accrued compensated absences	45,402	40,398
Other post employment benefits payable	4,979	4,979
Estimated landfill closure and postclosure care cost	<u>3,192,652</u>	<u>3,087,456</u>
Total noncurrent liabilities	<u>3,243,033</u>	<u>3,132,833</u>
Total liabilities	<u>3,443,699</u>	<u>3,295,058</u>
NET ASSETS		
Invested in capital assets	2,669,255	2,932,309
Unrestricted net assets, as restated	<u>5,492,730</u>	<u>4,824,466</u>
Total net assets	<u>\$ 8,161,985</u>	<u>\$ 7,756,775</u>

CITY OF VICTORIA, TEXAS

MAJOR ENTERPRISE FUND

ENVIRONMENTAL SERVICES FUND

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

For the year ended September 30, 2012

With comparative totals for the year ended September 30, 2011

	<u>2012</u>	<u>2011</u>
OPERATING REVENUES		
Garbage fees	\$ 3,287,269	\$ 3,263,663
Other garbage fees	973,528	950,416
Miscellaneous	<u>538,885</u>	<u>248,915</u>
Total operating revenues	<u>4,799,682</u>	<u>4,462,994</u>
OPERATING EXPENSES		
Personnel	1,250,575	1,144,687
Materials and supplies	308,828	272,160
Maintenance	12,334	2,698
Heat, lights and power	16,141	19,011
Miscellaneous services	835,089	605,441
Contractual services	223,377	35,302
Computer services	48,082	28,565
Tipping fees	730,910	707,744
Landfill closure and postclosure care cost	105,196	105,196
Depreciation	<u>318,676</u>	<u>299,094</u>
Total operating expenses	<u>3,849,208</u>	<u>3,219,898</u>
Operating income (loss) before nonoperating revenues (expenses) and transfers	950,474	1,243,096
NONOPERATING REVENUES (EXPENSES)		
Investment income	<u>22,048</u>	<u>17,792</u>
Net nonoperating revenues (expenses)	<u>22,048</u>	<u>17,792</u>
Income before transfers	972,522	1,260,888
Transfers		
Transfers in	-	40,428
Transfers out	<u>(567,312)</u>	<u>(506,300)</u>
Total transfers	<u>(567,312)</u>	<u>(465,872)</u>
Change in net assets	405,210	795,016
Total net assets at beginning of year, as restated	<u>7,756,775</u>	<u>6,961,759</u>
Total net assets at end of year	<u>\$ 8,161,985</u>	<u>\$ 7,756,775</u>

CITY OF VICTORIA, TEXAS

MAJOR ENTERPRISE FUND

ENVIRONMENTAL SERVICES FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2012

With comparative totals for the year ended September 30, 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 4,821,054	\$ 4,455,470
Cash paid to suppliers for goods and services	(2,143,597)	(1,873,874)
Cash paid to employees for services	<u>(1,239,378)</u>	<u>(1,202,118)</u>
Net cash provided (used) by operating activities	<u>1,438,079</u>	<u>1,379,478</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Borrowings from (to) other funds	31,040	(15,273)
Borrowings from (to) component unit	1,084	-
Transfers in from other funds	-	40,428
Transfers out to other funds	<u>(567,312)</u>	<u>(506,300)</u>
Net cash provided (used) by noncapital financing activities	<u>(535,188)</u>	<u>(481,145)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	<u>(55,622)</u>	<u>(108,913)</u>
Net cash provided (used) by capital and related financing activities	<u>(55,622)</u>	<u>(108,913)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	-	2,700,000
Investment income	<u>22,048</u>	<u>18,993</u>
Net cash provided (used) by investing activities	<u>22,048</u>	<u>2,718,993</u>
Net increase (decrease) in cash and cash equivalents	869,317	3,508,413
Cash and cash equivalents at beginning of year, as restated	<u>7,773,797</u>	<u>4,265,384</u>
Cash and cash equivalents at end of year	<u>\$ 8,643,114</u>	<u>\$ 7,773,797</u>

CITY OF VICTORIA, TEXAS
MAJOR ENTERPRISE FUND
ENVIRONMENTAL SERVICES FUND
STATEMENT OF CASH FLOWS
For the year ended September 30, 2012
With comparative totals for the year ended September 30, 2011

	<u>2012</u>	<u>2011</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 950,474	\$ 1,243,096
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	318,676	299,094
Changes in assets and liabilities		
(Increase) decrease in accounts receivable	(26,280)	(10,893)
(Increase) decrease in other receivables	47,652	3,369
Increase (decrease) in accounts payable	8,663	(137,169)
Increase (decrease) in due to other governments	22,501	(65,784)
Increase (decrease) in accrued expenses	5,628	(54,986)
Increase (decrease) in compensated absences	5,569	(7,424)
Increase (decrease) in other post employment benefits payable	-	4,979
Increase (decrease) in landfill closure and postclosure care cost	<u>105,196</u>	<u>105,196</u>
Total adjustments	<u>487,605</u>	<u>136,382</u>
Net cash provided (used) by operating activities	<u>\$ 1,438,079</u>	<u>\$ 1,379,478</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 ASSETS
September 30, 2012

	<u>V.E.S.</u>	<u>Information Technology</u>	<u>Communications</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 683,757	\$ 380,291	\$ 16,834
Receivables (net)			
Other	94,467	-	128,129
Inventory	149,709	-	-
Restricted assets			
Cash and cash equivalents	-	-	-
Total current assets	<u>927,933</u>	<u>380,291</u>	<u>144,963</u>
Noncurrent assets			
Capital assets			
Land and other assets not being depreciated	134,007	-	39,168
Buildings, improvements, and equipment (net)	<u>7,184,491</u>	<u>711,294</u>	<u>1,587,889</u>
Total noncurrent assets	<u>7,318,498</u>	<u>711,294</u>	<u>1,627,057</u>
Total assets	<u>8,246,431</u>	<u>1,091,585</u>	<u>1,772,020</u>
LIABILITIES			
Current liabilities			
Accounts payable	137,912	41,169	1,643
Accrued expenses	4,340	24,501	1,979
Accrued compensated absences	6,913	27,950	3,444
Claims payable	-	-	-
Total current liabilities	<u>149,165</u>	<u>93,620</u>	<u>7,066</u>
Total liabilities	<u>149,165</u>	<u>93,620</u>	<u>7,066</u>
NET ASSETS			
Invested in capital assets	7,318,498	711,294	1,627,057
Unrestricted net assets	<u>778,768</u>	<u>286,671</u>	<u>137,897</u>
Total net assets	<u>\$ 8,097,266</u>	<u>\$ 997,965</u>	<u>\$ 1,764,954</u>

<u>Purchasing</u>	<u>Safety Management</u>	<u>Workers' Compensation</u>	<u>Print Shop</u>	<u>Employee Health Plan</u>	<u>Total</u>
\$ 120,711	\$ 299,386	\$ 517,072	\$ 108,228	\$ 6,355,195	\$ 8,481,474
358	-	-	2,794	54,474	280,222
84,022	-	-	22,933	-	256,664
-	-	22,000	-	-	22,000
<u>205,091</u>	<u>299,386</u>	<u>539,072</u>	<u>133,955</u>	<u>6,409,669</u>	<u>9,040,360</u>
-	-	-	-	-	173,175
<u>68,339</u>	<u>2,643</u>	<u>-</u>	<u>18,994</u>	<u>-</u>	<u>9,573,650</u>
<u>68,339</u>	<u>2,643</u>	<u>-</u>	<u>18,994</u>	<u>-</u>	<u>9,746,825</u>
<u>273,430</u>	<u>302,029</u>	<u>539,072</u>	<u>152,949</u>	<u>6,409,669</u>	<u>18,787,185</u>
7,003	1,347	21,241	4,670	4,285	219,270
5,970	3,816	-	3,552	-	44,158
9,729	4,275	-	3,928	-	56,239
-	-	338,390	-	275,954	614,344
<u>22,702</u>	<u>9,438</u>	<u>359,631</u>	<u>12,150</u>	<u>280,239</u>	<u>934,011</u>
<u>22,702</u>	<u>9,438</u>	<u>359,631</u>	<u>12,150</u>	<u>280,239</u>	<u>934,011</u>
68,339	2,643	-	18,994	-	9,746,825
<u>182,389</u>	<u>289,948</u>	<u>179,441</u>	<u>121,805</u>	<u>6,129,430</u>	<u>8,106,349</u>
<u>\$ 250,728</u>	<u>\$ 292,591</u>	<u>\$ 179,441</u>	<u>\$ 140,799</u>	<u>\$ 6,129,430</u>	<u>\$ 17,853,174</u>

CITY OF VICTORIA, TEXAS*INTERNAL SERVICE FUNDS**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN**FUND NET ASSETS**For the year ended September 30, 2012*

	<u>V.E.S.</u>	<u>Information Technology</u>	<u>Communications</u>
OPERATING REVENUES			
Charges for services	\$ 5,290,876	\$ 1,278,486	\$ 187,230
Miscellaneous	<u>14,216</u>	<u>1,032</u>	<u>-</u>
Total operating revenues	<u>5,305,092</u>	<u>1,279,518</u>	<u>187,230</u>
OPERATING EXPENSES			
Personnel	124,911	633,039	57,975
Materials and supplies	1,784,590	21,680	3,556
Maintenance	16,726	83,565	274,290
Heat, lights, and power	19,841	-	-
Reinsurance premiums	-	-	-
Miscellaneous services	430,985	123,628	31,867
Contractual services	896,073	12,786	-
Computer services	-	-	10,358
Court costs, judgments, and damages	-	-	-
Claims expense	-	-	-
Wellness program	-	-	-
Depreciation	<u>1,390,449</u>	<u>219,694</u>	<u>200,475</u>
Total operating expenses	<u>4,663,575</u>	<u>1,094,392</u>	<u>578,521</u>
Operating income (loss) before nonoperating revenues (expenses) and transfers	641,517	185,126	(391,291)
NONOPERATING REVENUES (EXPENSES)			
Investment income	319	239	63
Loss on disposition of capital assets	<u>(60,130)</u>	<u>-</u>	<u>-</u>
Net nonoperating revenues (expenses)	<u>(59,811)</u>	<u>239</u>	<u>63</u>
Income (loss) before transfers	581,706	185,365	(391,228)
Transfers			
Transfers in	-	-	114,108
Transfers out	<u>-</u>	<u>(140,000)</u>	<u>-</u>
Total transfers	<u>-</u>	<u>(140,000)</u>	<u>114,108</u>
Change in net assets	581,706	45,365	(277,120)
Total net assets at beginning of year, as restated	<u>7,515,560</u>	<u>952,600</u>	<u>2,042,074</u>
Total net assets at end of year	<u>\$ 8,097,266</u>	<u>\$ 997,965</u>	<u>\$ 1,764,954</u>

<u>Purchasing</u>	<u>Safety Management</u>	<u>Workers' Compensation</u>	<u>Print Shop</u>	<u>Employee Health Plan</u>	<u>Total</u>
\$ 171,051	\$ 514,302	\$ 309,982	\$ 148,801	\$ 5,561,244	\$ 13,461,972
<u>4,220</u>	<u>32,870</u>	<u>-</u>	<u>-</u>	<u>20,211</u>	<u>72,549</u>
<u>175,271</u>	<u>547,172</u>	<u>309,982</u>	<u>148,801</u>	<u>5,581,455</u>	<u>13,534,521</u>
170,980	102,289	-	105,073	-	1,194,267
3,849	2,604	-	3,770	-	1,820,049
1,227	-	-	16,006	-	391,814
4,216	-	-	-	-	24,057
-	418,560	-	-	292,112	710,672
11,807	18,570	-	15,248	-	632,105
-	8,754	-	-	293,697	1,211,310
26,286	10,358	-	5,053	-	52,055
-	6,938	-	-	-	6,938
-	-	385,036	-	5,564,615	5,949,651
-	-	-	-	16,219	16,219
<u>10,197</u>	<u>1,505</u>	<u>-</u>	<u>6,288</u>	<u>-</u>	<u>1,828,608</u>
<u>228,562</u>	<u>569,578</u>	<u>385,036</u>	<u>151,438</u>	<u>6,166,643</u>	<u>13,837,745</u>
(53,291)	(22,406)	(75,054)	(2,637)	(585,188)	(303,224)
-	9	196	-	19,140	19,966
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(60,130)</u>
<u>-</u>	<u>9</u>	<u>196</u>	<u>-</u>	<u>19,140</u>	<u>(40,164)</u>
(53,291)	(22,397)	(74,858)	(2,637)	(566,048)	(343,388)
-	-	-	-	-	114,108
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(140,000)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(25,892)</u>
(53,291)	(22,397)	(74,858)	(2,637)	(566,048)	(369,280)
<u>304,019</u>	<u>314,988</u>	<u>254,299</u>	<u>143,436</u>	<u>6,695,478</u>	<u>18,222,454</u>
<u>\$ 250,728</u>	<u>\$ 292,591</u>	<u>\$ 179,441</u>	<u>\$ 140,799</u>	<u>\$ 6,129,430</u>	<u>\$ 17,853,174</u>

CITY OF VICTORIA, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the year ended September 30, 2012

	<u>V.E.S.</u>	<u>Information Technology</u>	<u>Communications</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from other funds	\$ 5,320,592	\$ 1,292,034	\$ 167,613
Cash paid to suppliers for goods and services	(3,154,448)	(219,468)	(318,428)
Cash paid to employees for services	(124,742)	(639,328)	(57,790)
Net cash provided (used) by operating activities	<u>2,041,402</u>	<u>433,238</u>	<u>(208,605)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in from other funds	-	-	114,108
Transfers out to other funds	-	(140,000)	-
Repayments to other funds	-	-	(103,891)
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>(140,000)</u>	<u>10,217</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(2,042,257)	(357,727)	(14,675)
Proceeds from sale of capital assets	84,740	-	-
Net cash provided (used) by capital and related financing activities	<u>(1,957,517)</u>	<u>(357,727)</u>	<u>(14,675)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	319	239	63
Net cash provided (used) by investing activities	<u>319</u>	<u>239</u>	<u>63</u>
Net increase (decrease) in cash and cash equivalents	84,204	(64,250)	(213,000)
Cash and cash equivalents at beginning of year, as restated	<u>599,553</u>	<u>444,541</u>	<u>229,834</u>
Cash and cash equivalents at end of year	<u>\$ 683,757</u>	<u>\$ 380,291</u>	<u>\$ 16,834</u>

<u>Purchasing</u>	<u>Safety Management</u>	<u>Workers' Compensation</u>	<u>Print Shop</u>	<u>Employee Health Plan</u>	<u>Total</u>
\$ 180,400	\$ 549,632	\$ 309,982	\$ 150,442	\$ 5,583,834	\$ 13,554,529
(52,403)	(466,729)	(257,294)	(42,488)	(6,110,529)	(10,621,787)
<u>(170,181)</u>	<u>(100,938)</u>	<u>-</u>	<u>(104,332)</u>	<u>-</u>	<u>(1,197,311)</u>
<u>(42,184)</u>	<u>(18,035)</u>	<u>52,688</u>	<u>3,622</u>	<u>(526,695)</u>	<u>1,735,431</u>
-	-	-	-	-	114,108
-	-	-	-	-	(140,000)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(818,708)</u>	<u>(922,599)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(818,708)</u>	<u>(948,491)</u>
-	(1,350)	-	(4,195)	-	(2,420,204)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>84,740</u>
<u>-</u>	<u>(1,350)</u>	<u>-</u>	<u>(4,195)</u>	<u>-</u>	<u>(2,335,464)</u>
<u>-</u>	<u>9</u>	<u>196</u>	<u>-</u>	<u>19,140</u>	<u>19,966</u>
<u>-</u>	<u>9</u>	<u>196</u>	<u>-</u>	<u>19,140</u>	<u>19,966</u>
(42,184)	(19,376)	52,884	(573)	(1,326,263)	(1,528,558)
<u>162,895</u>	<u>318,762</u>	<u>486,188</u>	<u>108,801</u>	<u>7,681,458</u>	<u>10,032,032</u>
<u>\$ 120,711</u>	<u>\$ 299,386</u>	<u>\$ 539,072</u>	<u>\$ 108,228</u>	<u>\$ 6,355,195</u>	<u>\$ 8,503,474</u>

(continued)

CITY OF VICTORIA, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the year ended September 30, 2012

	<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)	\$ 641,517	\$ 185,126	\$ (391,291)
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation	1,390,449	219,694	200,475
Changes in assets and liabilities			
(Increase) decrease in other receivables	10,743	-	(20,803)
(Increase) decrease in due from other funds	4,757	12,516	1,186
(Increase) decrease in returned checks	-	-	-
(Increase) decrease in inventory	(43,921)	-	-
Increase (decrease) in accounts payable	37,688	22,191	1,643
Increase (decrease) in accrued expenses	127	500	85
Increase (decrease) in compensated absences	42	(6,789)	100
Increase (decrease) in claims payable	-	-	-
Total adjustments	<u>1,399,885</u>	<u>248,112</u>	<u>182,686</u>
Net cash provided (used) by operating activities	<u>\$ 2,041,402</u>	<u>\$ 433,238</u>	<u>\$ (208,605)</u>

<u>Purchasing</u>	<u>Safety Management</u>	<u>Workers' Compensation</u>	<u>Print Shop</u>	<u>Employee Health Plan</u>	<u>Total</u>
\$ (53,291)	\$ (22,406)	\$ (75,054)	\$ (2,637)	\$ (585,188)	\$ (303,224)
10,197	1,505	-	6,288	-	1,828,608
(194)	111	-	(2,086)	2,166	(10,063)
5,323	2,349	-	3,727	-	29,858
-	-	-	-	213	213
(8,245)	-	-	(5,032)	-	(57,198)
3,227	(945)	6,208	2,621	4,094	76,727
189	861	-	157	-	1,919
610	490	-	584	-	(4,963)
<u>-</u>	<u>-</u>	<u>121,534</u>	<u>-</u>	<u>52,020</u>	<u>173,554</u>
<u>11,107</u>	<u>4,371</u>	<u>127,742</u>	<u>6,259</u>	<u>58,493</u>	<u>2,038,655</u>
<u>\$ (42,184)</u>	<u>\$ (18,035)</u>	<u>\$ 52,688</u>	<u>\$ 3,622</u>	<u>\$ (526,695)</u>	<u>\$ 1,735,431</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, 2012
With comparative totals for September 30, 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 683,757	\$ 599,553
Receivables		
Other	94,467	105,210
Due from other funds	-	4,758
Inventory	<u>149,709</u>	<u>105,788</u>
Total current assets	<u>927,933</u>	<u>815,309</u>
Noncurrent assets		
Capital assets		
Buildings	364,797	364,797
Infrastructure	93,179	93,179
Improvements other than buildings	10,659	10,659
Machinery and equipment	<u>17,068,065</u>	<u>16,193,354</u>
Total capital assets	17,536,700	16,661,989
Less accumulated depreciation	<u>10,352,209</u>	<u>9,984,436</u>
Subtotal	7,184,491	6,677,553
Land	<u>134,007</u>	<u>134,007</u>
Net capital assets	<u>7,318,498</u>	<u>6,811,560</u>
Total assets	<u>8,246,431</u>	<u>7,626,869</u>
LIABILITIES		
Current liabilities		
Accounts payable	137,912	100,225
Accrued expenses	4,340	4,213
Accrued compensated absences	<u>6,913</u>	<u>6,871</u>
Total liabilities	<u>149,165</u>	<u>111,309</u>
NET ASSETS		
Invested in capital assets	7,318,498	6,811,560
Unrestricted net assets	<u>778,768</u>	<u>704,000</u>
Total net assets	<u>\$ 8,097,266</u>	<u>\$ 7,515,560</u>

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

V.E.S. FUND

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

For the year ended September 30, 2012

With comparative totals for the year ended September 30, 2011

	<u>2012</u>	<u>2011</u>
OPERATING REVENUES		
Charges for services	\$ 5,290,876	\$ 4,292,381
Miscellaneous	<u>14,216</u>	<u>105,067</u>
Total operating revenues	<u>5,305,092</u>	<u>4,397,448</u>
OPERATING EXPENSES		
Personnel	124,911	114,277
Materials and supplies	1,784,590	1,725,124
Maintenance	16,726	13,151
Heat, lights, and power	19,841	22,728
Miscellaneous services	430,985	373,669
Contractual services	896,073	893,615
Depreciation	<u>1,390,449</u>	<u>1,216,054</u>
Total operating expenses	<u>4,663,575</u>	<u>4,358,618</u>
Operating income (loss) before nonoperating revenues (expenses)	641,517	38,830
NONOPERATING REVENUES (EXPENSES)		
Investment income	319	374
Loss on disposition of capital assets	<u>(60,130)</u>	<u>(41,520)</u>
Net nonoperating revenues (expenses)	<u>(59,811)</u>	<u>(41,146)</u>
Change in net assets	581,706	(2,316)
Total net assets at beginning of year	<u>7,515,560</u>	<u>7,517,876</u>
Total net assets at end of year	<u>\$ 8,097,266</u>	<u>\$ 7,515,560</u>

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

V.E.S. FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2012

With comparative totals for the year ended September 30, 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from other funds	\$ 5,320,592	\$ 4,358,213
Cash paid to suppliers for goods and services	(3,154,448)	(2,961,574)
Cash paid to employees for services	<u>(124,742)</u>	<u>(117,877)</u>
Net cash provided (used) by operating activities	<u>2,041,402</u>	<u>1,278,762</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Repayments to other funds	<u>-</u>	<u>(990)</u>
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>(990)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(2,042,257)	(1,276,590)
Proceeds from sale of capital assets	<u>84,740</u>	<u>-</u>
Net cash provided (used) by capital and related financing activities	<u>(1,957,517)</u>	<u>(1,276,590)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	<u>319</u>	<u>374</u>
Net increase (decrease) in cash and cash equivalents	84,204	1,556
Cash and cash equivalents at beginning of year	<u>599,553</u>	<u>597,997</u>
Cash and cash equivalents at end of year	<u>\$ 683,757</u>	<u>\$ 599,553</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 641,517	\$ 38,830
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	1,390,449	1,216,054
Changes in assets and liabilities		
(Increase) decrease in other receivables	10,743	(34,477)
(Increase) decrease in due from other funds	4,757	(4,758)
(Increase) decrease in inventory	(43,921)	(16,262)
Increase (decrease) in accounts payable	37,688	82,975
Increase (decrease) in accrued expenses	127	(3,969)
Increase (decrease) in compensated absences	<u>42</u>	<u>369</u>
Total adjustments	<u>1,399,885</u>	<u>1,239,932</u>
Net cash provided (used) by operating activities	<u>\$ 2,041,402</u>	<u>\$ 1,278,762</u>

INFORMATION TECHNOLOGY FUND

CITY OF VICTORIA, TEXAS
INTERNAL SERVICE FUND
INFORMATION TECHNOLOGY FUND
BALANCE SHEET
September 30, 2012
With comparative totals for September 30, 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 380,291	\$ 444,541
Due from other funds	-	12,516
Total current assets	<u>380,291</u>	<u>457,057</u>
Noncurrent assets		
Capital assets		
Machinery and equipment	1,708,583	1,416,592
Total capital assets	1,708,583	1,416,592
Less accumulated depreciation	<u>997,289</u>	<u>843,331</u>
Net capital assets	<u>711,294</u>	<u>573,261</u>
Total assets	<u>1,091,585</u>	<u>1,030,318</u>
LIABILITIES		
Current liabilities		
Accounts payable	41,169	18,978
Accrued expenses	24,501	24,001
Accrued compensated absences	<u>27,950</u>	<u>34,739</u>
Total liabilities	<u>93,620</u>	<u>77,718</u>
NET ASSETS		
Invested in capital assets	711,294	573,261
Unrestricted net assets, as restated	<u>286,671</u>	<u>379,339</u>
Total net assets	<u>\$ 997,965</u>	<u>\$ 952,600</u>

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

INFORMATION TECHNOLOGY FUND

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

For the year ended September 30, 2012

With comparative totals for the year ended September 30, 2011

	<u>2012</u>	<u>2011</u>
OPERATING REVENUES		
Charges for services	\$ 1,278,486	\$ 1,030,881
Miscellaneous	<u>1,032</u>	<u>-</u>
Total operating revenues	<u>1,279,518</u>	<u>1,030,881</u>
OPERATING EXPENSES		
Personnel	633,039	655,556
Materials and supplies	21,680	29,465
Maintenance	83,565	69,038
Miscellaneous services	123,628	98,188
Contractual services	12,786	22,504
Depreciation	<u>219,694</u>	<u>178,158</u>
Total operating expenses	<u>1,094,392</u>	<u>1,052,909</u>
Operating income (loss) before nonoperating revenues (expenses) and transfers	185,126	(22,028)
NONOPERATING REVENUES (EXPENSES)		
Investment income	239	280
Loss on disposition of capital assets	<u>-</u>	<u>(817)</u>
Net nonoperating revenues (expenses)	<u>239</u>	<u>(537)</u>
Income (loss) before transfers	185,365	(22,565)
Transfers		
Transfers out	<u>(140,000)</u>	<u>-</u>
Total transfers	<u>(140,000)</u>	<u>-</u>
Change in net assets	45,365	(22,565)
Total net assets at beginning of year, as restated	<u>952,600</u>	<u>975,165</u>
Total net assets at end of year	<u>\$ 997,965</u>	<u>\$ 952,600</u>

CITY OF VICTORIA, TEXAS
INTERNAL SERVICE FUND
INFORMATION TECHNOLOGY FUND
STATEMENT OF CASH FLOWS
For the year ended September 30, 2012
With comparative totals for the year ended September 30, 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from other funds	\$ 1,292,034	\$ 1,018,365
Cash paid to suppliers for goods and services	(219,468)	(202,772)
Cash paid to employees for services	(639,328)	(687,181)
Net cash provided (used) by operating activities	<u>433,238</u>	<u>128,412</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Repayments to other funds	-	(936)
Transfer out to other funds	(140,000)	-
Net cash provided (used) by noncapital financing activities	<u>(140,000)</u>	<u>(936)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(357,727)	(153,663)
Net cash provided (used) by capital and related financing activities	<u>(357,727)</u>	<u>(153,663)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	239	280
Net cash provided (used) by investing activities	<u>239</u>	<u>280</u>
Net increase (decrease) in cash and cash equivalents	(64,250)	(25,907)
Cash and cash equivalents at beginning of year, as restated	444,541	470,448
Cash and cash equivalents at end of year	<u>\$ 380,291</u>	<u>\$ 444,541</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 185,126	\$ (22,028)
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	219,694	178,158
Changes in assets and liabilities		
(Increase) decrease in due from other funds	12,516	(12,516)
Increase (decrease) in accounts payable	22,191	16,423
Increase (decrease) in accrued expenses	500	(27,425)
Increase (decrease) in compensated absences	(6,789)	(4,200)
Total adjustments	<u>248,112</u>	<u>150,440</u>
Net cash provided (used) by operating activities	<u>\$ 433,238</u>	<u>\$ 128,412</u>

COMMUNICATIONS FUND

CITY OF VICTORIA, TEXAS
INTERNAL SERVICE FUND
COMMUNICATIONS FUND
BALANCE SHEET
September 30, 2012
With comparative totals for September 30, 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 16,834	\$ 229,834
Receivables		
Other	128,129	107,326
Due from other funds	<u>-</u>	<u>1,186</u>
Total current assets	<u>144,963</u>	<u>338,346</u>
Noncurrent assets		
Capital assets		
Buildings	32,623	25,779
Infrastructure	2,501	2,501
Machinery and equipment	<u>3,776,319</u>	<u>3,773,639</u>
Total capital assets	3,811,443	3,801,919
Less accumulated depreciation	<u>2,223,554</u>	<u>2,028,230</u>
Subtotal	1,587,889	1,773,689
Land	<u>39,168</u>	<u>39,168</u>
Net capital assets	<u>1,627,057</u>	<u>1,812,857</u>
Total assets	<u>1,772,020</u>	<u>2,151,203</u>
LIABILITIES		
Current liabilities		
Accounts payable	1,643	-
Accrued expenses	1,979	1,894
Accrued compensated absences	3,444	3,344
Due to other funds	<u>-</u>	<u>103,891</u>
Total liabilities	<u>7,066</u>	<u>109,129</u>
NET ASSETS		
Invested in capital assets	1,627,057	1,812,857
Unrestricted net assets	<u>137,897</u>	<u>229,217</u>
Total net assets	<u>\$ 1,764,954</u>	<u>\$ 2,042,074</u>

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

COMMUNICATIONS FUND

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

For the year ended September 30, 2012

With comparative totals for the year ended September 30, 2011

	<u>2012</u>	<u>2011</u>
OPERATING REVENUES		
Charges for services	\$ 187,230	\$ 283,480
OPERATING EXPENSES		
Personnel	57,975	53,113
Materials and supplies	3,556	10,358
Maintenance	274,290	217,852
Miscellaneous services	31,867	29,435
Computer services	10,358	10,358
Depreciation	<u>200,475</u>	<u>199,483</u>
Total operating expenses	<u>578,521</u>	<u>520,599</u>
Operating income (loss) before nonoperating revenues (expenses) and transfers	(391,291)	(237,119)
NONOPERATING REVENUES (EXPENSES)		
Investment income	63	74
Gain (loss) on disposition of capital assets	<u>-</u>	<u>(398)</u>
Net nonoperating revenues (expenses)	<u>63</u>	<u>(324)</u>
Income (loss) before transfers	<u>(391,228)</u>	<u>(237,443)</u>
Transfers		
Transfers in	<u>114,108</u>	<u>99,751</u>
Change in net assets	(277,120)	(137,692)
Total net assets at beginning of year	<u>2,042,074</u>	<u>2,179,766</u>
Total net assets at end of year	<u>\$ 1,764,954</u>	<u>\$ 2,042,074</u>

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

COMMUNICATIONS FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2012

With comparative totals for the year ended September 30, 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from other funds	\$ 167,613	\$ 187,818
Cash paid to suppliers for goods and services	(318,428)	(269,173)
Cash paid to employees for services	<u>(57,790)</u>	<u>(54,889)</u>
Net cash provided (used) by operating activities	<u>(208,605)</u>	<u>(136,244)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Borrowings from other funds	-	203,642
Repayments to other funds	(103,891)	-
Transfer in from other funds	<u>114,108</u>	<u>-</u>
Net cash provided (used) by noncapital financing activities	<u>10,217</u>	<u>203,642</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	<u>(14,675)</u>	<u>(1,874)</u>
Net cash provided (used) by capital and related financing activities	<u>(14,675)</u>	<u>(1,874)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	<u>63</u>	<u>74</u>
Net cash provided (used) by investing activities	<u>63</u>	<u>74</u>
Net increase (decrease) in cash and cash equivalents	(213,000)	65,598
Cash and cash equivalents at beginning of year	<u>229,834</u>	<u>164,236</u>
Cash and cash equivalents at end of year	<u>\$ 16,834</u>	<u>\$ 229,834</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (391,291)	\$ (237,119)
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	200,475	199,483
Changes in assets and liabilities		
(Increase) decrease in other receivables	(20,803)	(94,476)
(Increase) decrease in due from other funds	1,186	(1,186)
Increase (decrease) in accounts payable	1,643	(1,170)
Increase (decrease) in accrued expenses	85	(1,776)
Increase (decrease) in compensated absences	<u>100</u>	<u>-</u>
Total adjustments	<u>182,686</u>	<u>100,875</u>
Net cash provided (used) by operating activities	<u>\$ (208,605)</u>	<u>\$ (136,244)</u>

PURCHASING FUND

CITY OF VICTORIA, TEXAS
INTERNAL SERVICE FUND
PURCHASING FUND
BALANCE SHEET
September 30, 2012
With comparative totals for September 30, 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 120,711	\$ 162,895
Receivables		
Other	358	164
Due from other funds	-	5,323
Inventory	<u>84,022</u>	<u>75,777</u>
 Total current assets	 <u>205,091</u>	 <u>244,159</u>
 Noncurrent assets		
Capital assets		
Buildings	140,719	140,719
Infrastructure	7,827	7,827
Improvements other than buildings	5,840	5,840
Machinery and equipment	<u>36,595</u>	<u>36,595</u>
Total capital assets	190,981	190,981
Less accumulated depreciation	<u>122,642</u>	<u>112,445</u>
 Net capital assets	 <u>68,339</u>	 <u>78,536</u>
 Total assets	 <u>273,430</u>	 <u>322,695</u>
 LIABILITIES		
Current liabilities		
Accounts payable	7,003	3,776
Accrued expenses	5,970	5,781
Accrued compensated absences	<u>9,729</u>	<u>9,119</u>
 Total liabilities	 <u>22,702</u>	 <u>18,676</u>
 NET ASSETS		
Invested in capital assets	68,339	78,536
Unrestricted net assets	<u>182,389</u>	<u>225,483</u>
 Total net assets	 <u>\$ 250,728</u>	 <u>\$ 304,019</u>

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

PURCHASING FUND

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

For the year ended September 30, 2012

With comparative totals for the year ended September 30, 2011

	<u>2012</u>	<u>2011</u>
OPERATING REVENUES		
Charges for services	\$ 171,051	\$ 170,179
Miscellaneous	<u>4,220</u>	<u>-</u>
Total operating revenues	<u>175,271</u>	<u>170,179</u>
OPERATING EXPENSES		
Personnel	170,980	153,597
Materials and supplies	3,849	7,154
Maintenance	1,227	3,197
Heat, lights, and power	4,216	4,450
Miscellaneous services	11,807	12,093
Contractual services	-	50
Computer services	26,286	26,286
Depreciation	<u>10,197</u>	<u>10,555</u>
Total operating expenses	<u>228,562</u>	<u>217,382</u>
Operating income (loss) before nonoperating revenues (expenses)	(53,291)	(47,203)
NONOPERATING REVENUES (EXPENSES)		
Gain (loss) on disposition of capital assets	<u>-</u>	<u>(973)</u>
Net nonoperating revenues (expenses)	<u>-</u>	<u>(973)</u>
Change in net assets	(53,291)	(48,176)
Total net assets at beginning of year	<u>304,019</u>	<u>352,195</u>
Total net assets at end of year	<u>\$ 250,728</u>	<u>\$ 304,019</u>

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

PURCHASING FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2012

With comparative totals for the year ended September 30, 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from other funds	\$ 180,400	\$ 164,702
Cash paid to suppliers for goods and services	(52,403)	(43,927)
Cash paid to employees for services	<u>(170,181)</u>	<u>(159,306)</u>
Net cash provided (used) by operating activities	<u>(42,184)</u>	<u>(38,531)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Repayments to other funds	<u>-</u>	<u>(1,078)</u>
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>(1,078)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	<u>-</u>	<u>(4,021)</u>
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(4,021)</u>
Net increase (decrease) in cash and cash equivalents	(42,184)	(43,630)
Cash and cash equivalents at beginning of year	<u>162,895</u>	<u>206,525</u>
Cash and cash equivalents at end of year	<u><u>\$ 120,711</u></u>	<u><u>\$ 162,895</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (53,291)	\$ (47,203)
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	10,197	10,555
Changes in assets and liabilities		
(Increase) decrease in other receivables	(194)	(154)
(Increase) decrease in due from other funds	5,323	(5,323)
(Increase) decrease in inventory	(8,245)	8,766
Increase (decrease) in accounts payable	3,227	537
Increase (decrease) in accrued expenses	189	(5,349)
Increase (decrease) in compensated absences	<u>610</u>	<u>(360)</u>
Total adjustments	<u>11,107</u>	<u>8,672</u>
Net cash provided (used) by operating activities	<u><u>\$ (42,184)</u></u>	<u><u>\$ (38,531)</u></u>

SAFETY MANAGEMENT FUND

CITY OF VICTORIA, TEXAS
INTERNAL SERVICE FUND
SAFETY MANAGEMENT FUND
BALANCE SHEET
 September 30, 2012
 With comparative totals for September 30, 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 299,386	\$ 318,762
Receivables		
Other	-	111
Due from other funds	-	2,349
	<u>299,386</u>	<u>321,222</u>
Total current assets		
Noncurrent assets		
Capital assets		
Buildings	973	973
Machinery and equipment	15,540	14,190
Total capital assets	<u>16,513</u>	<u>15,163</u>
Less accumulated depreciation	<u>13,870</u>	<u>12,365</u>
Net capital assets	<u>2,643</u>	<u>2,798</u>
Total assets	<u>302,029</u>	<u>324,020</u>
LIABILITIES		
Current liabilities		
Accounts payable	1,347	2,292
Accrued expenses	3,816	2,955
Accrued compensated absences	<u>4,275</u>	<u>3,785</u>
Total liabilities	<u>9,438</u>	<u>9,032</u>
NET ASSETS		
Invested in capital assets	2,643	2,798
Unrestricted net assets	<u>289,948</u>	<u>312,190</u>
Total net assets	<u>\$ 292,591</u>	<u>\$ 314,988</u>

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

SAFETY MANAGEMENT FUND

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

For the year ended September 30, 2012

With comparative totals for the year ended September 30, 2011

	<u>2012</u>	<u>2011</u>
OPERATING REVENUES		
Charges for services	\$ 514,302	\$ 512,525
Miscellaneous	<u>32,870</u>	<u>111,184</u>
Total operating revenues	<u>547,172</u>	<u>623,709</u>
OPERATING EXPENSES		
Personnel	102,289	92,911
Materials and supplies	2,604	3,134
Reinsurance premiums	418,560	473,597
Miscellaneous services	18,570	13,380
Contractual services	8,754	9,367
Computer services	10,358	10,358
Court costs, judgments, and damages	6,938	4,523
Depreciation	<u>1,505</u>	<u>2,489</u>
Total operating expenses	<u>569,578</u>	<u>609,759</u>
Operating income (loss) before nonoperating revenues (expenses)	(22,406)	13,950
NONOPERATING REVENUES (EXPENSES)		
Investment income	<u>9</u>	<u>10</u>
Net nonoperating revenues (expenses)	<u>9</u>	<u>10</u>
Change in net assets	(22,397)	13,960
Total net assets at beginning of year	<u>314,988</u>	<u>301,028</u>
Total net assets at end of year	<u>\$ 292,591</u>	<u>\$ 314,988</u>

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

SAFETY MANAGEMENT FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2012

With comparative totals for the year ended September 30, 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from other funds	\$ 549,632	\$ 624,775
Cash paid to suppliers for goods and services	(466,729)	(514,231)
Cash paid to employees for services	(100,938)	(98,612)
Net cash provided (used) by operating activities	<u>(18,035)</u>	<u>11,932</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Repayments to other funds	-	(1,919)
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>(1,919)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(1,350)	-
Net cash provided (used) by capital and related financing activities	<u>(1,350)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	9	10
Net cash provided (used) by investing activities	<u>9</u>	<u>10</u>
Net increase (decrease) in cash and cash equivalents	(19,376)	10,023
Cash and cash equivalents at beginning of year	318,762	308,739
Cash and cash equivalents at end of year	<u>\$ 299,386</u>	<u>\$ 318,762</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (22,406)	\$ 13,950
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	1,505	2,489
Changes in assets and liabilities		
(Increase) decrease in other receivables	111	3,415
(Increase) decrease in due from other funds	2,349	(2,349)
Increase (decrease) in accounts payable	(945)	128
Increase (decrease) in accrued expenses	861	(4,165)
Increase (decrease) in compensated absences	490	(1,536)
Total adjustments	<u>4,371</u>	<u>(2,018)</u>
Net cash provided (used) by operating activities	<u>\$ (18,035)</u>	<u>\$ 11,932</u>

WORKERS' COMPENSATION FUND

CITY OF VICTORIA, TEXAS
INTERNAL SERVICE FUND
WORKERS' COMPENSATION FUND
BALANCE SHEET
September 30, 2012
With comparative totals for September 30, 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 517,072	\$ 451,188
Restricted assets		
Cash and cash equivalents	<u>22,000</u>	<u>35,000</u>
Total assets	<u>539,072</u>	<u>486,188</u>
LIABILITIES		
Current liabilities		
Accounts payable	21,241	15,033
Claims payable	<u>338,390</u>	<u>216,856</u>
Total liabilities	<u>359,631</u>	<u>231,889</u>
NET ASSETS		
Unrestricted net assets	<u>179,441</u>	<u>254,299</u>
Total net assets	<u>\$ 179,441</u>	<u>\$ 254,299</u>

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

WORKERS' COMPENSATION FUND

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

For the year ended September 30, 2012

With comparative totals for the year ended September 30, 2011

	<u>2012</u>	<u>2011</u>
OPERATING REVENUES		
Charges for services	\$ 309,982	\$ 309,683
Miscellaneous	<u>-</u>	<u>8,970</u>
Total operating revenues	<u>309,982</u>	<u>318,653</u>
OPERATING EXPENSES		
Claims expense	<u>385,036</u>	<u>257,498</u>
Total operating expenses	<u>385,036</u>	<u>257,498</u>
Operating income (loss) before nonoperating revenues (expenses)	(75,054)	61,155
NONOPERATING REVENUES (EXPENSES)		
Investment income	<u>196</u>	<u>229</u>
Change in net assets	(74,858)	61,384
Total net assets at beginning of year	<u>254,299</u>	<u>192,915</u>
Total net assets at end of year	<u>\$ 179,441</u>	<u>\$ 254,299</u>

CITY OF VICTORIA, TEXAS
INTERNAL SERVICE FUND
WORKERS' COMPENSATION FUND
STATEMENT OF CASH FLOWS
For the year ended September 30, 2012
With comparative totals for the year ended September 30, 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from other funds	\$ 309,982	\$ 318,653
Cash paid to suppliers for goods and services	<u>(257,294)</u>	<u>(199,571)</u>
Net cash provided (used) by operating activities	<u>52,688</u>	<u>119,082</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	<u>196</u>	<u>229</u>
Net cash provided (used) by investing activities	<u>196</u>	<u>229</u>
Net increase (decrease) in cash and cash equivalents	52,884	119,311
Cash and cash equivalents at beginning of year	<u>486,188</u>	<u>366,877</u>
Cash and cash equivalents at end of year	<u>\$ 539,072</u>	<u>\$ 486,188</u>
 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (75,054)	\$ 61,155
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Changes in assets and liabilities		
Increase (decrease) in accounts payable	6,208	9,700
Increase (decrease) in claims payable	<u>121,534</u>	<u>48,227</u>
Total adjustments	<u>127,742</u>	<u>57,927</u>
Net cash provided (used) by operating activities	<u>\$ 52,688</u>	<u>\$ 119,082</u>

PRINT SHOP FUND

CITY OF VICTORIA, TEXAS
INTERNAL SERVICE FUND
PRINT SHOP FUND
BALANCE SHEET
September 30, 2012
With comparative totals for September 30, 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 108,228	\$ 108,801
Receivables		
Other	2,794	708
Due from other funds	-	3,727
Inventory	<u>22,933</u>	<u>17,901</u>
Total current assets	<u>133,955</u>	<u>131,137</u>
Noncurrent assets		
Capital assets		
Machinery and equipment	94,491	90,296
Less accumulated depreciation	<u>75,497</u>	<u>69,209</u>
Net capital assets	<u>18,994</u>	<u>21,087</u>
Total assets	<u>152,949</u>	<u>152,224</u>
LIABILITIES		
Current liabilities		
Accounts payable	4,670	2,049
Accrued expenses	3,552	3,395
Accrued compensated absences	<u>3,928</u>	<u>3,344</u>
Total liabilities	<u>12,150</u>	<u>8,788</u>
NET ASSETS		
Invested in capital assets	18,994	21,087
Unrestricted net assets	<u>121,805</u>	<u>122,349</u>
Total net assets	<u>\$ 140,799</u>	<u>\$ 143,436</u>

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

PRINT SHOP FUND

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

For the year ended September 30, 2012

With comparative totals for the year ended September 30, 2011

	<u>2012</u>	<u>2011</u>
OPERATING REVENUES		
Charges for services	\$ 148,801	\$ 138,046
OPERATING EXPENSES		
Personnel	105,073	81,924
Materials and supplies	3,770	4,251
Maintenance	16,006	4,696
Miscellaneous services	15,248	10,360
Computer services	5,053	5,053
Depreciation	<u>6,288</u>	<u>5,727</u>
Total operating expenses	<u>151,438</u>	<u>112,011</u>
Operating income (loss) before nonoperating revenues (expenses)	(2,637)	26,035
NONOPERATING REVENUES (EXPENSES)	<u>-</u>	<u>-</u>
Change in net assets	(2,637)	26,035
Total net assets at beginning of year	<u>143,436</u>	<u>117,401</u>
Total net assets at end of year	<u>\$ 140,799</u>	<u>\$ 143,436</u>

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

PRINT SHOP FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2012

With comparative totals for the year ended September 30, 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from other funds	\$ 150,442	\$ 134,536
Cash paid to suppliers for goods and services	(42,488)	(21,595)
Cash paid to employees for services	<u>(104,332)</u>	<u>(82,845)</u>
Net cash provided (used) by operating activities	<u>3,622</u>	<u>30,096</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Repayments to other funds	-	<u>(838)</u>
Net cash provided (used) by noncapital financing activities	-	<u>(838)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	<u>(4,195)</u>	-
Net cash provided (used) by capital and related financing activities	<u>(4,195)</u>	-
Net increase (decrease) in cash and cash equivalents	(573)	29,258
Cash and cash equivalents at beginning of year	<u>108,801</u>	<u>79,543</u>
Cash and cash equivalents at end of year	<u>\$ 108,228</u>	<u>\$ 108,801</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (2,637)	\$ 26,035
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	6,288	5,727
Changes in assets and liabilities		
(Increase) decrease in other receivables	(2,086)	217
(Increase) decrease in due from other funds	3,727	(3,727)
(Increase) decrease in inventory	(5,032)	1,443
Increase (decrease) in accounts payable	2,621	1,322
Increase (decrease) in accrued expenses	157	(921)
Increase (decrease) in compensated absences	<u>584</u>	<u>-</u>
Total adjustments	<u>6,259</u>	<u>4,061</u>
Net cash provided (used) by operating activities	<u>\$ 3,622</u>	<u>\$ 30,096</u>

EMPLOYEE HEALTH PLAN FUND

CITY OF VICTORIA, TEXAS
INTERNAL SERVICE FUND
EMPLOYEE HEALTH PLAN FUND
BALANCE SHEET
September 30, 2012
With comparative totals for September 30, 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 6,355,195	\$ 7,681,458
Receivables		
Other	54,474	56,640
Returned checks	<u>-</u>	<u>213</u>
Total assets	<u>6,409,669</u>	<u>7,738,311</u>
LIABILITIES		
Current liabilities		
Accounts payable	4,285	191
Due to other funds	-	818,708
Claims payable	<u>275,954</u>	<u>223,934</u>
Total liabilities	<u>280,239</u>	<u>1,042,833</u>
NET ASSETS		
Unrestricted net assets	<u>6,129,430</u>	<u>6,695,478</u>
Total net assets	<u>\$ 6,129,430</u>	<u>\$ 6,695,478</u>

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

EMPLOYEE HEALTH PLAN FUND

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

For the year ended September 30, 2012

With comparative totals for year ended September 30, 2011

	<u>2012</u>	<u>2011</u>
OPERATING REVENUES		
Charges for services	\$ 5,561,244	\$ 4,810,715
Miscellaneous	<u>20,211</u>	<u>82,701</u>
Total operating revenues	<u>5,581,455</u>	<u>4,893,416</u>
OPERATING EXPENSES		
Reinsurance premiums	292,112	287,142
Contractual services	293,697	266,452
Claims expense	5,564,615	4,031,231
Wellness program	<u>16,219</u>	<u>14,281</u>
Total operating expenses	<u>6,166,643</u>	<u>4,599,106</u>
Operating income (loss) before nonoperating revenues (expenses) and transfers	(585,188)	294,310
NONOPERATING REVENUES (EXPENSES)		
Investment income	<u>19,140</u>	<u>13,600</u>
Net nonoperating revenues (expenses)	<u>19,140</u>	<u>13,600</u>
Income (loss) before transfers	(566,048)	307,910
Transfers		
Transfers out	<u>-</u>	<u>(300,001)</u>
Change in net assets	(566,048)	7,909
Total net assets at beginning of year	<u>6,695,478</u>	<u>6,687,569</u>
Total net assets at end of year	<u>\$ 6,129,430</u>	<u>\$ 6,695,478</u>

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

EMPLOYEE HEALTH PLAN FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2012

With comparative totals for the year ended September 30, 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from other funds	\$ 5,583,834	\$ 5,137,921
Cash paid to suppliers for goods and services	<u>(6,110,529)</u>	<u>(4,588,916)</u>
Net cash provided (used) by operating activities	<u>(526,695)</u>	<u>549,005</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Borrowings from other funds	-	818,708
Repayments to other funds	(818,708)	-
Transfers out to other funds	<u>-</u>	<u>(300,001)</u>
Net cash provided (used) by noncapital financing activities	<u>(818,708)</u>	<u>518,707</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	-	2,500,908
Investment income	<u>19,140</u>	<u>13,600</u>
Net cash provided (used) by investing activities	<u>19,140</u>	<u>2,514,508</u>
Net increase (decrease) in cash and cash equivalents	(1,326,263)	3,582,220
Cash and cash equivalents at beginning of year	<u>7,681,458</u>	<u>4,099,238</u>
Cash and cash equivalents at end of year	<u>\$ 6,355,195</u>	<u>\$ 7,681,458</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (585,188)	\$ 294,310
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Changes in assets and liabilities		
(Increase) decrease in other receivables	2,166	(1,637)
(Increase) decrease in due from other funds	-	246,355
(Increase) decrease in returned checks	213	(213)
Increase (decrease) in accounts payable	4,094	(57)
Increase (decrease) in claims payable	<u>52,020</u>	<u>10,247</u>
Total adjustments	<u>58,493</u>	<u>254,695</u>
Net cash provided (used) by operating activities	<u>\$ (526,695)</u>	<u>\$ 549,005</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, 2012

	<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	\$ 213,988	\$ 29,703	\$ 188,388	\$ 55,303
Total assets	<u>\$ 213,988</u>	<u>\$ 29,703</u>	<u>\$ 188,388</u>	<u>\$ 55,303</u>
Liabilities				
Accounts payable	\$ 1,559	\$ 47,828	\$ 49,227	\$ 160
Due to other agencies	<u>212,429</u>	<u>30,083</u>	<u>187,369</u>	<u>55,143</u>
Total liabilities	<u>\$ 213,988</u>	<u>\$ 77,911</u>	<u>\$ 236,596</u>	<u>\$ 55,303</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.

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These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time	177
Revenue Capacity	
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Debt Capacity	
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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	211
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	213

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

	Fiscal Year			
	2003	2004	2005	2006
Governmental activities				
Invested in capital assets, net of related debt	\$ 34,925,207	\$ 67,795,661	\$ 61,535,936	\$ 68,885,648
Restricted	566,347	896,865	1,270,596	1,173,690
Unrestricted	<u>42,481,342</u>	<u>14,383,907</u>	<u>23,093,045</u>	<u>23,686,971</u>
Total governmental activities net assets	<u>\$ 77,972,896</u>	<u>\$ 83,076,433</u>	<u>\$ 85,899,577</u>	<u>\$ 93,746,309</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ 29,682,614	\$ 29,224,195	\$ 29,115,974	\$ 33,504,794
Unrestricted	<u>16,915,487</u>	<u>16,612,003</u>	<u>16,655,572</u>	<u>15,904,762</u>
Total business-type activities net assets	<u>\$ 46,598,101</u>	<u>\$ 45,836,198</u>	<u>\$ 45,771,546</u>	<u>\$ 49,409,556</u>
Primary Government				
Invested in capital assets, net of related debt	\$ 64,607,821	\$ 97,019,856	\$ 90,651,910	\$ 102,390,442
Restricted	566,347	896,865	1,270,596	1,173,690
Unrestricted	<u>59,396,829</u>	<u>30,995,910</u>	<u>39,748,617</u>	<u>39,591,733</u>
Total primary government activities net assets	<u>\$ 124,570,997</u>	<u>\$ 128,912,631</u>	<u>\$ 131,671,123</u>	<u>\$ 143,155,865</u>

(1) Accrual basis of accounting

NOTE: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

Fiscal Year

2007	2008	2009	2010	2011	2012
\$ 81,674,543	\$ 90,954,312	\$ 103,076,382	\$ 101,134,927	\$ 96,662,568	\$ 92,513,084
1,696,525	1,838,427	1,699,737	3,582,920	4,685,266	2,919,609
<u>22,718,779</u>	<u>24,267,168</u>	<u>25,988,151</u>	<u>26,775,847</u>	<u>19,134,765</u>	<u>21,378,976</u>
<u>\$ 106,089,847</u>	<u>\$ 117,059,907</u>	<u>\$ 130,764,270</u>	<u>\$ 131,493,694</u>	<u>\$ 120,482,599</u>	<u>\$ 116,811,669</u>
\$ 33,129,491	\$ 37,957,306	\$ 37,535,371	\$ 38,241,963	\$ 42,657,025	\$ 47,433,497
12,929,543	12,557,448	16,284,572	14,932,212	17,370,233	18,648,788
<u>\$ 46,059,034</u>	<u>\$ 50,514,754</u>	<u>\$ 53,819,943</u>	<u>\$ 53,174,175</u>	<u>\$ 60,027,258</u>	<u>\$ 66,082,285</u>
\$ 114,804,034	\$ 128,911,618	\$ 140,611,753	\$ 139,376,890	\$ 139,319,593	\$ 139,946,581
1,696,525	1,838,427	1,699,737	3,582,920	4,685,266	2,919,609
<u>35,648,322</u>	<u>36,824,616</u>	<u>42,272,723</u>	<u>41,708,059</u>	<u>36,504,998</u>	<u>40,027,764</u>
<u>\$ 152,148,881</u>	<u>\$ 167,574,661</u>	<u>\$ 184,584,213</u>	<u>\$ 184,667,869</u>	<u>\$ 180,509,857</u>	<u>\$ 182,893,954</u>

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

	Fiscal Year			
	2003	2004	2005	2006
Governmental activities				
Expenses				
General government	\$ 8,305,787	\$ 5,986,540	\$ 7,186,520	\$ 6,938,465
Public safety	18,600,974	19,459,798	20,714,077	21,069,293
Highways and streets	6,744,120	5,380,086	7,102,676	7,043,318
Culture and recreation	4,289,696	4,353,401	4,142,411	4,355,134
Interest on long-term debt	<u>2,253,772</u>	<u>2,509,154</u>	<u>2,116,958</u>	<u>2,697,616</u>
Total expenses	<u>40,194,349</u>	<u>37,688,979</u>	<u>41,262,642</u>	<u>42,103,826</u>
Program revenues				
Charges for services				
General government	1,428,327	1,547,062	1,481,442	1,561,043
Public safety	2,364,456	2,739,814	3,449,535	3,438,132
Highways and streets	14,908	8,893	-	-
Culture and recreation	1,010,925	990,143	1,096,961	1,116,400
Operating grants and contributions	2,303,448	1,011,868	1,646,050	1,484,178
Capital grants and contributions	<u>2,142,336</u>	<u>2,360,407</u>	<u>1,372,520</u>	<u>3,949,167</u>
Total program revenues	<u>9,264,400</u>	<u>8,658,187</u>	<u>9,046,508</u>	<u>11,548,920</u>
Total governmental activities net program (expense) revenue	(30,929,949)	(29,030,792)	(32,216,134)	(30,554,906)
General revenues and other changes in net assets				
Taxes				
Property taxes	14,880,659	14,812,104	15,598,891	16,031,334
Sales taxes	9,322,278	10,183,182	10,954,207	12,223,392
Franchise taxes	4,336,619	4,454,229	4,532,668	4,807,526
Other taxes	763,238	800,767	883,957	993,013
Unrestricted investment earnings	598,859	432,387	821,776	1,924,805
Gain (loss) on disposition of capital assets	145,660	(193,039)	(90,444)	(52,797)
Miscellaneous	508,201	495,876	577,513	707,809
Payments from component units	4,100,000	965,000	-	-
Transfers	<u>2,842,541</u>	<u>2,459,814</u>	<u>2,223,481</u>	<u>2,284,100</u>
Total general revenues and other changes in net assets	<u>37,498,055</u>	<u>34,410,320</u>	<u>35,502,049</u>	<u>38,919,182</u>
Total governmental activities change in net assets	<u>\$ 6,568,106</u>	<u>\$ 5,379,528</u>	<u>\$ 3,285,915</u>	<u>\$ 8,364,276</u>

(1) Accrual basis of accounting

NOTE: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 6,309,381	\$ 6,931,856	\$ 7,644,809	\$ 7,634,811	\$ 8,885,981	\$ 7,882,287
21,011,764	21,735,079	23,007,338	24,156,480	24,668,502	26,018,770
6,536,201	7,823,283	7,914,392	14,827,929	26,226,457	17,974,898
4,567,261	5,103,708	5,127,406	5,358,952	5,579,848	6,366,709
3,045,176	3,292,118	3,200,423	4,562,764	4,187,138	4,465,314
<u>41,469,783</u>	<u>44,886,044</u>	<u>46,894,368</u>	<u>56,540,936</u>	<u>69,547,926</u>	<u>62,707,978</u>
1,500,177	1,984,766	2,559,383	2,411,387	2,571,837	3,086,126
3,462,799	5,061,946	3,830,282	3,549,406	3,720,774	4,055,811
1,764	-	-	-	-	-
1,291,701	199,493	300,970	311,471	375,573	422,205
1,483,014	1,782,897	1,802,260	2,868,795	3,961,041	2,419,230
205,606	4,000,000	10,424,447	3,834,982	2,598,637	1,307,549
<u>7,945,061</u>	<u>13,029,102</u>	<u>18,917,342</u>	<u>12,976,041</u>	<u>13,227,862</u>	<u>11,290,921</u>
(33,524,722)	(31,856,942)	(27,977,026)	(43,564,895)	(56,320,064)	(51,417,057)
17,365,758	18,731,119	19,676,691	20,178,350	20,330,192	20,855,303
13,028,689	13,545,220	13,046,352	11,978,185	14,768,729	17,533,000
4,887,453	4,678,027	4,657,347	4,665,101	4,761,009	4,981,674
1,127,701	1,306,496	1,127,564	1,196,969	1,661,740	2,116,093
2,333,774	2,062,275	792,410	305,323	128,013	98,042
(153,537)	-	-	-	-	-
987,575	577,458	715,111	1,084,532	1,113,342	742,520
-	-	-	-	-	-
<u>6,290,847</u>	<u>1,674,251</u>	<u>1,665,914</u>	<u>4,885,859</u>	<u>2,545,944</u>	<u>2,481,540</u>
<u>45,868,260</u>	<u>42,574,846</u>	<u>41,681,389</u>	<u>44,294,319</u>	<u>45,308,969</u>	<u>48,808,172</u>
<u>\$ 12,343,538</u>	<u>\$ 10,717,904</u>	<u>\$ 13,704,363</u>	<u>\$ 729,424</u>	<u>\$ (11,011,095)</u>	<u>\$ (2,608,885)</u>

(continued)

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

	Fiscal Year			
	2003	2004	2005	2006
Business-type activities				
Expenses				
Water/wastewater	\$ 15,994,172	\$ 16,088,822	\$ 16,490,646	\$ 17,110,109
Environmental services	3,273,698	3,494,557	3,905,166	3,878,901
Other	587,325	566,894	575,023	652,407
Total expenses	<u>19,855,195</u>	<u>20,150,273</u>	<u>20,970,835</u>	<u>21,641,417</u>
Program revenues				
Charges for services				
Water/wastewater	16,901,199	16,693,360	18,328,875	19,465,995
Environmental services	3,896,231	4,295,737	4,201,109	4,277,226
Other	425,254	326,391	320,235	338,111
Operating grants and contributions	-	-	-	-
Capital grants and contributions	2,724,564	430,569	214,564	2,722,436
Total program revenues	<u>23,947,248</u>	<u>21,746,057</u>	<u>23,064,783</u>	<u>26,803,768</u>
Total business-type activities net program (expense) revenue	4,092,053	1,595,784	2,093,948	5,162,351
General revenues and other changes in net assets				
Unrestricted investment earnings	423,519	343,789	436,387	713,215
Gain (loss) on disposition of capital assets	-	(241,662)	(371,506)	(41,675)
Miscellaneous	-	-	-	88,219
Transfers	(2,842,541)	(2,459,814)	(2,223,481)	(2,284,100)
Total general revenues and other changes in net assets	<u>(2,419,022)</u>	<u>(2,357,687)</u>	<u>(2,158,600)</u>	<u>(1,524,341)</u>
Total business-type activities change in net assets	<u>\$ 1,673,031</u>	<u>\$ (761,903)</u>	<u>\$ (64,652)</u>	<u>\$ 3,638,010</u>
Total primary government change in net assets	<u>\$ 8,241,137</u>	<u>\$ 4,617,625</u>	<u>\$ 3,221,263</u>	<u>\$ 12,002,286</u>

(1) Accrual basis of accounting

NOTE: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 17,796,972	\$ 18,715,248	\$ 19,175,705	\$ 18,589,868	\$ 18,628,230	\$ 18,694,233
3,910,749	5,024,014	3,790,348	3,182,201	3,219,898	3,849,208
644,320	884,680	790,005	848,161	813,330	848,712
<u>22,352,041</u>	<u>24,623,942</u>	<u>23,756,058</u>	<u>22,620,230</u>	<u>22,661,458</u>	<u>23,392,153</u>
19,097,742	20,997,411	22,889,967	21,973,303	24,086,400	24,029,096
4,319,074	6,726,226	4,245,528	4,128,139	4,462,994	4,799,682
346,655	480,797	564,531	425,929	339,623	397,531
-	-	54,826	-	-	-
<u>774,028</u>	<u>1,800,876</u>	<u>705,899</u>	<u>284,490</u>	<u>3,127,754</u>	<u>2,875,295</u>
<u>24,537,499</u>	<u>30,005,310</u>	<u>28,460,751</u>	<u>26,811,861</u>	<u>32,016,771</u>	<u>32,101,604</u>
2,185,458	5,381,368	4,704,693	4,191,631	9,355,313	8,709,451
812,815	748,603	266,410	48,460	43,714	60,423
(194,343)	-	-	-	-	-
136,395	-	-	-	-	-
<u>(6,290,847)</u>	<u>(1,674,251)</u>	<u>(1,665,914)</u>	<u>(4,885,859)</u>	<u>(2,545,944)</u>	<u>(2,481,540)</u>
<u>(5,535,980)</u>	<u>(925,648)</u>	<u>(1,399,504)</u>	<u>(4,837,399)</u>	<u>(2,502,230)</u>	<u>(2,421,117)</u>
<u>\$ (3,350,522)</u>	<u>\$ 4,455,720</u>	<u>\$ 3,305,189</u>	<u>\$ (645,768)</u>	<u>\$ 6,853,083</u>	<u>\$ 6,288,334</u>
<u>\$ 8,993,016</u>	<u>\$ 15,173,624</u>	<u>\$ 17,009,552</u>	<u>\$ 83,656</u>	<u>\$ (4,158,012)</u>	<u>\$ 3,679,449</u>

(concluded)

CITY OF VICTORIA, TEXAS

PROGRAM REVENUES BY FUNCTION/PROGRAM (1)

Last nine fiscal years

Function/Program	Fiscal Year			
	2003	2004	2005	2006
Governmental activities				
General government	\$ 5,565,755	\$ 2,992,334	\$ 3,806,589	\$ 3,658,884
Public safety				
Police	1,393,556	1,697,990	2,006,081	1,964,931
Fire	335,851	409,220	477,883	443,096
Ambulance	839,731	1,023,178	1,403,857	1,499,431
Other	39,672	48,339	230,873	56,394
Highways and streets	14,908	1,446,763	-	2,794,733
Culture and recreation				
Parks	39,919	38,635	30,534	32,453
Library	934,674	904,620	1,006,914	1,027,126
Other	100,334	97,108	83,777	71,872
Subtotal governmental activities	<u>9,264,400</u>	<u>8,658,187</u>	<u>9,046,508</u>	<u>11,548,920</u>
Business-type activities				
Water/wastewater	19,625,763	17,123,929	18,543,439	22,188,431
Environmental services	3,896,231	4,295,737	4,201,109	4,277,226
Community center	182,934	153,872	151,915	169,040
700 main center	242,320	172,519	168,320	169,071
Education & government channel	-	-	-	-
Subtotal business-type activities	<u>23,947,248</u>	<u>21,746,057</u>	<u>23,064,783</u>	<u>26,803,768</u>
Total primary government	<u>\$ 33,211,648</u>	<u>\$ 30,404,244</u>	<u>\$ 32,111,291</u>	<u>\$ 38,352,688</u>

(1) Accrual basis of accounting

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 2,599,379	\$ 4,342,863	\$ 3,959,110	\$ 3,676,509	\$ 4,165,588	\$ 4,061,019
1,819,087	548,526	562,958	1,754,661	1,104,800	1,110,570
338,684	2,125,551	1,498,958	2,147,401	1,673,163	1,649,689
1,450,870	1,448,287	1,997,342	2,367,421	2,022,130	1,960,248
232,401	339,910	140,475	12,684	173,514	81,830
161,801	4,000,000	10,410,473	2,667,991	3,297,208	1,381,185
33,906	136,490	144,192	224,017	639,063	655,488
1,183,038	86,475	79,009	90,592	87,526	74,431
125,895	1,000	124,825	34,765	64,870	316,461
<u>7,945,061</u>	<u>13,029,102</u>	<u>18,917,342</u>	<u>12,976,041</u>	<u>13,227,862</u>	<u>11,290,921</u>
19,855,925	22,798,287	23,595,866	22,246,356	27,214,154	26,904,391
4,319,074	6,726,226	4,245,528	4,128,139	4,462,994	4,799,682
230,517	224,297	267,761	222,105	240,429	245,895
131,983	247,701	351,596	215,261	99,194	151,636
-	8,799	-	-	-	-
<u>24,537,499</u>	<u>30,005,310</u>	<u>28,460,751</u>	<u>26,811,861</u>	<u>32,016,771</u>	<u>32,101,604</u>
<u>\$ 32,482,560</u>	<u>\$ 43,034,412</u>	<u>\$ 47,378,093</u>	<u>\$ 39,787,902</u>	<u>\$ 45,244,633</u>	<u>\$ 43,392,525</u>

CITY OF VICTORIA, TEXAS

FUND BALANCES, GOVERNMENTAL FUNDS (1)

Last ten fiscal years

	Fiscal Year			
	2003	2004	2005	2006
General Fund				
Nonspendable				
Inventory	\$ -	\$ -	\$ -	\$ -
Committed	-	-	-	-
Unassigned	-	-	-	-
Reserved				
Encumbrances	1,630,480	3,101,695	2,325,502	1,957,344
Inventory	-	-	-	-
Unreserved	<u>8,136,676</u>	<u>7,420,786</u>	<u>8,063,890</u>	<u>8,722,939</u>
Total general fund	<u>\$ 9,767,156</u>	<u>\$ 10,522,481</u>	<u>\$ 10,389,392</u>	<u>\$ 10,680,283</u>
All Other Governmental Funds				
Restricted				
Retirement of long-term debt	\$ -	\$ -	\$ -	\$ -
Various capital projects	-	-	-	-
City parks	-	-	-	-
Arts, tourism and conventions	-	-	-	-
Public safety	-	-	-	-
Municipal court	-	-	-	-
Reserved				
Encumbrances	13,960,600	8,385,224	4,673,438	9,768,774
Unreserved, reported in				
Special revenue funds	420,172	376,491	501,201	617,155
Debt service fund	566,347	479,890	903,386	801,189
Capital project funds	<u>14,792,459</u>	<u>9,351,347</u>	<u>21,409,866</u>	<u>21,526,958</u>
Total all other governmental funds	<u>\$ 29,739,578</u>	<u>\$ 18,592,952</u>	<u>\$ 27,487,891</u>	<u>\$ 32,714,076</u>

(1) Modified accrual basis of accounting

NOTE: Due to the changes in the City's fund structure initiated when GASB Statement No. 34 was implemented, the fund balance information is available only beginning in 2003.

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

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ -	\$ -	\$ -	\$ -	\$ 315,614	\$ 314,846
-	-	-	-	1,570,456	1,961,362
-	-	-	-	14,342,229	16,846,702
2,841,648	3,790,753	2,007,737	2,009,003	-	-
-	252,156	280,174	205,798	-	-
<u>12,041,754</u>	<u>11,055,775</u>	<u>12,913,370</u>	<u>11,937,105</u>	-	-
<u>\$ 14,883,402</u>	<u>\$ 15,098,684</u>	<u>\$ 15,201,281</u>	<u>\$ 14,151,906</u>	<u>\$ 16,228,299</u>	<u>\$ 19,122,910</u>
\$ -	\$ -	\$ -	\$ -	\$ 953,394	\$ 977,452
-	-	-	-	16,102,523	4,323,282
-	-	-	-	352,694	110,486
-	-	-	-	1,029,173	1,619,141
-	-	-	-	135,328	226,919
-	-	-	-	96,783	66,220
22,936,937	10,449,047	1,869,318	29,200,456	-	-
782,553	786,064	753,475	654,310	-	-
933,505	1,185,901	1,197,665	1,024,126	-	-
<u>2,858,366</u>	<u>11,722,400</u>	<u>12,370,240</u>	<u>6,088,406</u>	-	-
<u>\$ 27,511,361</u>	<u>\$ 24,143,412</u>	<u>\$ 16,190,698</u>	<u>\$ 36,967,298</u>	<u>\$ 18,669,895</u>	<u>\$ 7,323,500</u>

CITY OF VICTORIA, TEXAS

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (1)

Last ten fiscal years

	Fiscal Year			
	2003	2004	2005	2006
Revenues				
Taxes	\$ 29,286,778	\$ 30,532,177	\$ 32,187,110	\$ 34,415,212
Licenses and permits	576,808	584,247	595,288	704,596
Intergovernmental	6,415,310	3,691,636	4,715,501	4,454,844
Charges for services	1,015,651	1,177,888	1,490,281	1,639,480
Fines and forfeitures	895,716	1,044,418	1,331,397	1,289,136
Investment income	590,233	424,915	790,078	1,855,480
Miscellaneous	586,900	278,659	261,771	3,164,484
Total revenues	<u>39,367,396</u>	<u>37,733,940</u>	<u>41,371,426</u>	<u>47,523,232</u>
Expenditures				
Current				
General government	8,826,837	6,050,675	6,796,494	6,883,983
Public safety	17,738,136	19,150,382	20,489,310	21,195,636
Highways and streets	4,046,523	3,824,406	5,586,168	5,506,925
Culture and recreation	4,058,421	4,290,112	4,413,818	4,872,862
Capital outlay	12,962,792	12,048,011	6,669,082	9,815,300
Debt service				
Principal retirement	2,850,000	2,850,000	3,090,000	3,200,000
Interest and fiscal charges	2,337,628	2,501,208	1,956,240	2,534,977
Paying agents' fees and issue costs	115,759	-	710,900	179,670
Total expenditures	<u>52,936,096</u>	<u>50,714,794</u>	<u>49,712,012</u>	<u>54,189,353</u>
Excess (deficiency) of revenues over expenditures	(13,568,700)	(12,980,854)	(8,340,586)	(6,666,121)
Other financing sources (uses)				
Bonds issued	11,507,400	-	36,640,240	9,880,000
Premium on issuance of bonds	-	-	-	119,097
Payment to escrow	(6,061,727)	-	(21,585,103)	-
Transfers in	5,006,517	3,058,090	2,989,580	5,488,240
Transfers out	(2,633,695)	(1,295,046)	(966,099)	(3,304,140)
Payment from component unit	4,100,000	1,000,000	-	-
Payment to component unit	-	(35,000)	-	-
Total other financing sources (uses)	<u>11,918,495</u>	<u>2,728,044</u>	<u>17,078,618</u>	<u>12,183,197</u>
Change in fund balances	<u>\$ (1,650,205)</u>	<u>\$ (10,252,810)</u>	<u>\$ 8,738,032</u>	<u>\$ 5,517,076</u>
Debt service as a percentage of noncapital expenditures	<u>14.11%</u>	<u>15.53%</u>	<u>12.93%</u>	<u>14.32%</u>

(1) Modified accrual basis of accounting

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 36,551,459	\$ 38,384,785	\$ 38,607,055	\$ 38,100,542	\$ 41,747,689	\$ 45,781,292
727,532	787,190	654,842	662,792	654,829	842,050
3,325,215	4,411,652	4,127,236	6,923,780	5,568,731	4,740,048
1,697,048	1,764,291	2,020,751	1,957,973	2,108,045	2,261,037
1,413,887	1,254,294	1,025,175	913,478	871,159	1,216,786
2,436,372	1,852,377	654,772	156,822	113,446	78,076
757,739	4,559,666	10,580,086	1,628,730	3,512,629	1,470,793
<u>46,909,252</u>	<u>53,014,255</u>	<u>57,669,917</u>	<u>50,344,117</u>	<u>54,576,528</u>	<u>56,390,082</u>
5,634,109	6,162,416	7,079,966	6,842,991	7,691,966	6,600,564
21,705,108	25,752,199	25,516,863	26,475,134	25,970,544	26,151,196
4,882,077	4,961,785	6,319,245	4,533,558	17,378,572	9,134,802
4,825,620	5,952,544	5,758,754	5,787,081	5,473,792	6,564,863
11,154,436	18,826,980	16,355,509	10,862,646	18,889,663	13,249,019
3,150,000	3,325,000	3,805,000	3,390,000	3,715,000	3,990,000
2,824,445	3,117,121	3,057,924	4,103,879	4,037,313	4,340,073
23,900	185,803	32,687	681,114	203,809	205,798
<u>54,199,695</u>	<u>68,283,848</u>	<u>67,925,948</u>	<u>62,676,403</u>	<u>83,360,659</u>	<u>70,236,315</u>
(7,290,443)	(15,269,593)	(10,256,031)	(12,332,286)	(28,784,131)	(13,846,233)
-	9,995,000	-	35,045,000	9,740,000	7,720,000
-	195,519	-	515,234	97,204	71,752
-	-	-	(8,985,582)	-	(3,867,191)
6,902,090	2,641,257	5,691,053	7,275,415	10,568,226	5,207,042
(611,243)	(967,006)	(3,285,139)	(1,790,556)	(7,842,309)	(2,699,610)
-	-	-	-	-	-
-	-	-	-	-	-
<u>6,290,847</u>	<u>11,864,770</u>	<u>2,405,914</u>	<u>32,059,511</u>	<u>12,563,121</u>	<u>6,431,993</u>
\$ <u>(999,596)</u>	\$ <u>(3,404,823)</u>	\$ <u>(7,850,117)</u>	\$ <u>19,727,225</u>	\$ <u>(16,221,010)</u>	\$ <u>(7,414,240)</u>
<u>15.07%</u>	<u>14.43%</u>	<u>14.76%</u>	<u>14.98%</u>	<u>12.85%</u>	<u>16.05%</u>

CITY OF VICTORIA, TEXAS

TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS (1)

Last ten fiscal years

<u>Fiscal Year</u>	<u>Ad Valorem</u>	<u>Penalty and Interest</u>	<u>Franchise</u>	<u>Sales</u>	<u>Occupancy</u>
2003	\$ 14,636,550	\$ 228,093	\$ 4,336,619	\$ 9,322,278	\$ 714,568
2004	14,850,753	243,246	4,454,229	10,183,182	729,176
2005	15,581,887	234,391	4,532,668	10,954,207	786,736
2006	16,150,778	240,503	4,807,526	12,223,392	917,643
2007	17,324,991	207,625	4,887,453	13,028,689	1,022,525
2008	18,675,263	223,400	4,678,027	13,545,220	1,197,299
2009	19,580,715	220,077	4,657,347	13,046,352	1,028,055
2010	20,072,876	222,517	4,665,101	11,978,185	1,101,294
2011	20,355,447	234,705	4,761,009	14,768,729	1,565,067
2012	20,938,687	236,838	4,981,674	17,533,000	2,019,642
Change 2003-2012	43.06%	3.83%	14.87%	88.08%	182.64%

(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 have 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 Eagleford Shale activity in the area.

Sales tax revenue maintained a slow, but steady increase through fiscal year 2008. Fiscal year 2009 ended with a slight decrease, with a dramatic decrease during 2010, the height of the recession. Victoria's economy has improved since fiscal year 2010. In fiscal years 2011 and 2012, the addition of the Caterpillar excavator assembly plant, Eagle Ford Shale activity, new development of University of Houston-Victoria and the Port of Victoria, and expansion of other retail outlets have all led to confidence in the Victoria area and the increase in sales tax revenue.

<u>Other</u>	<u>Total</u>
\$ 48,670	\$ 29,286,778
71,591	30,532,177
97,221	32,187,110
75,370	34,415,212
80,176	36,551,459
65,576	38,384,785
74,509	38,607,055
60,569	38,100,542
62,732	41,747,689
71,451	45,781,292
46.81%	56.32%

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
2003	2002	\$ 1,274,264,475	\$ 654,213,565	\$ 32,032,390	\$ 315,183,924	\$ 106,707,344
2004	2003	1,299,239,370	661,732,341	31,446,590	320,917,128	98,562,607
2005	2004	1,403,021,532	698,891,018	33,562,671	354,266,590	83,806,750
2006	2005	1,473,176,041	701,542,189	35,670,222	377,480,760	66,928,050
2007	2006	1,626,641,942	752,719,724	31,633,867	387,411,360	77,410,530
2008	2007	1,771,669,196	810,319,669	38,071,671	509,452,480	63,826,070
2009	2008	1,878,059,843	930,825,391	36,730,573	549,504,380	71,865,400
2010	2009	1,974,650,575	1,040,285,268	36,499,046	531,303,700	77,203,060
2011	2010	1,994,921,555	1,065,424,422	36,528,546	491,583,480	86,389,180
2012	2011	2,022,466,829	1,094,141,142	46,713,519	502,831,290	90,219,830

(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

<u>Less: Tax Exempt Real Property</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Actual Taxable Value</u>	<u>Assessed Value (1) as a Percentage of Actual Value</u>
\$ 291,231,642	\$ 2,091,170,056	\$ 0.700	\$ 2,091,170,056	100.00%
293,066,404	2,118,831,632	0.700	2,118,831,632	100.00%
306,623,216	2,266,925,345	0.690	2,266,925,345	100.00%
315,274,991	2,339,522,271	0.690	2,339,522,271	100.00%
369,367,159	2,506,450,264	0.690	2,506,450,264	100.00%
419,158,214	2,774,180,872	0.675	2,774,180,872	100.00%
437,252,028	3,029,733,559	0.650	3,029,733,559	100.00%
523,724,650	3,136,216,999	0.645	3,136,216,999	100.00%
547,481,141	3,127,366,042	0.650	3,127,366,042	100.00%
548,030,240	3,208,342,370	0.645	3,208,342,370	100.00%

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
2003	\$ 0.2400	\$ 0.4600	\$ 0.7000	\$ 1.5535	\$ 0.1394	\$ 0.0401
2004	0.2400	0.4600	0.7000	1.5535	0.1491	0.0402
2005	0.2400	0.4500	0.6900	1.5535	0.1461	0.0386
2006	0.2358	0.4542	0.6900	1.5535	0.1416	0.0369
2007	0.2696	0.4204	0.6900	1.4285	0.1416	0.0335
2008	0.2672	0.4078	0.6750	1.2337	0.1445	0.0317
2009	0.2541	0.3959	0.6500	1.3094	0.1445	0.0314
2010	0.2541	0.3909	0.6450	1.3227	0.1534	0.0306
2011	0.2554	0.3946	0.6500	1.3226	0.1531	0.0304
2012	0.2554	0.3896	0.6450	1.3226	0.1606	0.0296

SOURCE: Victoria County Appraisal District

Overlapping Rates				
Victoria County	Road and Bridge	Ground Water District	Total	
\$ 0.3201	\$ 0.0400	\$ -	\$ 2.0931	
0.3536	0.0450	-	2.1414	
0.3536	0.0450	-	2.1368	
0.3486	0.0500	-	2.1306	
0.3436	0.0550	0.0100	2.0122	
0.3436	0.0550	0.0100	1.8185	
0.3436	0.0550	0.0098	1.8937	
0.3436	0.0550	0.0096	1.9149	
0.3436	0.0550	0.0095	1.9142	
0.3436	0.0550	0.0092	1.9206	

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

2012		
Taxpayer	Taxable Assessed Valuation	Percentage of Total City Taxable Assessed Valuation
EES Leasing, L.L.C	\$ 31,553,870	0.98%
Halliburton Energy Services	24,321,120	0.76%
Victoria Hospital, L.L.C	22,450,040	0.70%
AEP Texas Central Co.	21,735,580	0.68%
Victoria WLE, L.P.	21,035,398	0.66%
H.E.B. Grocery Company	17,140,190	0.53%
Berry Plastics Corporation	16,789,050	0.52%
James A. Wayne	16,158,750	0.50%
VMRC Limited Partnership	15,814,340	0.49%
H.E.B. Grocery Company, L.P.	15,646,670	0.49%
	<u>\$ 202,645,008</u>	<u>6.31%</u>

2003		
Taxpayer	Taxable Assessed Valuation	Percentage of Total City Taxable Assessed Valuation
AEP Central Power & Light Co.	\$ 30,095,620	1.44%
Victoria Retail Properties L.P.	26,848,150	1.28%
Carlisle Plastics, Inc.	24,865,210	1.19%
Southwestern Bell Telephone Co.	20,218,770	0.97%
Victoria Hospital, L.L.C.	20,023,220	0.96%
Central Power & Light Co.	16,942,070	0.81%
H.E.B. Grocery	14,831,810	0.71%
James A. Wayne	11,242,635	0.54%
VTK, Ltd	9,280,210	0.44%
VRMC Limited Partnership	9,279,900	0.44%
	<u>\$ 183,627,595</u>	<u>8.78%</u>

SOURCE: Victoria County Tax Assessor/Collector



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

<u>Fiscal Year</u>	<u>Taxes Levied for the Fiscal Year (Original Levy)</u>	<u>Adjustments</u>	<u>Total Adjusted Levy</u>	<u>Collections within the Fiscal Year of the Levy</u>	
				<u>Amount</u>	<u>Percentage of Levy</u>
2003	\$ 14,638,190	\$ (45,200)	\$ 14,592,990	\$ 14,308,999	98.05%
2004	14,831,821	(24,900)	14,806,921	14,489,718	97.86%
2005	15,641,785	344,179	15,985,964	15,301,130	95.72%
2006	16,142,704	(25,327)	16,117,377	15,844,174	98.30%
2007	17,294,507	82,983	17,377,490	17,050,006	98.12%
2008	18,725,721	37,282	18,763,003	18,369,725	97.90%
2009	19,693,268	35,351	19,728,619	19,271,874	97.68%
2010	20,228,599	19,834	20,248,433	19,755,429	97.57%
2011	20,327,879	22,650	20,350,529	19,938,819	97.98%
2012	20,693,808	438,626	21,132,435	20,470,591	96.87%

SOURCE: City of Victoria
 Victoria County Tax Assessor/Collector

Collections in Subsequent Years	Total Collections to Date	
	Amount	Percentage of Levy
\$ 256,096	\$ 14,565,095	99.81%
272,172	14,761,890	99.70%
638,430	15,939,560	99.71%
226,514	16,070,688	99.71%
268,475	17,318,481	99.66%
316,487	18,686,212	99.59%
363,726	19,635,600	99.53%
352,315	20,107,745	99.31%
248,835	20,187,653	99.20%
-	20,470,591	96.87%

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>
2003	3,533,488,000	3,014,390,750	579,672,250	16.41%	2,494,045,000
2004	3,209,922,000	2,699,529,750	564,295,250	17.58%	2,999,733,000
2005	3,299,317,000	2,967,315,750	402,516,250	12.20%	2,565,875,000
2006	3,674,571,000	3,231,368,750	520,540,250	14.17%	2,361,357,000
2007	3,144,420,000	2,729,648,750	475,604,250	15.13%	3,216,476,000
2008	3,498,315,000	2,623,272,000	351,176,000	10.04%	2,495,788,000
2009	3,912,063,000	3,317,566,000	594,497,000	15.20%	2,204,000,000
2010	3,145,100,000	2,819,661,000	325,439,000	10.35%	2,691,000,000
2011	4,121,534,000	3,711,082,000	410,452,000	9.96%	2,108,000,000
2012	3,753,223,000	3,124,507,750	628,715,250	16.75%	2,255,000,000

NOTE: Water and sewer base rates shown are for 3/4" meters.
Water and sewer base rates shown are for 3,000 - 7,000 usage range.
Full detail of rate information can be found on schedule titled "Water and Sewer Rates".

SOURCE: City of Victoria Utilities Department

Total Direct Rate for 3/4" Meter

Water		Sewer	
Base Rate	Usage Rate	Base Rate	Usage Rate
\$ 12.93	\$ 1.45	\$ 18.48	\$ 2.07
12.93	1.45	18.48	2.07
14.43	1.52	18.48	2.07
14.43	1.52	18.48	2.07
15.01	1.52	19.16	2.07
16.73	1.57	21.03	2.12
17.09	1.67	21.41	2.22
17.49	1.67	21.85	2.22
17.96	1.67	22.43	2.22
17.96	1.67	22.43	2.22

CITY OF VICTORIA, TEXAS
WATER AND SEWER RATES
Last ten fiscal years

	Fiscal Year			
	2003	2004	2005	2006
Water Rates (per 2,000 gallons)				
Base Rate (meter size)				
¾"	\$ 12.93	\$ 12.93	\$ 14.43	\$ 14.43
1"	28.57	28.57	36.08	36.08
1½"	54.64	54.64	72.15	72.15
2"	85.87	85.87	115.44	115.44
3"	169.24	169.24	230.88	230.88
4"	263.19	263.19	360.75	360.75
6"	523.87	523.87	523.87	721.50
8"	1,232.15	1,232.15	1,232.15	2,308.80
10"	2,609.34	2,609.34	2,609.34	2,609.34
Water usage rate (1,000 gallons increments)				
3-7	1.45	1.45	1.52	1.52
8-18	1.60	1.60	1.68	1.68
19-50	1.90	1.90	2.00	2.00
51-75	-	-	2.25	2.25
>51	2.05	2.05	-	-
76-100	-	-	2.40	2.40
>100	-	-	2.55	2.55
Sewer Rates (per 2,000 gallons)				
¾"	18.48	18.48	18.48	18.48
1"	46.11	46.11	46.20	46.20
1½"	92.20	92.20	92.40	92.40
2"	147.73	147.73	147.84	147.84
3"	295.44	295.44	295.68	295.68
4"	461.77	461.77	462.00	462.00
6"	923.52	923.52	923.52	924.00
8"	2,178.13	2,178.13	2,178.13	2,956.80
10"	4,617.60	4,617.60	4,617.60	4,617.60
Sewer usage rate (1,000 gallons increments)				
>2	2.07	2.07	-	-
3-7	-	-	2.07	2.07
8-18	-	-	2.12	2.12
19-50	-	-	2.17	2.17
51-75	-	-	2.22	2.22
76-100	-	-	2.37	2.37
>100,000	-	-	2.52	2.52

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					
2007	2008	2009	2010	2011	2012
\$ 15.01	\$ 16.73	\$ 17.09	\$ 17.49	\$ 17.49	\$ 17.96
37.53	41.84	42.73	43.73	43.73	44.92
75.05	83.66	85.45	87.45	87.45	89.82
120.08	133.86	136.73	139.93	139.93	143.72
240.17	267.73	273.45	279.85	279.85	287.44
375.25	418.31	427.26	437.26	437.26	449.12
750.50	836.62	854.51	874.51	874.51	898.23
2,401.60	2,677.17	2,734.43	2,798.43	2,798.43	2,874.33
3,752.50	4,183.08	4,272.55	4,372.55	4,372.55	4,491.14
1.52	1.57	1.67	1.67	1.67	1.67
1.68	1.73	1.83	1.83	1.83	1.83
2.00	2.05	2.15	2.15	2.15	2.15
2.25	2.30	2.40	2.40	2.40	2.40
-	-	-	-	-	-
2.40	2.45	2.55	2.55	2.55	2.55
2.55	2.60	2.70	2.70	2.70	2.70
19.16	21.03	21.41	21.85	21.85	22.43
47.90	52.57	53.54	54.64	54.64	56.08
95.80	105.14	107.10	109.30	109.30	112.19
153.28	168.22	171.34	174.86	174.86	179.48
306.56	336.44	342.69	349.73	349.73	358.97
479.00	525.69	535.45	546.45	546.45	560.88
958.00	1,051.37	1,070.89	1,092.89	1,092.89	1,121.75
3,065.60	3,364.39	3,426.86	3,497.26	3,497.26	3,589.61
4,790.00	5,256.86	5,354.47	5,464.47	5,464.47	5,608.77
-	-	-	-	-	-
2.07	2.12	2.22	2.22	2.22	2.22
2.12	2.17	2.27	2.27	2.27	2.27
2.17	2.22	2.32	2.32	2.32	2.32
2.22	2.27	2.37	2.37	2.37	2.37
2.37	2.42	2.52	2.52	2.52	2.52
2.52	2.57	2.67	2.67	2.67	2.67

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

2012			
Customer	Type of Business	12-Month Water Consumption (In Thousands)	Percent of Total Billed
Citizens Medical Center	Hospital	51,926	1.26%
Detar Hospital	Hospital	38,292	0.93%
Victoria Housing	Apartment Complex	20,856	0.51%
Victoria County Jail	Government	19,058	0.46%
Autumn Park	Apartment Complex	19,058	0.46%
Victoria College	School	18,666	0.45%
Victoria East High	School	16,932	0.41%
Victoria West High	School	16,790	0.41%
Creekstone Ranch	Apartment Complex	15,838	0.38%
Twin Pines	Nursing Home	14,726	0.36%
2003			
Customer	Type of Business	12-Month Water Consumption (In Thousands)	Percent of Total Billed
Citizens Medical Center	Hospital	59,420	1.62%
DeTar Hospital	Hospital	23,593	0.64%
Blueridge North & South	Apartment Complex	22,062	0.60%
Victoria County Judge	County Jail	16,397	0.45%
Marbrisa Apartments	Apartment Complex	14,110	0.39%
VISD - Memorial	School	13,281	0.36%
Creekstone Ranch	Apartment Complex	11,383	0.31%
Cintas	Laundry	11,354	0.31%
Mcada Drilling	Oil & Gas	10,435	0.28%
Silvermine Apartments	Apartment Complex	9,543	0.26%

SOURCE: City of Victoria Utility Billing Office

CITY OF VICTORIA, TEXAS

RATIOS OF OUTSTANDING DEBT BY TYPE

Last ten fiscal years

Fiscal Year	Governmental Activities		Business-type Activities	Total Primary Government	Percentage of Personal Income	Per Capita
	Certificates of Obligation	General Obligation Bonds	Revenue Bonds			
2003	\$ 15,760,000	\$ 35,905,000	\$ 70,770,000	\$ 122,435,000	7.16%	\$ 1,988
2004	14,815,000	34,000,000	68,375,000	117,190,000	6.66%	1,903
2005	23,940,000	38,460,000	65,705,000	128,105,000	6.80%	2,085
2006	32,780,000	36,300,000	62,985,000	132,065,000	6.37%	2,132
2007	30,880,000	35,050,000	70,360,000	136,290,000	6.24%	2,192
2008	38,880,000	33,720,000	66,975,000	139,575,000	5.91%	2,232
2009	62,900,000	32,225,000	70,130,000	165,255,000	7.01%	2,643
2010	61,375,000	30,475,000	73,040,000	164,890,000	6.66%	2,630
2011	59,740,000	38,135,000 *	69,125,000	167,000,000	6.28%	2,668
2012	57,835,000	39,975,000 *	73,950,000	171,760,000	N/A	2,721

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 the next eleven years.

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

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)	Net Bonded Debt
	Certificates of Obligation	General Obligation Bonds	Total		
2003	\$ 15,760,000	\$ 35,905,000	\$ 51,665,000	\$ 566,347	\$ 51,098,653
2004	14,815,000	34,000,000	48,815,000	479,890	48,335,110
2005	23,940,000	38,460,000	62,400,000	903,386	61,496,614
2006	32,780,000	36,300,000	69,080,000	801,189	68,278,811
2007	30,880,000	35,050,000	65,930,000	933,505	64,996,495
2008	38,880,000	33,720,000	72,600,000	1,185,901	71,414,099
2009	36,570,000	32,225,000	68,795,000	1,197,665	67,597,335
2010	61,375,000	30,475,000	91,850,000	1,024,126	90,825,874
2011	59,740,000 *	38,135,000	97,875,000	953,394	96,921,606
2012	57,835,000 *	39,975,000	97,810,000	977,452	96,832,548

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 the next eleven years.

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>Percentage of Actual Taxable Value of Property</u>	<u>Per Capita</u>
2.44%	\$ 830
2.28%	785
2.71%	1,001
2.92%	1,102
2.59%	1,045
2.57%	1,142
2.23%	1,081
2.90%	1,449
3.09%	1,548
3.09%	N/A



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

September 30, 2012

	Gross Debt Outstanding		Percentage Applicable To City	Amount Applicable To City
	Date	Amount		
Direct Debt:				
City of Victoria	9/30/2012	\$ 97,810,000 *	100.00%	\$ 97,810,000
Overlapping Debt:				
Victoria County	9/30/2012	10,335,000	60.59%	6,261,977
Victoria County Junior College District	9/30/2012	12,490,000	60.59%	7,567,691
Victoria County Navigation District	9/30/2012	690,000	58.90%	406,410
Victoria Independent School District	9/30/2012	<u>169,329,992</u>	69.84%	<u>118,260,066</u>
Total Overlapping Debt		<u>192,844,992</u>		<u>132,496,144</u>
Total		<u>\$ 290,654,992</u>		<u>\$ 230,306,144</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 the next eleven years.

By the terms of the 2009B "Build America Bonds", the U.S. Treasury Department will offset the cost of the bonds by subsidizing an average of \$495,000 in annual bond interest cost.

SOURCE: Municipal Advisory Council of Texas

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Debt limit	\$ 104,558,503	\$ 105,941,582	\$ 113,346,267	\$ 116,976,114
Total net debt applicable to limit	<u>51,098,653</u>	<u>48,335,110</u>	<u>61,496,614</u>	<u>68,278,811</u>
Legal debt margin	<u>\$ 53,459,850</u>	<u>\$ 57,606,472</u>	<u>\$ 51,849,653</u>	<u>\$ 48,697,303</u>
Total net debt applicable to the limit as a percentage of debt limit	48.87%	45.62%	54.26%	58.37%

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>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2011</u>
\$ 125,322,513	\$ 138,709,044	\$ 151,486,678	\$ 156,810,850	\$ 156,368,302	\$ 160,417,119
<u>64,996,495</u>	<u>71,414,099</u>	<u>67,597,335</u>	<u>90,825,874</u>	<u>96,921,606</u>	<u>96,832,548</u>
<u>\$ 60,326,018</u>	<u>\$ 67,294,945</u>	<u>\$ 83,889,343</u>	<u>\$ 65,984,976</u>	<u>\$ 59,446,696</u>	<u>\$ 63,584,571</u>
51.86%	51.48%	44.62%	57.92%	61.98%	60.36%

Legal Debt Margin Calculation for Fiscal Year 2011

Assessed value	\$ 3,208,342,370
Debt limit	160,417,119
Debt applicable to limit	
General obligation bonds	97,810,000
Less: Debt Service Fund Balance	<u>977,452</u>
Total amount of debt applicable to debt limit	<u>96,832,548</u>
Legal debt margin	<u>\$ 63,584,571</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
2003	\$ 17,223,536	\$ 9,133,987	\$ 8,089,549	\$ 3,532,478
2004	16,951,318	8,252,721	8,698,597	3,519,859
2005	18,572,942	9,557,667	9,015,275	3,506,130
2006	19,847,663	10,623,839	9,223,824	3,444,582
2007	19,566,404	11,264,681	8,301,723	3,427,631
2008	21,376,935	12,194,600	9,182,335	3,343,662
2009	23,050,718	12,464,818	10,585,900	3,579,428
2010	21,997,623	11,794,869	10,202,754	4,861,457
2011	24,108,368	11,113,257	12,995,111	4,683,607
2012	24,062,721	10,907,178	13,155,543	4,570,441

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			
<u>Service</u>	<u>Priority Bonds</u>	<u>Subordinate Bonds</u>	
<u>Requirements</u>	<u>Coverage</u>	<u>Coverage</u>	
\$ 1,940,576	2.29	1.72	
1,990,674	2.47	1.96	
1,998,951	2.57	2.11	
2,007,483	2.68	2.23	
2,016,811	2.42	1.81	
2,027,251	2.75	2.24	
2,038,850	2.96	2.73	
1,768,460	2.10	2.12	
-	2.77	N/A	
-	2.88	N/A	

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>
2003	61,579	\$ 1,709,926	\$ 27,768	14,419	6.1%
2004	61,579	1,760,722	28,593	14,100	5.7%
2005	61,454	1,884,635	30,667	14,025	4.9%
2006	61,952	2,071,781	33,442	13,864	4.3%
2007	62,169	2,183,463	35,121	13,752	3.5%
2008	62,530	2,362,864	37,788	13,610	3.6%
2009	62,530	2,358,541	37,719	13,786	6.1%
2010	62,701	2,475,939	39,488	13,854	7.6%
2011	62,592	2,657,155	42,452	14,409	6.9%
2012	63,131	N/A	N/A	14,543	6.0%

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 2011 and 2012 is not yet available.
(3) Victoria Independent School District as of October 5, 2012
(4) U.S. Department of Labor

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

2012		
<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total Area Employment</u>
Victoria Independent School District	2,148	4.86%
The Inteplast Group	2,000	4.53%
Formosa Plastics	1,750	3.96%
Citizens Medical Center	1,050	2.38%
DeTar Healthcare System	1,030	2.33%
Alcoa	643	1.46%
City of Victoria	611	1.38%
Invista	600	1.36%
Calhoun Independent School District	581	1.32%
DOW - Seadrift Operations	<u>580</u>	1.31%
	<u>10,993</u>	<u>24.89%</u>

2003		
<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total Area Employment</u>
Victoria Independent School District	2,229	5.20%
The Inteplast Group	1,500	3.50%
Formosa Plastics	1,500	3.50%
Citizens Medical Center	1,235	2.88%
DeTar Healthcare System	940	2.19%
Koch-Invista	814	1.90%
Dow-Seadrift Operations	670	1.56%
Calhoun Independent School District	609	1.42%
Alcoa	604	1.41%
City of Victoria	<u>591</u>	1.38%
	<u>10,692</u>	<u>24.96%</u>

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

SOURCE: Victoria Economic Development Corporation

CITY OF VICTORIA, TEXAS

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

Last ten fiscal years

Function/Program	Fiscal Year			
	2003	2004	2005	2006
General government				
City manager	10	10	10	10
Legal	5.5	5.5	5.5	5.5
Financial	7	7	7	7
Municipal court	6.5	6.5	6.5	5.5
Human resources	6	6	6	6
Planning	10	10	10	10
Development services administration	-	-	-	-
Geographic information system (GIS)	-	-	-	-
Building services	12	12	12	12
City secretary	3	3	3	3
Public information office	-	-	-	-
Public safety				
Police	143	143	150	148
Fire	109	109	107	107
Inspections	13	11	11	11
Code enforcement	-	-	5	5
Traffic control	9	9	9	9
Highways and streets				
Engineering	14	14	14	14
Streets and drainage	34	34	34	34
Culture and recreation				
Parks and recreation	34	34	35	35
Public library	29	29	29	28
Water/wastewater	77	74	81	81
Community center	6	6	6	6
Environmental services	44	50	45	46
Vehicle and equipment services	1	1	1	2
Information technology	8	8	8	10
Communications	2	2	2	2
Purchasing	4	4	4	4
Safety management	2	2	2	2
Print shop	2	2	2	2
Convention and visitors bureau	-	-	-	-
Total	<u>591</u>	<u>592</u>	<u>605</u>	<u>605</u>

- NOTES: * A full-time employee is scheduled to work 2,080 hours per year (including vacation and sick leave).
 Full-time-equivalent employment is calculated by dividing total labor hours by 2,080.
- * Beginning with fiscal year 2003 the service center operations was contracted out to a private company.
 - * 'Fiscal year 2005 includes the addition of 5 additional police officers, 1 additional dispatcher and additional 3-man crew for the wastewater department.
 - * Fiscal Year 2008 includes the addition of 10 fire department employees to staff the new fire station to be operational the latter part of 2008.
 - * Beginning with Fiscal Year 2010, Environmental Services began the phase in of once-a-week collection using automatic side-loader trucks, resulting in a decrease of personnel.
 - * Previously accounted for in the City Manager Department, beginning in Fiscal Year 2009-2010, the Public Information Office will be accounted for in its own cost center.

Fiscal Year					
<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
11	11	12	10	10	10
5.5	5.5	5.5	4.5	4	4
7	7	7	6	6	6
5.5	5.5	5.5	5.5	5	5
5	5	5	5	4	4
10	10	10	4	4	4
-	-	-	2	2	2
-	-	-	3	3	3
12	12	12	12	10	10
4	4	4	4	3	3
-	-	-	2	2	2
146	146	147	149	154	154
107	118	118	118	118	118
11	11	11	12	10	11
5	7	7	5	4	4
9	10	11	10	9	9
14	13	12	12	11	11
34	34	34	34	31	31
37	41	41	43	41	43
28	28	28	28	27	27
80	80	80	82	96	96
6	7	7	7	7	7
48	43	43	26	24	24
2	2	2	2	2	2
10	10	10	10	10	10
2	2	1	1	1	1
4	4	4	3	3	3
2	2	2	2	2	2
2	2	2	2	2	2
-	-	-	-	-	3
<u>607</u>	<u>620</u>	<u>621</u>	<u>604</u>	<u>605</u>	<u>611</u>

* As a result of an efficiency study performed on Planning Department operations, it was concluded that this cost center should be accounted for in various cost centers beginning with Fiscal Year 2009-2010 (Planning, Development Admin. & GIS).

* Fiscal Year 2011 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.

CITY OF VICTORIA, TEXAS

OPERATING INDICATORS BY FUNCTION/PROGRAM

Last ten fiscal years

Function/Program	Fiscal Year			
	2003	2004	2005	2006
General government				
Building permits issued	1,657	2,060	1,371	1,294
Building inspections conducted	10,035	11,344	13,349	10,415
Birth certificates registered	2,047	2,160	2,098	2,255
Death certificates registered	881	871	944	983
Birth certificates issued	6,283	4,785	6,927	6,567
Death certificates issued	6,648	6,564	7,147	7,677
Public safety				
Police				
Physical arrests	3,635	5,182	4,911	5,775
Parking violations	2,849	1,980	1,527	939
Traffic violations	8,802	12,355	12,728	13,726
Warrants issued	2,346	1,999	3,035	3,279
Fire				
Total Incidents	7,476	6,813	7,087	7,175
Fires	421	352	458	493
Rescue/Emergency Medical	5,413	5,070	5,326	5,393
Inspections	610	735	827	830
Streets and highways				
Street resurfacing (linear feet)	231,242	30,094	44,088	24,990
Culture and recreation				
Community center admissions (event contracts)				
Dome	118	111	118	107
Annex	169	176	161	155
Arena	34	26	30	29
Library				
Number of Items	139,301	141,709	142,319	145,318
Circulation	270,156	288,451	285,435	279,679
Gate Count	210,241	238,077	230,218	226,171
Water and wastewater				
Water				
Active water connections	21,318	21,474	21,700	21,861
Active sewer connections	19,819	19,969	20,085	20,235
Active garbage accounts	17,982	18,258	18,432	18,655
Average daily consumption (pumped) (in 000's)	10,036	9,467	9,591	10,067
Peak monthly consumption (in 000's)	261,682	255,920	313,298	349,686
Wastewater				
Average daily sewage treatment	6,833,000	8,218,447	7,029,795	6,469,471
Environmental services				
Refuse collection				
Refuse collected (tons per month)	2,301	2,303	2,248	2,240
Landfill tonnage accepted	151,828	154,458	135,049	166,475
Recyclables collected (tons per year)	668.42	603.97	612.39	742.45
Brush and yard waste	N/A	N/A	N/A	N/A

NOTE: N/A denotes information not available

SOURCE: Various City departments

Fiscal Year					
2007	2008	2009	2010	2011	2012
1,147	1,345	1,433	1,627	1,484	1,304
11,062	9,883	6,138	6,066	5,874	7,044
2,374	2,376	1,998	2,146	2,009	2,112
1,003	984	795	885	924	930
7,246	7,251	6,569	6,043	5,645	5,980
6,863	6,767	5,698	5,295	5,269	1,601
4,427	4,461	4,044	3,152	3,387	3,427
1,080	641	472	368	223	334
14,303	14,482	12,143	7,303	8,756	8,876
4,583	5,520	1,812	1,879	1,960	2,139
7,355	8,152	8,551	8,455	9,072	8,797
381	557	621	349	554	271
5,706	6,166	7,930	6,568	6,832	8,526
874	1,210	1,279	1,555	1,351	2,187
29,756	31,178	12,907	16,250	7,000	12,000
120	116	120	98	89	88
136	120	133	102	85	81
29	23	27	14	22	22
148,764	138,804	140,599	141,887	146,455	137,548
276,357	284,919	313,099	271,281	340,204	340,320
228,114	242,388	263,730	336,580	245,844	249,672
21,962	22,041	22,129	22,071	22,312	22,456
20,435	20,532	20,461	20,587	20,720	20,845
18,131	19,233	19,018	19,014	19,105	19,322
8,615	9,584	10,718	8,617	11,292	10,283
233,143	372,618	354,264	319,293	407,616	374,666
8,812,263	6,837,775	6,038,356	7,370,000	5,800,000	6,180,000
2,473	2,139	1,723	1,936	1,669	1,685
160,048	140,508	140,791	102,657	202,723	149,137
691.52	479.13	269.56	196.31	389.90	2,235.98
N/A	N/A	N/A	N/A	N/A	3,555.53

CITY OF VICTORIA, TEXAS

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

Last ten fiscal years

Function/Program	Fiscal Year			
	2003	2004	2005	2006
General government				
Buildings	3	3	3	3
Public safety				
Police				
Stations	1	1	1	1
Patrol units	30	30	30	32
Fire stations	4	4	4	4
Highways and streets				
Streets (miles)	303.42	307.31	307.72	309.87
Streetlights	6,058	6,070	6,276	6367
Traffic signals	74	74	74	76
School zone flashers	58	58	58	58
Culture and recreation				
Acreage	750.0	750.0	750.0	750.0
Playgrounds	14	14	14	14
Baseball/softball diamonds	15	15	15	15
Community centers	1	1	1	1
Libraries	1	1	1	1
Water and wastewater				
Water				
Water mains (miles)	345.0	355.0	356.6	361
Wastewater				
Sanitary sewers (miles)	327.0	335.0	336.4	337.2
Storm sewers (miles)	444.3	447.3	449.9	450.9
Environmental services				
Refuse collection				
Garbage collection trucks	16	16	16	16
Brush and large item collection trucks	N/A	N/A	N/A	N/A
Yard waste collection trucks	N/A	N/A	N/A	N/A
Recycling collection trucks	N/A	N/A	N/A	N/A

NOTES: N/A denotes information not available

The decrease in street lights between 2007 and 2008 is due to a re-inventory of lights.

The decrease in refuse collections trucks from 2008 to 2009 is due to implementing a once-a-week refuse pickup system with fully automated garbage trucks.

The fluctuation of baseball/softball diamonds is due to the opening of a sports complex and removal of old Little League fields.

SOURCE: Various City departments

Fiscal Year						
2007	2008	2009	2010	2011	2012	
3	3	3	3	3	3	3
1	1	1	1	1	1	1
34	36	36	36	35	37	37
4	4	5	5	5	5	5
310.60	310.82	312.00	314.50	312.60	313.23	
6475	4359	4380	4429	4473	4444	
76		78	78	81	81	
58	58	61	61	61	61	
748.0	748.0	748.0	748.0	876.0	876.0	
14	15	15	15	16	16	
27	27	21	19	19	19	
1	1	1	1	1	1	
1	1	1	1	1	1	
361.5	361.5	363	365.8	366.8	366.8	
337.6	337.6	337	342	342	342	
451.2	451.2	450	452	452	452	
17	17	11	11	7	7	
N/A	N/A	N/A	N/A	5	5	
N/A	N/A	N/A	N/A	4	4	
N/A	N/A	N/A	N/A	1	1	





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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited 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, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 11, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinions on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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*.

The Honorable Will Armstrong, Mayor
and Members of the City Council

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

Harrison, Waldrop & Uheuk, LLP

March 11, 2013



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited City of Victoria, Texas' (the "City") compliance with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2012. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion the City complied, in all material respects, with the 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, 2012.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

The Honorable Will Armstrong, Mayor
and Members of the City Council

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.

Our consideration of the 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Mayor and members of City Council, management, and federal and state awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Harrison, Waldrop & Uhenk, LLP

March 11, 2013

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

For the year ended September 30, 2012

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Expenditures</u>
FEDERAL EXPENDITURES			
U.S. Department of Housing and Urban Development			
Community Development Block Grant	14.218	B-11-MC-48-0510	\$ 567,944
Total U.S. Department of Housing and Urban Development			<u>567,944</u>
U.S. Department of Transportation			
<i>Passed Through Texas Department of Transportation</i>			
Metropolitan Planning Program	20.205	50-12XF0023	<u>144,260</u>
Total U.S. Department of Transportation			<u>144,260</u>
U.S. Department of Homeland Security			
<i>Passed through Texas Department of Public Safety's Division of Emergency Management</i>			
State Homeland Security Program	97.073	2011 SHSP-1SHSP5428	164,342
State Homeland Security Program	97.073	1791-198	<u>59,124</u>
Total U.S. Department of Homeland Security			<u>223,466</u>
U.S. Department of Justice			
2010 COPS Hiring Program	16.710	2010-UM-WX-0372	243,787
<i>Passed Through the Office of the Governor</i>			
<i>Criminal Justice Division</i>			
Edward Byrne Memorial Justice Assistance Grant - 2009 ARRA	16.803	2009-DJ-BX-1318	<u>30,155</u>
Total U.S. Department of Justice			<u>273,942</u>
TOTAL FEDERAL EXPENDITURES			<u>1,209,612</u>

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

For the year ended September 30, 2012

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Expenditures</u>
STATE EXPENDITURES			
Texas Department of Motor Vehicles			
<i>Passed Through Texas Automobile Theft Prevention Authority</i>			
Automobile Theft Grant	N/A	SA-T01-10070-12	\$ 89,254
Automobile Theft Grant	N/A	SA-T01-10070-13	<u>7,961</u>
Total Texas Department of Motor Vehicles			<u>97,215</u>
Texas Commission on Environmental Quality			
Rider 8 Local Air Quality Planning Grant	N/A	582-11-11225	<u>262,689</u>
Texas Parks and Wildlife			
Outdoor Recreation Grant	N/A	50-000415	<u>380,265</u>
Law Enforcement Officers Standards and Education			
Training Grant	N/A	N/A	<u>1,536</u>
Texas Department of State Health Services			
2011 EMS Local Projects Grant	N/A	2011-037315-001	<u>21,426</u>
Texas Department of Public Safety			
<i>Passed Through Governor's Division of Emergency Management</i>			
Local Border Security Program FY2011	N/A	LBSP-11	<u>37,663</u>
TOTAL STATE EXPENDITURES			<u>800,794</u>
TOTAL FEDERAL AND STATE EXPENDITURES			<u>\$ 2,010,406</u>

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

CITY OF VICTORIA, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

For the year ended September 30, 2012

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of the City and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

CITY OF VICTORIA, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended September 30, 2012

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

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: Unqualified

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

yes no

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Major Programs or Cluster</i>
14.218	Community Development Block Grant
N/A	Outdoor Recreation Grant

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? yes no

Section II - Financial Statement Findings

None noted

Section III - Federal Award Findings and Questioned Costs

None noted

CITY OF VICTORIA, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the year ended September 30, 2012

None were reported.