



Comprehensive Annual Financial Report

Year Ended September 30, 2013
City of Victoria, Texas

CITY OF VICTORIA, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the year ended September 30, 2013

Prepared by the Finance Department
City of Victoria, Texas

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
City Administrators' Letter of Transmittal	i
Certificate of Achievement for Excellence in Financial Reporting	xv
Organizational Chart	xvi
Principal City Officials.....	xvii
FINANCIAL SECTION	
Independent Auditors' Report.....	1
Management's Discussion and Analysis	4
<u>Basic Financial Statements</u>	
Government-Wide Financial Statements	
Statement of Net Position.....	20
Statement of Activities	22
Fund Financial Statements	
Balance Sheet - Governmental Funds	24
Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities.....	26
Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds.....	27
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	29
Statement of Net Position - Proprietary Funds	30
Statement of Revenues, Expenses, and Changes in Fund Net Position Proprietary Funds.....	32
Statement of Cash Flows - Proprietary Funds.....	34
Statement of Fiduciary Net Position - Fiduciary Funds.....	38
Statement of Changes in Fiduciary Net Position - Fiduciary Funds	39
Statement of Net Position - Component Units.....	40
Statement of Activities - Component Units.....	41
Notes to Financial Statements	43
<u>Required Supplementary Information</u>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget (GAAP Basis) and Actual - General Fund.....	77
Historical Pension and Other Postemployment Benefits Information.....	78
Notes to Required Supplementary Information	80

FINANCIAL SECTION - (Continued)

Combining and Individual Fund Statements and Schedules

Governmental Funds

Combining Statements

Combining Balance Sheet - All Nonmajor Governmental Funds 81

Combining Statement of Revenues, Expenditures, and Changes in Fund
Balances - All Nonmajor Governmental Funds 82

Nonmajor Special Revenue Funds 83

Combining Balance Sheet - Nonmajor Special Revenue Funds 86

Combining Statement of Revenues, Expenditures, and Changes
in Fund Balance - Nonmajor Special Revenue Funds 90

Nonmajor Capital Project Funds 94

Combining Balance Sheet - Nonmajor Capital Project Funds 95

Combining Statement of Revenues, Expenditures, and Changes
in Fund Balance - Nonmajor Capital Project Funds 96

Individual Statements and Schedules

General Fund 97

Balance Sheet 98

Schedule of Revenues - Budget (GAAP Basis) and Actual 99

Schedule of Expenditures - Budget (GAAP Basis) and Actual 100

Debt Service Fund 105

Balance Sheet 108

Schedule of Revenues, Expenditures, and Changes in Fund
Balance - Budget (GAAP Basis) and Actual 109

Capital Project Funds 110

Capital Construction Fund (3035)

Schedule of Revenues, Expenditures, and Changes in Fund
Balance - Budget (GAAP Basis) and Actual 111

Capital Construction Fund (3036)

Schedule of Revenues, Expenditures, and Changes in Fund
Balance - Budget (GAAP Basis) and Actual 112

Capital Construction Fund (3037)

Schedule of Revenues, Expenditures, and Changes in Fund
Balance - Budget (GAAP Basis) and Actual 113

Proprietary Funds

Nonmajor Enterprise Funds 114

Combining Statements

Combining Statement of Net Position - All Nonmajor Enterprise Funds 115

Combining Statement of Revenues, Expenses, and Changes
in Fund Net Position - All Nonmajor Enterprise Funds 116

Combining Statement of Cash Flows - All Nonmajor Enterprise Funds 117

FINANCIAL SECTION - (Continued)

Combining and Individual Fund Statements and Schedules - (Continued)

Proprietary Funds - (Continued)

Individual Statements

Enterprise Funds

Water and Wastewater Fund	119
Balance Sheet	120
Statement of Revenues, Expenses, and Changes in Fund Net Position	122
Statement of Cash Flows	123

Community Center Fund.....	125
Balance Sheet	126
Statement of Revenues, Expenses, and Changes in Fund Net Position	127
Statement of Cash Flows	128

700 Main Center Fund.....	129
Balance Sheet	130
Statement of Revenues, Expenses, and Changes in Fund Net Position	131
Statement of Cash Flows	132

Environmental Services Fund.....	133
Balance Sheet	134
Statement of Revenues, Expenses, and Changes in Fund Net Position	135
Statement of Cash Flows	136

Internal Service Funds	138
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Combining Statements

Combining Statement of Net Position - Internal Service Funds	139
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position - Internal Service Funds	141
Combining Statement of Cash Flows - Internal Service Funds.....	143

Individual Statements

Vehicle and Equipment Services Fund	147
Balance Sheet.....	148
Statement of Revenues, Expenses, and Changes in Fund Net Position.....	149
Statement of Cash Flows.....	150

Information Technology Fund	151
Balance Sheet.....	152
Statement of Revenues, Expenses, and Changes in Fund Net Position.....	153
Statement of Cash Flows.....	154

Communications Fund	155
Balance Sheet.....	156
Statement of Revenues, Expenses, and Changes in Fund Net Position.....	157
Statement of Cash Flows.....	158

FINANCIAL SECTION - (Continued)

Combining and Individual Fund Statements and Schedules - (Continued)

Proprietary Funds - (Continued)

Internal Service Funds - (Continued)

Individual Statements - (Continued)

Purchasing Fund	159
Balance Sheet.....	160
Statement of Revenues, Expenses, and Changes in Fund Net Position.....	161
Statement of Cash Flows.....	162
Safety Management Fund	163
Balance Sheet.....	164
Statement of Revenues, Expenses, and Changes in Fund Net Position.....	165
Statement of Cash Flows.....	166
Workers' Compensation Fund	167
Balance Sheet.....	168
Statement of Revenues, Expenses, and Changes in Fund Net Position.....	169
Statement of Cash Flows.....	170
Print Shop Fund	171
Balance Sheet.....	172
Statement of Revenues, Expenses, and Changes in Fund Net Position.....	173
Statement of Cash Flows.....	174
Employee Health Plan Fund.....	175
Balance Sheet.....	176
Statement of Revenues, Expenses, and Changes in Fund Net Position.....	177
Statement of Cash Flows.....	178

Fiduciary Fund

Agency Fund	179
Statement of Changes in Assets and Liabilities - Agency Fund.....	180

STATISTICAL SECTION 181

Financial Trends

Net Position by Component	182
Changes in Net Position	184
Program Revenues by Function/Program	188
Fund Balances, Governmental Funds	190
Changes in Fund Balances, Governmental Funds	192
Tax Revenues by Source, Governmental Funds	194

STATISTICAL SECTION - (Continued)

Revenue Capacity

Assessed and Estimated Actual Value of Taxable Property.....	196
Direct and Overlapping Property Tax Rates	198
Principal Property Taxpayers (Unaudited)	200
Property Tax Levies and Collections	201
Water Produced and Consumed and Wastewater Treated.....	203
Water and Sewer Rates.....	205
Ten Largest Water Customers (Unaudited)	207

Debt Capacity

Ratios of Outstanding Debt by Type	208
Ratios of Net General Bonded Debt Outstanding	209
Direct and Overlapping Governmental Activities Debt (Unaudited).....	211
Legal Debt Margin Information	212
Pledged-Revenue Coverage.....	214

Demographic and Economic Information

Demographic and Economic Statistics (Unaudited)	216
Principal Employers (Unaudited)	217

Operating Information

Full-Time-Equivalent City Government Employees by Function/Program.....	218
Operating Indicators by Function/Program	220
Capital Asset Statistics by Function/Program	222

SINGLE AUDIT SECTION

Independent Auditors' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards*..... 224

Independent Auditors' Report on Compliance for Each Major
Program and on Internal Control Over Compliance
Required by OMB Circular A-133..... 226

Schedule of Expenditures of Federal and State Awards..... 228

Notes to Schedule of Expenditures of Federal and State Awards 230

Schedule of Findings and Questioned Cost..... 231

Summary Schedule of Prior Audit Findings..... 232



CITY OF VICTORIA

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

Finance Department, 700 Main Center, Suite 100
P.O. Box 1758, Victoria, Texas 77902-1758
(361) 485-3080, Fax (361) 485-3085

March 19, 2014

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, 2013, and for the year then ended is submitted herewith. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position, results of operations, and cash flows of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

Generally accepted accounting principles (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement and should be read in conjunction with the MD&A. The City's MD&A can be found immediately following the independent auditors' report.

The City provides the traditional local government services under the direction of the Mayor and City Council, and all such activities are accounted for and reported within the basic funds. This report includes all funds of the City government. The financial statements of the Victoria Sales Tax Development Corporation and the Victoria Recreation Association, Inc. are also reported herein as discretely presented (*constituting a separate entity*) component units of the City. The reporting entity funds and various related entities are thoroughly discussed in the notes.

The City utilizes a Council-Manager form of government. The elected body is made up of a Mayor, who is elected at large, and six Council Members elected by district. The City Manager, appointed by the City Council, is responsible for the management of City employees and administration of all City affairs. The City Council appoints several boards and commissions, most of which are used in an advisory capacity. Most of these boards and commissions have no operating budgets and no financial statements, with the exception of the Victoria Sales Tax Development Corporation.

The following boards and commissions are appointed, partially or entirely, by Council, or include a sitting Council member:

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

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

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

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

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

Economic Condition and Outlook

Texas:

Texas appears to be in great shape to benefit from improvement in the broader U.S. and global economies. Investments in the energy and technology sectors should remain exceptionally strong, with growth increasingly focused on pipeline construction and the expansion and development of refinery operations and petrochemical plants. The newfound abundance of energy supplies is also attracting investment from energy-intensive industrial users, which is providing an additional boost to the region. The state's technology sector is largely centered in Austin, which boasts one of the strongest job markets in the country. Growth in mobile devices, cloud computing, big data, and social media has fueled the recent surge in hiring. The growth of the tech sector, however, is evident in every major Texas metropolitan area. With such strong economic prospects, Texas also benefits from continued influx of new residents, which has boosted retail sales, tightened housing markets, and is setting the stage for stronger gains in residential and commercial construction.

Economic Condition and Outlook - (Continued)

Texas (continued):

The oil and gas industry is still a key driver of the Texas economy, but the breakneck pace of growth has slowed somewhat recently. The state's year-to-date natural gas production fell 3.9 percent from a year ago, likely reflecting how low natural gas prices weigh on the profitability of those in the extraction business. Oil production continues to rise, with production up 18.4 percent, but this is considerably less than the 35.4 percent increase felt over the same period in 2012. Although the Permian Basin is still considered the largest source of oil in the United States, the Eagle Ford Shale is responsible for much of the recent production growth.

A lack of infrastructure capable of moving oil from Cushing, Oklahoma to Gulf Coast refineries has caused oil produced in the region to sell at a discount. However, significant pipeline investments are being made which should improve the situation considerably.

Although relatively low natural gas prices hurt profits for those in the extraction business, they benefit downstream producers, namely petrochemical manufacturers. Petrochemical companies in Texas have a substantial advantage over their peers in Europe and Asia. Petrochemical inputs in the United States track the low price of natural gas, while Asian and European inputs track the much higher price of oil. In addition, cheap natural gas also means low electricity prices for business and consumers.

Real estate prices continue to rise. The Dallas Fed's Beige Book reported a softening in the housing sector, in part due to large home price increase in the region through October. Existing-home inventories remained at a historic low of 3.8 months of supply, a strong contributing factor to the recent upward pressure on home prices, which in turn led existing-home sales in October to decline 2.9 percent from their peak in August.

Construction growth is mixed. Despite continued increases in overall construction, including nonresidential, residential activity remained flat. Residential permits spiked in October due to a surge in multifamily permits, but overall activity in recent months and increases in the 30-year mortgage rate suggest a slower pace on growth in residential construction in 2014.

The outlook for the state, per Federal Reserve Bank of Dallas, calls for continued moderate growth. Going into 2014, the Texas economy remains poised for moderate job growth of about 2.5 percent, which is similar to 2013. Although the Texas Leading Index flattened in October, it has accelerated overall since midyear. Slower growth in residential construction and continued cuts in federal government spending will hinder expansion, but faster growth in manufacturing and a stable energy sector will keep Texas on track for job growth exceeding the 20-year historical average of 2.1 percent. *Sources: Wells Fargo Securities – Economic Group and Federal Reserve Bank of Dallas.*

Victoria:

Just like Texas, Victoria's economy is strong and continues to surge in business investments. For example, Caterpillar completed its \$18.4 million expansion and is anticipating having approximately 800 employees by 2016 (*currently, Caterpillar has approximately 485 employees*); Warm Springs Specialty Hospital just completed an \$8.4 million expansion, which will employ more than 100 people. Ken Garner Manufacturing (KGM), supplier to Caterpillar, has acquired 16 acres from Victoria Sales Tax Development Corporation in order to construct a \$10 million facility, with a possible \$4 million expansion in the near future, which will employ approximately 30 employees. KGM is anticipating that once the plant is at its peak output, the company could have approximately 100 employees.

In addition, we have in our area the Eagle Ford Shale project, which is expected to continue over the next several years and continue energizing the industrial and oil/gas sectors such as Synergy, Magic Industries, Nueces Power Equipment, Southern Flow Company, Jet Maintenance, Stallion Victoria, Baker Hughes, and Pioneer.

New developments continue to occur at the Port of Victoria and future expansion is planned by the University of Houston-Victoria. This economic growth has all led to confidence in our community. This confidence is demonstrated with new housing growth, multi-family housing development, and new retail expansion.

The total building permit value (*commercial, multi-family units, single-family units, and other*) decreased by 7.8% or \$8.3 million; however, if Caterpillar's \$18.4 million facility expansion is excluded, the revised total building permit value increased by 11.5% or \$10.1 million, comparing June 2012 to June 2013.

Economic Condition and Outlook - (Continued)

Victoria (continued):

As of June 2013, total commercial permit value is \$36.1 million, a decrease of 38.3% or \$22.4 million from 2012 values. Victoria's multi-family permit value is \$17.4 million, an increase of 46.7% or \$5.5 million from 2012 values; and, single-family permit value is \$16.5 million, an increase of 29% or \$3.7 million from 2012 values.

Major Initiatives

For Fiscal Year 2013 and Into the Future:

A lot has been accomplished and fiscal year 2013 budgetary priorities were met. For example: the proposed pay programs were implemented; the City's GIS Aerial Photography System has been upgraded and, the City's signal timing study results are being implemented. The 2013 Fire Station and Aquatic Facility Plan Studies have been completed and presented to Council. The Automatic Meter Reader Project has been implemented and is working as planned. The City initiated approximately \$31.1 million in new capital improvement projects in fiscal year 2013. The \$18M TxDOT Overpass project was successfully completed. The Ethel L. Tracy Amphitheatre Project and the Lone Tree Splash Pad Projects were completed and are being used by hundreds of Victorians and visitors. It was the intent of the City to sell the Navarro Del Norte' (*old public works building*) and Huvar recycling building to provide funds to construct a new public works facility next to the new proposed wastewater treatment plant; however, because Navarro Del Norte' has not been sold, fund balance reserve is being utilized to build the new facility. The reserve funds will be replenished upon closing on the sale of Navarro Del Norte'. The above 2013 budgetary priorities, and others not listed, have been implemented while maintaining an adequate fund balance/working capital balance reserve.

Every year the City strives to improve the current level of core services within available resources to serve our citizens, businesses, and visitors in the City. Developing the fiscal year 2014 Budget, allocating available resources to the various budgetary priorities was a challenge. The budgetary priorities consist of the following: implement a 3% average merit pay program and a 2% to 5% step pay program for "non-supervisory" Certified Fire Fighters and Police Officers; continue to implement the City's Capital Improvement Program; maintain and improve residential streets, storm drainage system, and City's utility system; continue providing effective and efficient residential refuse collection service programs; address environmental issues; maintain and improve public safety, park, and library services; continue to replace routine capital assets; and, maintain adequate fund balance/working capital reserves.

All of these budgetary priorities have been incorporated into the fiscal year 2014 Budget while at the same time reducing the City's tax rate from 60.56¢ to 59.96¢. Since fiscal year 2004, the City's tax rate has been reduced by 10.04¢.

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

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

Major Initiatives - (Continued)

Capital Improvement Program (continued) - The CIP is a plan that can be revised and amended in response to changing circumstances and funding availability. Each year the entire plan is reviewed and revised to reflect current needs and goals. Non-routine capital expenditures (*routine capital expenditures are sometimes included*) are submitted in the CIP for planning purposes only. All projects require final approval based on the City's Fiscal and Budgetary Policy and applicable administrative directives based on each individual project.

The fiscal year 2014 Budget is proactive in supporting the City's Capital Improvement Program (CIP). The Capital Improvement Program Budget for fiscal year 2014 totals \$41,758,497 of which \$35,538,497 is budgeted in the City's Construction Funds (*a 20.06% increase or \$5,936,982 from last year*), \$4,655,000 is budgeted in the General Fund, and \$1,565,000 is budgeted in the Water/Wastewater Fund. The total CIP from 2014 thru 2018 is estimated at \$153.7 million.

The budgeted amount does not reflect all projects' capital expenditures for fiscal year 2014. 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 2014 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 2014 Budget, along with new appropriations for new projects. The City's fiscal year 2014 \$41,758,497 Capital Improvement Program Budget consists of the following:

General Governmental Construction Fund Capital Improvement Projects - \$9,485,576 (an increase of \$3,793,347 from last year's budget):

- Downtown Overlay Phase II Street Project: \$1,440,000
- Carriage Drive & Mockingbird Traffic Signal Project: 350,576
- Bus. 59 & Loop 463 Traffic Signal Project: 135,000
- Ball Airport Road Street Extension Project: 2,900,000
- Various Residential Street Rehab/Overlay Projects: 4,660,000

Utility Construction Fund Capital Improvement Projects - \$26,052,921 (an increase of \$2,143,635 from last year's budget):

- Downtown Utility Project #7, Phase III Project: \$ 1,376,617
- Downtown Utility Project #8, Phase III Project: 1,487,250
- Downtown Utility Project #9, Phase III Project: 1,593,538
- Downtown Utility Project #1, Phase IV Project: 193,022
- Downtown Utility Project #2, Phase IV Project: 96,193
- Downtown Utility Project #3, Phase IV Project: 349,616
- Rehab Water Tower No. 5 Project: 1,000,000
- Deleon Utility Replacement Project: 150,000
- Wastewater Treatment Plant Engineering Project: 2,158,785
- Wastewater Treatment Plant Construction Project: 17,647,900

General Fund Capital Improvement Projects - \$4,655,000 (an increase of \$2,370,886 from last year's budget):

- Fire Station No. 6 Project \$2,320,000
(In addition to this amount, VSTDC will contribute \$335K, for a total project cost of \$2.66 million) 335,000
- Hanselman Road Rehab/Overlay Project: 850,000
- Various Residential Street Seal Coat Projects: 1,150,000

Major Initiatives - (Continued)

Capital Improvement Program (continued)-

Water/Wastewater Fund Capital Improvement Projects - \$1,565,000 (an increase of \$22,000 from last year's budget):

- North Heights Phase I Utility Replacement Project: \$1,200,000
- Manhole Replacement Project: 365,000

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 2013, a pay program of a 3 percent across-the-board pay raise, a market adjustment pay program, and a compression adjustment pay program were approved with a total cost for all City funds of approximately \$1.5 million. The fiscal year 2014 budget includes funding for a 3 percent average merit pay program for all employees, excluding “non-supervisory” certified police officers and fire-fighter personnel. “Non-supervisory” certified police officers and fire-fighter personnel will receive an average three percent step pay program. The estimated total cost of the pay programs is \$934,533.

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 2014 is 17.82%, compared to 2013 rate 17.94%. 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.

Due to an increase in medical claims and new medical mandates required by the Federal Health Care Reform Act, for fiscal year 2014, the City updated its health and dental plan design and increased health insurance premiums. The new health plan design will provide additional medical plans for employees to choose from, with various medical cost allocations between employee and City. Certain plans will provide an incentive to employee/family in managing their health; other plans will offer a high deductible with a health savings account (*health savings account is a tax-advantaged medical savings account*). The City now offers one dental plan, instead of two plans, to provide greater coverage.

In addition to updating the health and dental plan design, the City is offering its employees and covered spouses access to a Health Risk Assessment Program and Biometric Screening Program, and will continue with the Disease Management Program. The main objective in providing the employee and their covered dependents with the new health and dental plan design and health management programs is to reduce/manage medical claims cost, reduce the cost risk associated with the new federal health care mandates, and provide incentives to live a healthier lifestyle.

Depending on the health plan design selected by the employees, health insurance premium increase varied from \$4.51/month to \$220.23/month. The City's fiscal year 2014 health insurance premium cost increase is estimated at \$224,444. The City's total fiscal year 2014 health plan contribution is \$3,684,801.

As to retiree health insurance premium cost, management established a Health Reimbursement Account for retirees over 65 to use in a Retiree Service Exchange System. This proposal will give the retirees the power to direct their own health care and choose a plan on the exchange that works for their individual needs, while at the same time reducing City's medical cost exposure.

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

Major Initiatives - (Continued)

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 2013 Street and Drainage budget was funded for a total of \$2,709,114. For fiscal year 2014, \$2,300,000 was funded. The fiscal year 2014 Street Rehabilitation and Overlay Program consists of Hanselman Road Rehabilitation and Reclaim Project and various street seal coat projects.

Water and Wastewater – The City strives to maintain its water and wastewater systems in a proactive rather than reactive manner, and has been able to fund some large capital expenditures without issuing debt. In fiscal year 2013, \$2.1 million was funded for Mayfair Terrace Phase II, and Hummel Street Pipe Replacement Programs; for fiscal year 2014, \$1.3 million was funded for North Heights Phase I Utility Replacement Project and Deleon Utility Project, without issuing debt. In addition, financed by utility system revenue bonds, in 2012 the water department began implementation of an Automated Meter Reader (AMR) System, whereby the system will electronically collect data from utility metering devices and transfer data to a central database for billing and/or analysis. The AMR system was fully operational by the end of fiscal year 2013. The system is estimated to reduce personnel, meter maintenance, and vehicle maintenance operating cost by \$2.5 million and increase revenues by approximately \$8.6 million, over 15 years.

The City currently owns and operates two separate wastewater 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. In order to accommodate future growth, the City is in the process of designing a new wastewater treatment facility at an approximate cost of \$21 million. Once this plant is operational (est. 2016) and the Willow Street Plant decommissioned, the City will have a total capacity of treating 14 million gallons per day. In order to fund the construction of the new treatment plant, approximately \$21 million in revenue bonds will be sold in the early spring of 2014. Rate increases to accommodate this bond issue were implemented in fiscal year 2012.

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. In fiscal year 2013, the City of Victoria partnered with the Victoria Sales Tax Development Corporation, Texas Water Development Board, Lavaca-Navidad River Authority, Port of Victoria, Victoria County Groundwater District and Guadalupe-Blanco River Authority and is currently conducting a study to examine the potential of using Aquifer Storage and Recovery in conjunction with and independent of Off Channel Storage facilities and existing water infrastructure.

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.

Major Initiatives - (Continued)

Environmental – In order to address the many quality of life issues that come before us each year, the fiscal year 2014 Budget includes funding for a weedy lot and demolition program; partnering with Keep Victoria Beautiful, Inc. in promoting the beautification of Victoria; partnering with Texas Land Management in managing the City's composting program; as well as an Air Quality Grant through Texas Commission on Environmental Quality.

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

Victoria continues to maintain an adequate landfill capacity. It is estimated that the City's permitted landfill has approximately 20-25 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 recycling and household hazardous waste programs will further extend the life of the landfill.

The landfill generates a large amount of methane gas which was being flared. The City partnered with Renovar Energy Corporation (Renovar) in order to capitalize on the potential benefits of utilizing the City Landfill methane gas as a sellable energy source and create a new revenue source. This revenue will be used to finance the City's closure and post-closure liability. The City is expected to earn approximately \$6.4 million (*net present value*) in royalty payments, over 15 years.

In fiscal year 2014, approximately 46 acres of the City's landfill will be capped, at an estimated closure cost of \$3.2 million, utilizing closure/postclosure funds. In the near future, the City will be installing/improving/repairing the landfill gas extraction system; expanding the landfill by acquiring more land; and addressing various other landfill closure maintenance costs.

Public Safety - 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 did 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 included \$75,000 funding at the facility for a training classroom. Due to the City's recent growth, a Fire Station Study was funded in fiscal year 2013. The study evaluated future locations and trigger points of adding new fire stations, fire apparatus and equipment. As a result, in fiscal year 2014 funding includes \$2.3 million to build an additional fire department (Station 6) on a parcel of land the City purchased in 2009 in the northern part of the City. Once completed, the new station will be fully staffed and equipped using funds beginning with fiscal year 2015. In order to facilitate ready access from Station 6 to its entire service area, a street expansion is planned to connect Ball Airport Road to Northside Road.

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.

Major Initiatives - (Continued)

Parks and Library Services – In addition to the youth sports complex and two-mile hike and bike trail, the parks and recreation system has expanded to include a new 127-acre park including a splash-pad with water playground along with a pavilion, practice ballfields and practice soccer fields, as well as an 1,870 sq.ft. amphitheatre stage, with a public viewing area to seat approximately 1,000 at Ethel Lee Tracy Park. Projects for 2014 include Riverside stadium repairs, playground replacement and repairs at various parks, and renovations at the adult softball complex. The City is currently in negotiations with the Victoria Family YMCA to establish a partnership in which the City would contribute approximately \$1.5 million towards the construction of a new pool facility. In return, Victoria citizens would have access to use of the pool, negating the need for the City to replace its current pool or continue further operating expense.

Serving the citizens of Victoria County, the City Library houses a book collection of over 140,000 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 2014 at \$225,200, compared to \$218,640 in fiscal year 2013. 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 allowed for additional improvements to the children's area to further define it as a space for "children"; as well as the addition of aesthetic lighting on the Main Street side of the building and safety lighting on the east and north sides of the building.

Routine Capital Expenditures – The fiscal year 2014 Budget includes \$15.9 million in capital expenditures, an increase of 7.2 percent. The increase is mainly due to replacing/acquiring certain capital assets with one-time funding source (*i.e. fund balance or working capital balance*). \$7.79 million will be funded out of recurring revenues and the remaining \$8.11 million will be funded out of the one-time use of fund balance or working capital balance (*\$2.77 million General Fund; \$1.01 million Water/Wastewater Fund; \$3.5 million from Environmental Services Fund; and, \$830K from Information Technology Fund*), an increase of \$789K over last year's. The following table recaps the \$15.9 million capital expenditures for fiscal year 2014, compared to fiscal year 2013.

Type of Fund	FY 2013 Original Budget	FY 2014 Original Budget	Increase / (Decrease)	% Change
<i>Governmental Funds</i>	\$4,412,712	\$ 5,756,926	\$1,344,214	30.46%
<i>Enterprise Funds</i>	7,788,773	6,541,262	(1,247,511)	-16.02%
<i>Internal Service Funds</i>	2,654,415	3,620,418	966,003	36.39%
Total Capital Replacement	\$14,855,900	\$15,918,606	\$1,062,706	7.15%

Maintaining Adequate Fund Balance – In prior years, Council set a policy of maintaining the General Fund fund balance reserve at 15% of budgeted expenditures. In fiscal year 2009, the minimum fund balance reserve was increased to 18.5% of budgeted expenditures. In fiscal year 2011 and 2012, the minimum fund balance was set at 20% of budgeted expenditures; and, in fiscal year 2013, the minimum fund balance reserve was set at 22.5%, in order to create an adequate reserve to address future economic uncertainties.

The fiscal year 2014 General Fund Budget minimum fund balance reserve is set at 23.5% of budgeted expenditures, with a goal of achieving a minimum fund balance of 25%. The minimum fund balance (23.5% of \$48,989,978 budgeted expenditures) is projected to be \$11,512,645 which represents approximately 2.8 months of fund balance reserve (*note: the goal for the minimum fund balance reserve should be 3 months of budgeted expenditures*). The estimated ending fund balance for fiscal year 2014 is \$11,821,925, which is \$309,280 over the minimum reserve fund balance. These funds will be reserved in order to address future contingencies, to augment the City's capital improvement program, economic development programs, or expense as Council determines.

Major Initiatives - (Continued)

Maintaining Adequate Fund Balance (continued) – The Enterprise Funds estimated ending working capital reserve balance for fiscal year 2014 is three months of total operating and debt expenses. The Internal Service Funds estimated ending working capital reserve balance for fiscal year 2014 is a minimum of one to two months of total operating expenses (*depending on the type of fund, some funds will have a higher reserve*), per City policy.

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

- Special Revenue Funds – since these funds consist mainly of local, state, and federal grants, the City does not require a minimum fund balance.
- Debt Service Fund – the City requires a one-month minimum fund balance.
- Capital Projects Funds – since these funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities, the City does not require a minimum fund balance.
- 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 \$89,000. 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 eleven homes constructed through this initiative, Swan Crossing has not achieved the success that was anticipated. Ten other lots were donated to Habitat for Humanity resulting in the construction of eight additional homes. 34 lots remain available.

Community Development - The City of Victoria 2013-2014 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, 2013 to September 30, 2014, the City of Victoria will utilize CDBG funds totaling \$604,595 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	\$ 70,265	11.62%
2. Public Services Programs	83,130	13.75%
3. Public Facilities/Improvements	322,200	53.29%
4. Affordable Housing	35,000	5.79%
5. Program Administration	<u>94,000</u>	15.55%
Total:	<u>\$604,595</u>	

Major Initiatives - (Continued)

Other Programs to Note (continued) -

Transportation - 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; and subsequently, the project was expanded in the fall of 2013 to construct frontage roads along US Hwy 59, and an additional overpass on Loop 463 at Airline Road.

Victoria Transit provides public transportation in our community. What began in 1999 as an "On-Call" or demand response system quickly grew into a full service fixed route system. Victoria Transit provides rides to more than 29,000 individuals on a monthly basis which also includes an "On-Call" service for those who qualify as handicapped and disabled and a special needs service for medical transports.

In 2012, the Victoria Metropolitan Planning Organization (MPO) approved the 2013-2016 Transportation Improvement Program (TIP). The TIP is a fiscally constrained four-year plan that identifies transportation projects in the metropolitan area. As required by the federal transportation bill, Moving Ahead for Progress in the 21st Century (MAP-21), the Victoria MPO must develop the TIP in coordination with the State (TxDOT) and local public transit operators. The 2013-2016 TIP can be viewed in its entirety at <http://www.victoriampo.org/documents/VictoriaMPO2013-2016TIPFirstAmendment.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.

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, 2013.

According to the City Charter, "No funds of the City of Victoria shall be expended, nor shall any obligation for the expenditure of money be incurred, except in pursuance of the annual appropriation ordinance . . ."

Cash Administration

The City currently has a depository contract with Wells Fargo Bank. The initial contract began in August 2012, which was for a period of three years. There's an option for two additional one year extensions which could extend the contract out to July 2017.

Under this agreement, at the City's discretion, all excess funds above predetermined balances can be swept out at the end of each business day. These funds are held in securities chosen by the City, and interest is earned based on the market value of the instrument, less a service rate. Before the open of business the following day, the funds are swept back and interest earned is deposited into a separate account. The interest earned daily is reallocated at month-end based on each bank account's daily sweep balance. As of the end of Fiscal Year 2013, the City is not utilizing the sweep product. In its place, the collective balances held in each bank account generate earnings credit at a rate that is currently higher than that offered by the sweep product. The earnings credit offsets the charges for the full suite of depository services. Any excess funds are then invested accordingly.

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

The City reserves the right to invest outside the depository if it is to the City's advantage. As long as the City can earn a better yield outside the depository, it exercises that right. The City's investment policy allows it to invest in any legal investment under the Public Funds Investment Act. The followed practice, however, has been to consider the following instruments as appropriate:

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

Investments are competitively bid by phone quotes and they are generally limited in maturity to less than two years per the City's investment policy unless specifically matched to a particular cash flow.

Risk Management

For fiscal year 2013, the City had most of its liability risks covered by insurance. These coverages are summarized below:

General Liability, including EMS Errors & Omissions	\$2,000,000 occurrence \$4,000,000 aggregate \$1,000 deductible per occurrence
Police Professional Liability	\$1,000,000 occurrence \$3,000,000 aggregate \$5,000 deductible per occurrence
Public Officials' Liability	\$5,000,000 occurrence \$10,000,000 aggregate \$25,000 deductible per claim
Fleet Liability	\$2,000,000 occurrence \$1,000,000 uninsured/underinsured motorist \$25,000 medical payment per person \$0 deductible on liability \$500 deductible each vehicle on auto physical damage \$10,000 deductible each occurrence on auto physical damage \$25,000 deductible catastrophe

Risk Management - (Continued)

Contractors' Equipment	\$2,875,766 (per scheduled equipment) \$1,000,000 newly purchased equipment \$5,000 deductible per occurrence
Comprehensive Property Damage	\$134,726,775 combined building and contents \$500,000 blanket extra expense \$134,726,775 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

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

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

Independent Audit

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

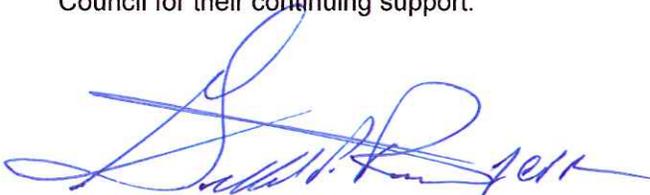
Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Victoria for its comprehensive annual financial report for the fiscal year ended September 30, 2012. This was the thirtieth consecutive year that the City of Victoria has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

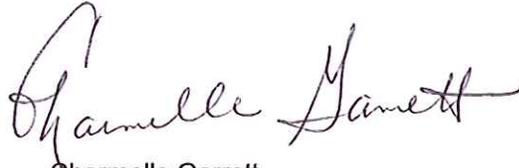
A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

The preparation of the comprehensive annual financial report is a joint effort of the City's Finance Department and the City's independent auditor, Harrison, Waldrop & Uherek, L.L.P. The successful and timely preparation of this report depends on the cooperation of these groups and upon the hard work of the entire staff of the Finance Department. Appreciation must also be expressed to the Mayor and Council for their continuing support.



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



Charmelle Garrett
City Manager



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

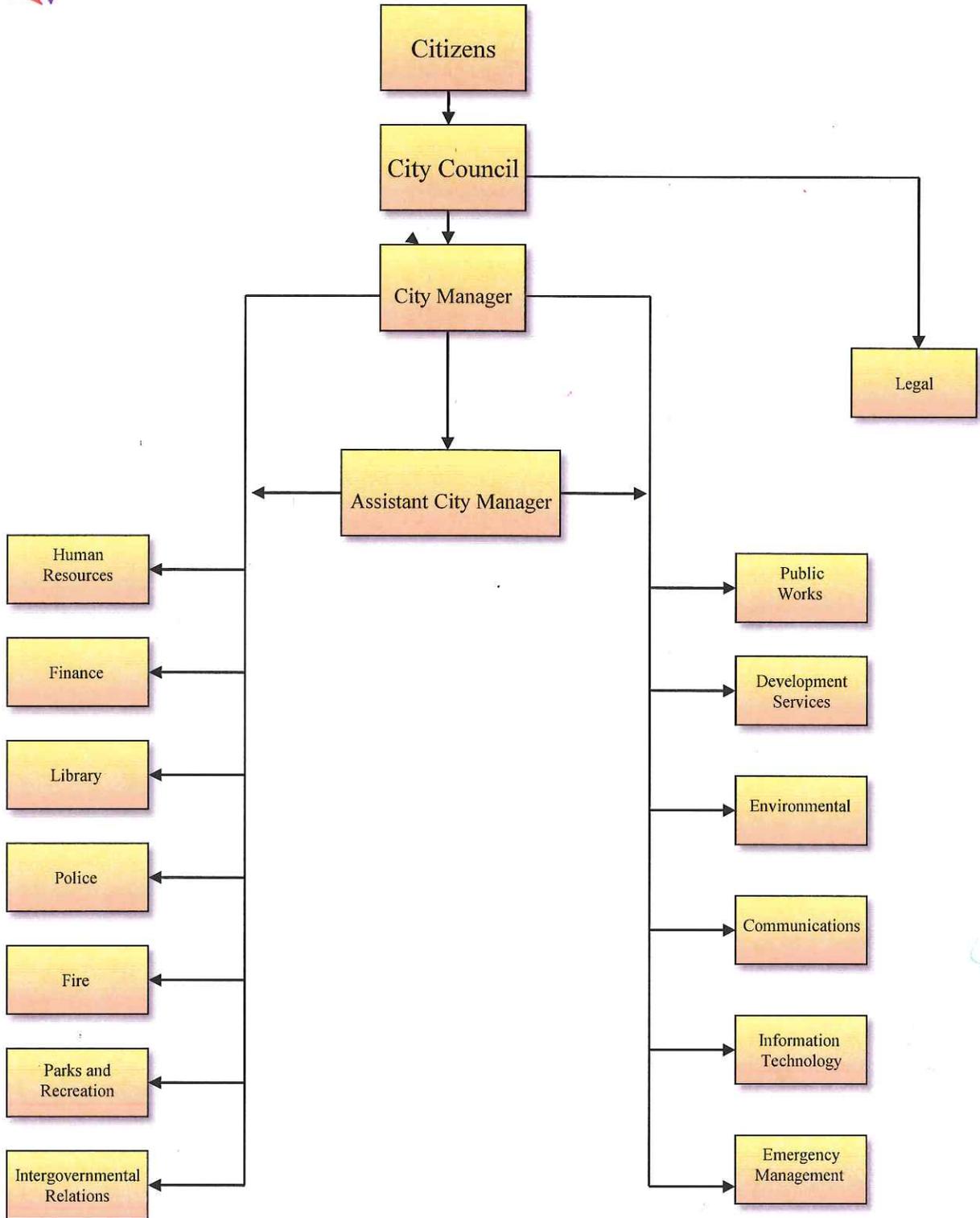
Presented to

**City of Victoria
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2012

Executive Director/CEO



PRINCIPAL CITY OFFICIALS

ELECTED OFFICIALS



Name	Position	Years of Service	Term Expires
<i>Front Row</i>			
David Hagan	Mayor Pro-Tem, District 4	7	May, 2015
Paul Polasek	Mayor	7	May, 2016
Tom Halepaska	Council Member, Super District 6	9	May, 2016
<i>Back Row</i>			
Dr. Andrew Young	Council Member, District 5	0	May, 2016
Josephine E. Soliz	Council Member, District 2	1	May, 2015
Jeff Bauknight	Council Member, District 3	0	May, 2015
Emett Alvarez	Council Member, District 1	1	May, 2015

ADMINISTRATIVE OFFICIALS

Name	Position	Years of Service	
		Current With City	Position
Charmelle Garrett	City Manager	23	3
John Kaminski	Assistant City Manager	25	1
Gilbert P. Reyna, Jr.	Director of Finance	18	17
Thomas Gwosdz	City Attorney	4	4
Cheryl Marthiljohni	Director of Human Resources	3	3
James Foote	Director of Information Technology	6	1
Jared Mayfield	Director of Development Services	16	1
Jeffrey Craig	Police Chief	2	2
Taner Drake	Fire Chief	2	2
Colby VanGundy	Director of Parks and Recreation	0	0
Dayna Williams-Capone	Director of Public Library	6	4
Lynn Short	Director of Public Works	21	10
Darryl Lesak	Director of Environmental Services	5	1
O.C. Garza	Director of Communications	12	4
Jerry James	Director of Intergovernmental Relations	11	1



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
FAX: (361) 573-9531

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Victoria, Texas (the "City") as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Sales Tax Development Corporation and the Victoria Recreation Association, Inc. were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of September 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



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

March 19, 2014

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, 2013. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the transmittal letter and the basic financial statements to enhance their understanding of the City's financial performance.

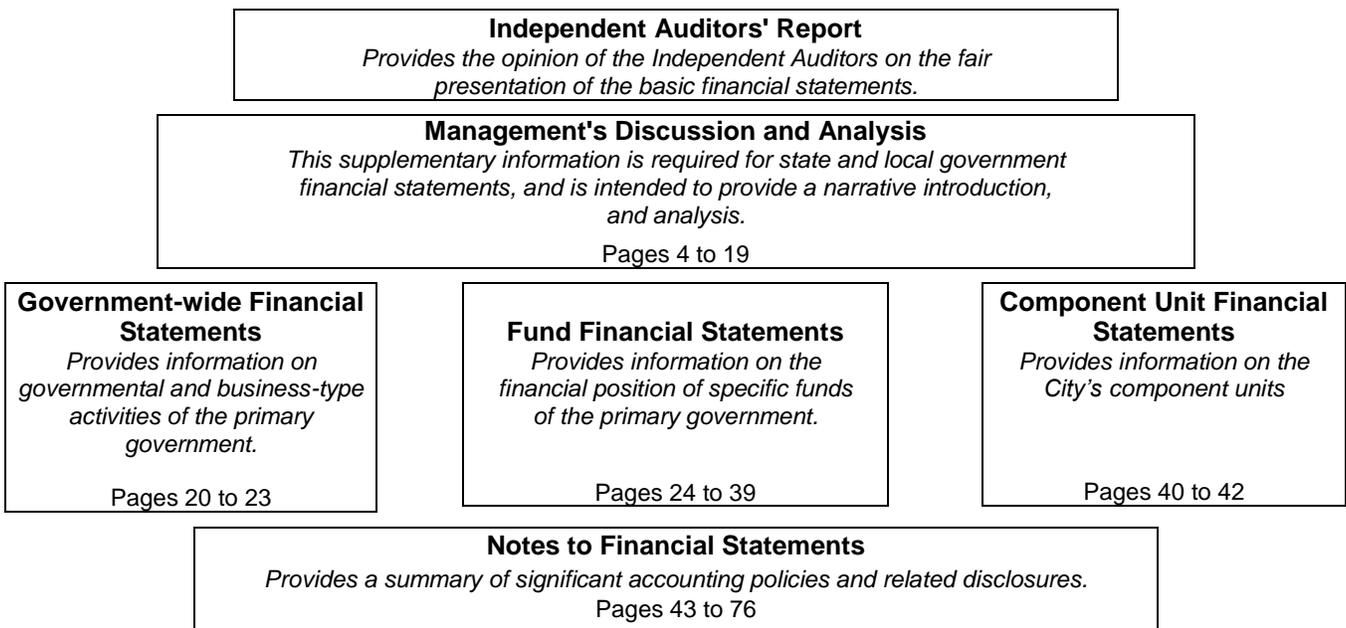
FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City exceeded its liabilities at the close of the fiscal year ended September 30, 2013, by \$191,572,803. Of this amount, \$39,462,341 of unrestricted net position is available to meet the City's ongoing obligations to citizens and creditors (see pages 7 and 8 for further detail).
- At September 30, 2013, the City's governmental funds reported combined ending fund balances of \$24,006,169, a decrease of \$2,440,241 (9%) in comparison with prior year. The unassigned fund balance is \$15,289,711 (see page 11 for further detail).
- At September 30, 2013, unassigned fund balance for the General Fund was \$15,289,711 or 34% of total General Fund expenditures.
- The total cost of all City activities was \$86,035,931 for the fiscal year. Net cost of all activities was \$35,593,754.
- During the year, the City's general revenues exceeded net expenses of the primary government by \$11,508,980. This represents a 6% increase in net position from the previous fiscal year.
- The City's outstanding long-term debt had a net decrease of \$7,090,159. The main reason for the decrease is due to the fact that during the fiscal year 2013, the City issued \$25,015,000 in refunding debt for the governmental activities and no new debt was issued for the business-type activities

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Organization and Flow of Financial Section Information



OVERVIEW OF THE FINANCIAL STATEMENTS - (Continued)

Government-wide Financial Statements

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

Statement of Net Position

The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The statement of net position can be found on pages 20 through 21.

Statement of Activities

The statement of activities presents information showing how the government's net position changed during fiscal year 2013. All changes in net position are reported as soon as the underlying event, giving rise to the change, occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected and earned, but unused vacation leave). The statement of activities can be found on pages 22 through 23.

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

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

Fund Financial Statements

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

Governmental Funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet (pages 24 and 25) and the governmental fund statement of revenues, expenditures, and changes in fund balances (pages 27 and 28) provide reconciliations to facilitate this comparison between governmental funds and governmental activities (pages 26 and 29).

OVERVIEW OF THE FINANCIAL STATEMENTS - (Continued)

Fund Financial Statements - (Continued)

Governmental Funds - (Continued)

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

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

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

Proprietary Funds

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

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

The basic proprietary fund financial statements follow the governmental fund financial statements (pages 30 through 37).

Fiduciary Funds

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

The basic fiduciary fund financial statements can be found on pages 38 through 39 of this report.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 43 through 76 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 77 through 80 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 81 through 180 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows exceeded liabilities by \$191,572,803 at the close of the fiscal year ended September 30, 2013.

At the end of fiscal year 2013, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

City of Victoria, Texas

Net Position

	Governmental Activities		Business-type Activities		Total	
	2013	2012*	2013	2012*	2013	2012*
Current assets	\$ 42,388,795	\$ 46,158,645	\$ 31,144,934	\$ 32,099,658	\$ 73,533,729	\$ 78,258,303
Capital assets (net)	<u>175,508,209</u>	<u>175,727,132</u>	<u>121,574,797</u>	<u>116,161,530</u>	<u>297,083,006</u>	<u>291,888,662</u>
Total assets	<u>217,897,004</u>	<u>221,885,777</u>	<u>152,719,731</u>	<u>148,261,188</u>	<u>370,616,735</u>	<u>370,146,965</u>
Deferred amount on refunding	<u>3,424,176</u>	<u>1,329,968</u>	<u>495,998</u>	<u>555,343</u>	<u>3,920,174</u>	<u>1,885,311</u>
Total deferred outflows of resources	<u>3,424,176</u>	<u>1,329,968</u>	<u>495,998</u>	<u>555,343</u>	<u>3,920,174</u>	<u>1,885,311</u>
Current and other liabilities	11,935,342	12,350,755	8,704,386	9,053,686	20,639,728	21,404,441
Noncurrent liabilities	<u>92,783,875</u>	<u>95,545,632</u>	<u>69,540,503</u>	<u>75,018,380</u>	<u>162,324,378</u>	<u>170,564,012</u>
Total liabilities	<u>104,719,217</u>	<u>107,896,387</u>	<u>78,244,889</u>	<u>84,072,066</u>	<u>182,964,106</u>	<u>191,968,453</u>
Net position:						
Net investment in capital assets	94,905,320	92,513,084	53,705,125	47,433,497	148,610,445	139,946,581
Restricted	3,500,017	2,919,609	-	-	3,500,017	2,919,609
Unrestricted	<u>18,196,626</u>	<u>19,886,665</u>	<u>21,265,715</u>	<u>17,310,968</u>	<u>39,462,341</u>	<u>37,197,633</u>
Total net position	<u>\$ 116,601,963</u>	<u>\$ 115,319,358</u>	<u>\$ 74,970,840</u>	<u>\$ 64,744,465</u>	<u>\$ 191,572,803</u>	<u>\$ 180,063,823</u>

*Net positions of the 2012 governmental and business-type activities have been restated. See Note 21 of this report.

The largest portion of the City's fiscal year 2013 net position (78% or \$148,610,445) consists of investment in capital assets (e.g., land, buildings, streets, and equipment); less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)

The City has restricted net position of \$3,500,017 consisting of \$1,307,262 for debt service, \$1,881,710 for special programs related to recreation, and \$311,045 for public safety programs. The remaining balance of \$39,462,341 may be used to meet the government's ongoing obligations to citizens and creditors; over all, the City's net position increased by \$11,508,980, which consists of an increase of \$1,282,605 in governmental net position and an increase of \$10,226,375 in business-type net position.

City of Victoria, Texas
Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2013	2012 [*]	2013	2012 [*]	2013	2012 [*]
REVENUES						
Program revenues:						
Charges for services	\$ 6,801,457	\$ 7,564,142	\$ 30,210,846	\$ 29,226,309	\$37,012,303	\$36,790,451
Operating grants and contributions	2,580,598	2,419,230	-	-	2,580,598	2,419,230
Capital grants and contributions	4,749,721	1,307,549	6,099,555	2,875,295	10,849,276	4,182,844
General revenues:						
Property taxes	20,848,132	20,855,303	-	-	20,848,132	20,855,303
Other taxes	24,645,781	24,630,767	-	-	24,645,781	24,630,767
Other	<u>921,846</u>	<u>840,562</u>	<u>686,975</u>	<u>60,423</u>	<u>1,608,821</u>	<u>900,985</u>
Total revenues	<u>60,547,535</u>	<u>57,617,553</u>	<u>36,997,376</u>	<u>32,162,027</u>	<u>97,544,911</u>	<u>89,779,580</u>
EXPENSES						
General government	5,709,668	7,882,287	-	-	5,709,668	7,882,287
Public safety	25,215,002	26,018,770	-	-	25,215,002	26,018,770
Development	19,282,345	17,974,898	-	-	19,282,345	17,974,898
Building services	622,921	-	-	-	622,921	-
Recreation	7,025,377	6,366,709	-	-	7,025,377	6,366,709
Interest on long-term debt	3,971,377	4,542,716	-	-	3,971,377	4,542,716
Water/wastewater	-	-	19,313,776	18,737,520	19,313,776	18,737,520
Environmental services	-	-	3,968,866	3,849,208	3,968,866	3,849,208
Other	<u>-</u>	<u>-</u>	<u>926,599</u>	<u>848,712</u>	<u>926,599</u>	<u>848,712</u>
Total expenses	<u>61,826,690</u>	<u>62,785,380</u>	<u>24,209,241</u>	<u>23,435,440</u>	<u>86,035,931</u>	<u>86,220,820</u>
Change in net position before transfers	(1,279,155)	(5,167,827)	12,788,135	8,726,587	11,508,980	3,558,760
Transfers	<u>2,561,760</u>	<u>2,481,540</u>	<u>(2,561,760)</u>	<u>(2,481,540)</u>	<u>-</u>	<u>-</u>
Change in net position	1,282,605	(2,686,287)	10,226,375	6,245,047	11,508,980	3,558,760
Net position - 10/01/12, as restated	<u>115,319,358</u>	<u>118,005,645</u>	<u>64,744,465</u>	<u>58,499,418</u>	<u>180,063,823</u>	<u>176,505,063</u>
Net position - 9/30/13	<u>\$116,601,963</u>	<u>\$ 115,319,358</u>	<u>\$ 74,970,840</u>	<u>\$ 64,744,465</u>	<u>\$191,572,803</u>	<u>\$180,063,823</u>

*Net positions of the 2012 governmental and business-type activities have been restated. See Note 21 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)

The over-all increase in net position is \$11,508,980, which consists of an increase of \$1,282,605 in governmental activities and an increase of \$10,226,375 in business-type activities. The increase in the governmental and business-type activities is mainly due to the fiscal year 2013 contributions from the Sales Tax Development Corporation, a discretely presented component unit, to fund various capital projects.

Governmental Activities

**City of Victoria, Texas
2013 Expenses and Program Revenues - Governmental Activities**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>% of Total</u>	<u>Revenues</u>	<u>% of Total</u>	<u>Net (Expense) Revenue</u>
General government	\$ 5,709,668	9.24%	\$ 3,390,820	23.99%	(\$ 2,318,848)
Public safety	25,215,002	40.78%	4,586,139	32.45%	(20,628,863)
Development	19,282,345	31.19%	5,392,128	38.16%	(13,890,217)
Building services	622,921	1.01%	-	0.00%	(622,921)
Recreation	7,025,377	11.36%	762,689	5.40%	(6,262,688)
Interest on long-term debt	3,971,377	6.42%	-	0.00%	(3,971,377)
	<u>\$61,826,690</u>		<u>\$14,131,776</u>		<u>(\$ 47,694,914)</u>

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

<u>Description</u>	<u>Revenues</u>		<u>Revenues</u>	
	<u>2013</u>	<u>% of Total</u>	<u>2012</u>	<u>% of Total</u>
Charges for services	\$ 6,801,457	10.78%	\$ 7,564,142	12.59%
Operating grants and contributions	2,580,598	4.09%	2,419,230	4.02%
Capital grants and contributions	4,749,721	7.53%	1,307,549	2.18%
Property taxes	20,848,132	33.03%	20,855,303	34.70%
Sales taxes	17,516,177	27.75%	17,533,000	29.17%
Franchise taxes	5,136,247	8.14%	4,981,674	8.29%
Other taxes	1,993,357	3.16%	2,116,093	3.52%
Unrestricted investment earnings	92,079	0.15%	98,042	0.16%
Miscellaneous	829,767	1.31%	742,520	1.24%
Transfers	2,561,760	4.06%	2,481,540	4.13%
Total	<u>\$ 63,109,295</u>		<u>\$ 60,099,093</u>	

GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)

Business-type Activities

Fiscal year 2013 business-type activities increased the City's net position by \$10,226,375. The net position increase is due mainly to:

- 1) Water and Wastewater Fund revenues came in approximately \$978K over budget, mainly due to sale of land and old water meters;
- 2) Water and Wastewater Fund received a capital grant contribution from the Victoria Sales Tax Development Corporation in the amount of \$6.7 million; and,
- 3) Water and Wastewater Fund operating expenses came in approximately \$2 million less than budget, mainly due to personnel cost, maintenance costs, and various capital projects coming in under budget.

**City of Victoria, Texas
2013 Expenses and Program Revenues - Business-type Activities**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>% of Total</u>	<u>Program Revenues</u>	<u>% of Total</u>	<u>Net (Expense) Revenue</u>
Water/wastewater	\$19,313,776	79.78%	\$30,916,304	85.14%	\$11,602,528
Environmental services	3,968,866	16.39%	4,996,129	13.76%	1,027,263
Other	<u>926,599</u>	3.83%	<u>397,968</u>	1.10%	(<u>528,631</u>)
	<u>\$24,209,241</u>		<u>\$36,310,401</u>		<u>\$12,101,160</u>

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

<u>Description</u>	<u>Revenues 2013</u>	<u>% of Total</u>	<u>Revenues 2012</u>	<u>% of Total</u>
Charges for services	\$30,210,846	87.73%	\$29,226,309	98.47%
Capital grants and contributions	6,099,555	17.71%	2,875,295	9.69%
Unrestricted investment earnings	57,555	0.17%	60,423	0.20%
Miscellaneous	629,420	1.83%	-	0.00%
Transfers	(<u>2,561,760</u>)	(7.44%)	(<u>2,481,540</u>)	(8.36%)
Total	<u>\$34,435,616</u>		<u>\$29,680,487</u>	

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of fiscal year 2013, the City's governmental funds reported combined ending fund balances of \$24,006,169, a decrease of \$2,440,241. 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, and using General Fund fund balance on "one-time" capital expenditures.

The City's governmental funds combined fund balance of \$24,006,169 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 2013, unassigned fund balance of the General Fund was \$15,289,711 while total General Fund fund balance was \$17,861,503. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 34% of the total General Fund expenditures, while total fund balance represents 40% of that same amount.

The General Fund fund balance decreased by \$1,261,407, which was mainly due to budgeted "one-time" capital expenditures.

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 2013, fund balance of the Capital Construction Fund (3037) was \$2,268,492.

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 2013, fund balance of the Debt Service Fund was \$1,222,778. The main reason for the \$245,326 increase in the Debt Service Fund fund balance is mainly due to the issuance of the refunding bonds.

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

Proprietary Funds

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

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

<u>Fund</u>	2013	(As Restated)
	<u>Unrestricted Net Position</u>	2012 <u>Unrestricted Net Position</u>
Water and Wastewater	\$13,547,023	\$ 9,758,553
Environmental Services	5,662,345	5,492,730
Other	<u>2,056,347</u>	<u>2,059,685</u>
Total	<u>\$21,265,715</u>	<u>\$17,310,968</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 2013 General Fund original budget and fiscal year 2013 General Fund final amended budget for expenditures (*including transfers*) was \$2,893,225. The \$2,893,225 is made up of the following: \$1,961,365 for fiscal year 2012 carryover encumbrances and fiscal year 2013 budget amendments of \$931,860 consisting of capital acquisitions and professional services.
- The original fiscal year 2013 budget included approximately \$7.8 million of "one-time" expenditures mainly consisting of capital acquisition and improvement projects.
- For fiscal year 2013, the General Fund revenues came in \$647K lower than the General Fund amended fiscal year 2013 budget, mainly due to sales tax, charges for services, and municipal court revenues.
- For fiscal year 2013, the General Fund actual expenditures came in approximately \$7.8 million lower than the General Fund amended fiscal year 2013 budget. This positive variance is mainly due to the following:
 - Personnel costs came in lower than expected;
 - Various maintenance costs came in lower than expected;
 - Storm drainage maintenance program came in lower than expected;
 - Professional services costs came in lower than expected;
 - Transfers to Capital 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, 2013, amounts to \$297,083,006 (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 \$5,194,344 or 2% (a (\$218,923) or 0.12% decrease for governmental activities and \$5,413,267 or 4.66% 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	\$ 520,227	\$ -	\$ -	\$ -	\$ 520,227
Buildings	2,095,077	4,467	672,638	-	2,763,248
Other structure improvements	211,104	32,655	30,181	1,046	207,584
Infrastructure - streets, drainage, traffic, and sidewalks, etc.	24,301,535	-	-	-	24,301,535
Construction in progress	10,599,438	25,800,488	8,836,042	13,467,371	(19,832,379)
Machinery, equipment, and vehicles	4,553,726	1,760,910	1,037,450	85,718	3,744,548
Water and wastewater distribution system	-	-	<u>13,964,520</u>	-	<u>13,964,520</u>
Total	<u>\$ 42,281,107</u>	<u>\$ 27,598,520</u>	<u>\$ 24,540,831</u>	<u>\$ 13,554,135</u>	25,669,283
					FY 2013 depreciation expense (22,174,890)
					FY 2013 accumulated depreciation deletions 1,699,951
					Primary government beginning capital assets balance <u>291,888,662</u>
					Primary government ending capital assets balance <u>\$297,083,006</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, 2013:

City of Victoria, Texas						
Capital Assets						
(Net of Depreciation)						
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 4,361,837	\$ 3,841,610	\$ 4,377,944	\$ 4,377,944	\$ 8,739,781	\$ 8,219,554
Construction in progress	10,735,256	25,936,306	5,571,993	10,203,322	16,307,249	36,139,628
Machinery and equipment	18,321,219	18,782,770	1,976,148	1,386,447	20,297,367	20,169,217
Buildings	9,288,441	7,996,452	27,339,959	27,954,738	36,628,400	35,951,190
Improvements other than buildings	3,204,017	3,325,395	951,920	1,050,493	4,155,937	4,375,888
Infrastructure	129,597,439	115,844,599	1,222,170	1,355,044	130,819,609	117,199,643
Water and wastewater distribution system	-	-	80,134,663	69,833,542	80,134,663	69,833,542
Total	<u>\$175,508,209</u>	<u>\$175,727,132</u>	<u>\$122,119,301</u>	<u>\$116,161,530</u>	<u>\$297,083,006</u>	<u>\$291,888,662</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 2013, the City had total bonded debt outstanding of \$162,790,000. Of this amount, \$93,755,000 comprises debt backed by the full faith and credit of the government and \$69,035,000 secured solely by specific revenue sources (i.e., revenue bonds). In addition, the City had outstanding \$1,487,904 in compensated absences, \$185,324 in other post employment benefits payable, \$3,210,241 in estimated landfill closure and post-closure care cost; and \$4,908,253 in net bond premium (discount) as of September 30, 2013

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

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
General obligation bonds	\$ 46,370,000	\$ 39,975,000	\$ -	\$ -	\$ 46,370,000	\$ 39,975,000
Certificate of obligation bonds	47,385,000	57,835,000	-	-	47,385,000	57,835,000
Revenue bonds	-	-	69,035,000	73,950,000	69,035,000	73,950,000
Compensated absences	1,230,306	1,170,433	257,598	235,917	1,487,904	1,406,350
OPEB payable	140,846	113,481	44,478	25,519	185,324	139,000
Estimated landfill closure and post-closure care cost	-	-	3,210,241	3,192,652	3,210,241	3,192,652
Net bond premium (discount)	<u>2,741,198</u>	<u>797,298</u>	<u>2,167,055</u>	<u>2,376,581</u>	<u>4,908,253</u>	<u>3,173,879</u>
Total	<u>\$ 97,867,350</u>	<u>\$ 98,561,244</u>	<u>\$ 74,714,372</u>	<u>\$ 79,225,326</u>	<u>\$ 172,581,722</u>	<u>\$ 179,671,881</u>

The City's debt had a net decrease of \$7,090,159 or 4%. The key factors to this net increase are the following:

- Debt payments of \$4,665,000 in governmental activities bonds and \$4,915,000 in business-type activities bonds were made during fiscal year 2013,
- The City refunded the 2005 Certificates of Obligation by issuing the 2013A General Obligation Refunding Bonds in the amount of \$9,075,000 during fiscal year 2013,
- The City refunded the 2004 General Obligation Refunding Bonds and the 2005 General Obligation Refunding Bonds by issuing the 2013B General Obligation Refunding Bonds in the amount of \$15,940,000 during fiscal year 2013,
- Compensated absences liability increased by \$81,554,
- Landfill closure/post-closure care cost had a net increase of \$17,589, and
- Bond premium had a net increase of \$1,734,374.

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 appears to be in great shape to benefit from improvement in the broader U.S. and global economies. Investments in the energy and technology sectors should remain exceptionally strong, with growth increasingly focused on pipeline construction and the expansion and development of refinery operations and petrochemical plants. The newfound abundance of energy supplies is also attracting investment from energy-intensive industrial users, which is providing an additional boost to the region. The state's technology sector is largely centered in Austin, which boasts one of the strongest job markets in the country. Growth in mobile devices, cloud computing, big data, and social media has fueled the recent surge in hiring. The growth of the tech sector, however, is evident in every major Texas metropolitan area. With such strong economic prospects, Texas also benefits from continued influx of new residents, which has boosted retail sales, tightened housing markets, and is setting the stage for stronger gains in residential and commercial construction.

The oil and gas industry is still a key driver of the Texas economy, but the breakneck pace of growth has slowed somewhat recently. The state's year-to-date gas production fell 3.9 percent from a year ago, likely reflecting how low gas prices weigh on the profitability of those in the extraction business. Oil production continues to rise, with production up 18.4 percent, but this is considerably less than the 35.4 percent increase felt over the same period in 2012. Although the Permian Basin is still considered the largest source of oil in the United States, the Eagle Ford Shale is responsible for much of the recent production growth.

A lack of infrastructure capable of moving oil from Cushing, Oklahoma to Gulf Coast refineries has caused oil produced in the region to sell at a discount. However, significant pipeline investments are being made which should improve the situation considerably.

Although relatively low natural gas prices hurt profits for those in the extraction business, they benefit downstream producers, namely petrochemical manufacturers. Petrochemical companies in Texas have a substantial advantage over their peers in Europe and Asia. Petrochemical inputs in the United States track the low price of natural gas, while Asian and European inputs track the much higher price of oil. In addition, cheap natural gas also means low electricity prices for business and consumers.

Real estate prices continue to rise. The Dallas Fed's Beige Book reported a softening in the housing sector, in part due to large home price increase in the region through October. Existing-home inventories remained at a historic low of 3.8 months of supply, a strong contributing factor to the recent upward pressure on home prices, which in turn led existing-home sales in October to decline 2.9 percent from their peak in August.

Construction growth is mixed. Despite continued increases in overall construction, including nonresidential, residential activity remained flat. Residential permits spiked in October due to a surge in multifamily permits, but overall activity in recent months and increases in the 30-year mortgage rate suggest a slower pace on growth in residential construction in 2014.

The outlook for the state, per Federal Reserve Bank of Dallas, calls for continued moderate growth. Going into 2014, the Texas economy remains poised for moderate job growth of about 2.5 percent, which is similar to 2013. Although the Texas Leading Index flattened in October, it has accelerated overall since midyear. Slower growth in residential construction and continued cuts in federal government spending will hinder expansion, but faster growth in manufacturing and a stable energy sector will keep Texas on track for job growth exceeding the 20-year historical average of 2.1 percent.

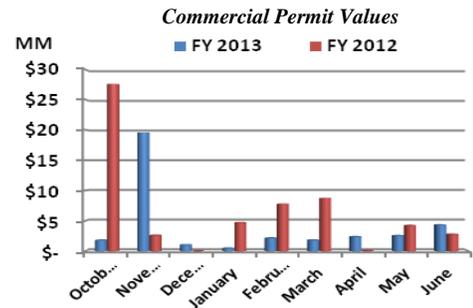
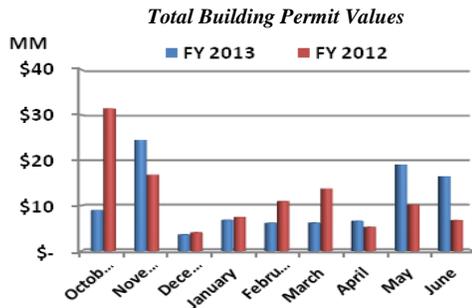
Just like Texas, Victoria's economy is strong and continues to surge in business investments. For example, Caterpillar completed its \$18.4 million expansion and is anticipating having approximately 800 employees by 2016 (*currently, Caterpillar has approximately 485 employees*); Warm Springs Specialty Hospital just completed an \$8.4 million expansion, which will employ more than 100 people. Ken Garner Manufacturing (KGM), supplier to Caterpillar, has acquired 16 acres from Victoria Sales Tax Development Corporation in order to construct a \$10 million facility, with a possible \$4 million expansion in the near future, which will employ approximately 30 employees. KGM is anticipating that once the plant is at its peak output, the company could have approximately 100 employees.

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

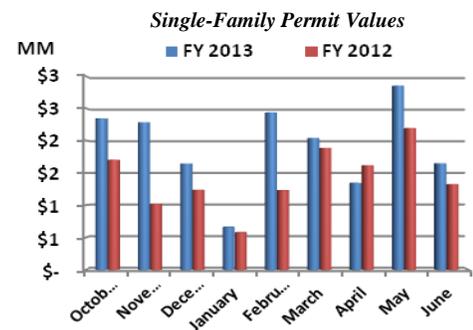
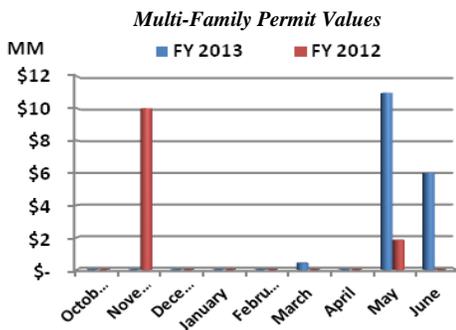
In addition, we have in our area the Eagle Ford Shale project, which is expected to continue over the next several years and continue energizing the industrial and oil/gas sectors such as Synergy, Magic Industries, Nueces Power Equipment, Southern Flow Company, Jet Maintenance, Stallion Victoria, Baker Hughes, and Pioneer.

New developments continue to occur at the Port of Victoria and future expansion is planned by the University of Houston-Victoria. This economic growth has all led to confidence in our community. This confidence is demonstrated not only with the past increase in sales tax rebates, but new housing growth, multi-family housing development, and new retail expansion.

The total building permit value (*commercial, multi-family units, single-family units, and other*) decreased by 7.8% or \$8.3 million; however, if Caterpillar's \$18.4 million facility expansion is excluded, the revised total building permit value increased by 11.5% or \$10.1 million, comparing June 2012 to June 2013. As of June 2013, total commercial permit value is \$36.1 million, a decrease of 38.3% or \$22.4 million from last year's values.



As of June 2013, Victoria's multi-family permit value is \$17.4 million, an increase of 46.7% or \$5.5 million from last year's values; and, single-family permit value is \$16.5 million, an increase of 29% or \$3.7 million from last year's values.



Victoria continues to receive residential construction plats, including the Terra Vista Subdivision (188 single-family residential units), The Ranches at Terra Vista (40 single-family units), Tuscany Subdivision (41 single-family residential units), Fox Creek Subdivision (185 single-family residential units), Lake Forest Subdivision (20 single-family residential units), and Capstone Estate Phase III (24 single-family residential units).

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% and employment by 2.33%.

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

- The City of Victoria, with a population of about 63,000, is located 30 miles inland from the Gulf Coast and roughly equidistant from Corpus Christi, Texas; San Antonio, Texas; and Houston, Texas, which are all approximately 130 miles away. While the most important 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 175,000. Per capita effective buying income is 96.2% and 90.4% of the state and national average, respectively; and, per capita retail sales are 153.6% of national levels, which is evidence of the City's role as a regional trade center.

Over the past fourteen years (2000 thru 2013), City's population has grown approximately 3.96%. The population is projected to grow by 17.59% over the next twelve years or 1.47% per year.

- As of the first quarter of fiscal year 2014, sales tax revenues came in approximately \$254K or 6.04% under budget.
- 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, 2013. The fiscal year 2013-2014 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 \$3,736,222,546; an increase of 8.8% or \$303 million over last year's tax roll (adjusted for frozen taxable appraised values) of \$3,433,311,549.
- The ad valorem tax rate for fiscal year 2014 was set at 59.96¢, a decrease of 0.60¢ from last year's tax rate of 60.56¢. The tax rate is allocated at 34.90¢ for General Fund maintenance and operating costs (a decrease of 0.60¢), and 25.06¢ for Debt Service Fund (same as last fiscal year).
- The General Fund unassigned fund balance at September 30, 2013, came in \$3,676,719 above the minimum required unassigned fund balance of \$11,612,992, for a total year-end unassigned fund balance of \$15,289,711. The City had a policy of maintaining a minimum unassigned fund balance of 22.5% of total expenditures (for fiscal year 2014, the minimum unassigned fund balance was raised to 23.5%). The excess unassigned fund balance will be used during fiscal year 2014 on one-time/non-reoccurring expenditures, capital improvement projects, or at Council's discretion.
- The fiscal year 2014 Budget includes \$3,889,249 of General Fund one-time expenditures, \$2,705,693 of Water and Wastewater Fund one-time expenses, and \$3,500,000 of Environmental Services Fund.
- Water and sewer base rates and residential collections fees were not increased in fiscal year 2014.
- 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 (in fiscal year 2013) and 15 years of royalty payments (starting in fiscal year 2014). 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 Environmental Services Fund 2014 budget includes \$3.5 million ("one-time" capital expense) to address the City's September 30, 2013 estimated landfill closure cost liability of \$3.2 million. During the fiscal year 2014, the City will "cap" approximately 46 acres (i.e. installing a final cover on approximately 46 acres) of its solid waste landfill. In the near future, the City will be installing/improving/repairing the landfill gas extraction system, expanding the landfill by acquiring more land, and addressing various other landfill post-closure maintenance cost.

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

- The City's next five fiscal years Capital Improvement Program Projects consist of approximately \$154 million; FY 2014 - \$118 million, FY 2015 - \$8 million, FY 2016 - \$7 million, FY 2017 - \$12 million, and FY 2018 - \$9 million (more detailed information on this subject can be found in the City's Fiscal Year 2014 budget).

Requests for Information

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

CITY OF VICTORIA, TEXAS
STATEMENT OF NET POSITION
September 30, 2013

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 12,703,329	\$ 6,550,278	\$ 19,253,607	\$ 7,559,823
Investments	21,894,154	9,747,987	31,642,141	4,001,630
Receivables (net)	7,388,687	2,570,053	9,958,740	674,895
Internal balances	(70,295)	70,295	-	-
Due from primary government	-	-	-	24,397
Inventory	429,507	157,591	587,098	-
Returned checks	18,413	5,416	23,829	-
Restricted assets				
Cash and cash equivalents	25,000	10,343,139	10,368,139	-
Investments	-	1,700,175	1,700,175	-
Total current assets	42,388,795	31,144,934	73,533,729	12,260,745
Noncurrent assets				
Capital assets				
Land and other assets not being depreciated	15,097,093	9,949,937	25,047,030	4,971,942
Buildings, improvements, and equipment (net)	160,411,116	111,624,860	272,035,976	6,175,944
Total noncurrent assets	175,508,209	121,574,797	297,083,006	11,147,886
Total assets	217,897,004	152,719,731	370,616,735	23,408,631
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amount on refunding	3,424,176	495,998	3,920,174	-
Total deferred outflows of resources	3,424,176	495,998	3,920,174	-

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
LIABILITIES				
Current liabilities				
Accounts payable	\$ 2,847,711	\$ 1,270,069	\$ 4,117,780	\$ 701,123
Accounts payable (payable from restricted assets)	-	947,598	947,598	-
Accrued expenses	1,791,953	249,454	2,041,407	-
Due to other governments	113,618	37,404	151,022	-
Due to component unit	-	24,397	24,397	-
Customer deposits	-	32,551	32,551	-
Claims payable	610,910	-	610,910	-
Unearned revenue	1,020,231	-	1,020,231	-
Accrued compensated absences	18,475	3,869	22,344	-
Accrued interest payable	467,444	969,044	1,436,488	47,848
Current portion of long-term obligations	5,065,000	5,170,000	10,235,000	905,000
Total current liabilities	<u>11,935,342</u>	<u>8,704,386</u>	<u>20,639,728</u>	<u>1,653,971</u>
Noncurrent liabilities				
Noncurrent portion of long-term obligations	91,431,198	66,032,055	157,463,253	3,024,605
Accrued compensated absences	1,211,831	253,729	1,465,560	-
Other post employment benefits payable	140,846	44,478	185,324	-
Estimated landfill closure and postclosure care cost	-	3,210,241	3,210,241	-
Total noncurrent liabilities	<u>92,783,875</u>	<u>69,540,503</u>	<u>162,324,378</u>	<u>3,024,605</u>
Total liabilities	<u>104,719,217</u>	<u>78,244,889</u>	<u>182,964,106</u>	<u>4,678,576</u>
NET POSITION				
Net investment in capital assets	94,905,320	53,705,125	148,610,445	7,218,281
Restricted for:				
Debt service	1,307,262	-	1,307,262	-
Public safety	311,045	-	311,045	-
Recreation	1,881,710	-	1,881,710	-
Unrestricted	<u>18,196,626</u>	<u>21,265,715</u>	<u>39,462,341</u>	<u>11,511,774</u>
Total net position	<u>\$ 116,601,963</u>	<u>\$ 74,970,840</u>	<u>\$ 191,572,803</u>	<u>\$ 18,730,055</u>

The accompanying notes are an integral part of this statement.

CITY OF VICTORIA, TEXAS
STATEMENT OF ACTIVITIES
For the year ended September 30, 2013

Function/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government	\$ 5,709,668	\$ 2,216,473	\$ 1,174,347	\$ -
Public safety	25,215,002	4,009,925	576,214	-
Development	19,282,345	-	779,431	4,612,697
Building services	622,921	-	-	-
Recreation	7,025,377	575,059	50,606	137,024
Interest on long-term debt	3,971,377	-	-	-
Total governmental activities	<u>61,826,690</u>	<u>6,801,457</u>	<u>2,580,598</u>	<u>4,749,721</u>
Business-type activities				
Water/wastewater	19,313,776	24,816,749	-	6,099,555
Environmental services	3,968,866	4,996,129	-	-
Other	926,599	397,968	-	-
Total business-type activities	<u>24,209,241</u>	<u>30,210,846</u>	<u>-</u>	<u>6,099,555</u>
Total primary government	<u>\$ 86,035,931</u>	<u>\$ 37,012,303</u>	<u>\$ 2,580,598</u>	<u>\$ 10,849,276</u>
Component Units	<u>\$ 14,052,027</u>	<u>\$ 28,318</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:

Taxes:

- Property taxes, levied for general purposes
- Property taxes, levied for debt service
- Sales taxes
- Franchise taxes
- Other taxes

Unrestricted investment earnings

Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning, as restated

Net position - ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and
Changes in Net Position

Primary Government

Governmental Activities	Business- type Activities	Total	Component Units
\$ (2,318,848)	\$ -	\$ (2,318,848)	\$ -
(20,628,863)	-	(20,628,863)	-
(13,890,217)	-	(13,890,217)	-
(622,921)	-	(622,921)	-
(6,262,688)	-	(6,262,688)	-
(3,971,377)	-	(3,971,377)	-
<u>(47,694,914)</u>	<u>-</u>	<u>(47,694,914)</u>	<u>-</u>
-	11,602,528	11,602,528	-
-	1,027,263	1,027,263	-
-	(528,631)	(528,631)	-
-	<u>12,101,160</u>	<u>12,101,160</u>	<u>-</u>
<u>(47,694,914)</u>	<u>12,101,160</u>	<u>(35,593,754)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(14,023,709)</u>
13,055,307	-	13,055,307	-
7,792,825	-	7,792,825	-
17,516,177	-	17,516,177	8,782,486
5,136,247	-	5,136,247	-
1,993,357	-	1,993,357	-
92,079	57,555	149,634	42,004
829,767	629,420	1,459,187	-
<u>2,561,760</u>	<u>(2,561,760)</u>	<u>-</u>	<u>-</u>
<u>48,977,519</u>	<u>(1,874,785)</u>	<u>47,102,734</u>	<u>8,824,490</u>
1,282,605	10,226,375	11,508,980	(5,199,219)
<u>115,319,358</u>	<u>64,744,465</u>	<u>180,063,823</u>	<u>23,929,274</u>
<u>\$ 116,601,963</u>	<u>\$ 74,970,840</u>	<u>\$ 191,572,803</u>	<u>\$ 18,730,055</u>

CITY OF VICTORIA, TEXAS*BALANCE SHEET**GOVERNMENTAL FUNDS**September 30, 2013*

	<u>General</u>	<u>Debt Service</u>	<u>Capital Construction Fund (3037)</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 3,773,533	\$ 73,106	\$ 2,689,461
Investments	15,319,500	1,149,672	-
Receivables (net)	6,055,701	551,928	-
Due from other funds	447,486	-	378,107
Inventory	240,214	-	-
Returned checks	17,925	-	-
Total assets	<u>\$ 25,854,359</u>	<u>\$ 1,774,706</u>	<u>\$ 3,067,568</u>
LIABILITIES			
Accounts payable	\$ 1,026,166	\$ -	\$ 799,076
Accrued expenditures	1,735,443	-	-
Accrued compensated absences	2,942	-	-
Due to other governments	113,618	-	-
Due to other funds	672,446	-	-
Unearned revenue	758,652	-	-
Total liabilities	<u>4,309,267</u>	<u>-</u>	<u>799,076</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	3,683,589	551,928	-
Total deferred inflows of resources	<u>3,683,589</u>	<u>551,928</u>	<u>-</u>
FUND BALANCES			
Nonspendable			
Inventory	240,214	-	-
Restricted	-	1,222,778	2,268,492
Committed	2,331,578	-	-
Unassigned	15,289,711	-	-
Total fund balances	<u>17,861,503</u>	<u>1,222,778</u>	<u>2,268,492</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 25,854,359</u>	<u>\$ 1,774,706</u>	<u>\$ 3,067,568</u>

The accompanying notes are an integral part of this statement.

Other Governmental Funds	Total Governmental Funds
\$ 3,280,530	\$ 9,816,630
-	16,469,172
633,355	7,240,984
314,262	1,139,855
-	240,214
-	17,925
<u>\$ 4,228,147</u>	<u>\$ 34,924,780</u>
\$ 615,119	\$ 2,440,361
7,479	1,742,922
-	2,942
-	113,618
690,574	1,363,020
261,579	1,020,231
<u>1,574,751</u>	<u>6,683,094</u>
-	<u>4,235,517</u>
-	<u>4,235,517</u>
-	240,214
2,653,396	6,144,666
-	2,331,578
-	15,289,711
<u>2,653,396</u>	<u>24,006,169</u>
<u>\$ 4,228,147</u>	<u>\$ 34,924,780</u>

CITY OF VICTORIA, TEXAS

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION

OF GOVERNMENTAL ACTIVITIES

September 30, 2013

Total governmental fund balances		\$ 24,006,169
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Internal service funds are used by the City to charge the costs of certain activities, such as insurance and vehicle and equipment services, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		18,371,781
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are "unavailable" in the funds.		1,828,133
Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (for example, receivables) are offset by unavailable revenues in the governmental funds and thus are not included in fund balance.		2,407,384
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	\$ 305,970,671	
Accumulated depreciation of governmental capital assets	<u>(141,129,226)</u>	164,841,445
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	(93,755,000)	
Premiums on bonds payable	(2,741,198)	
Loss on refunding	3,424,176	
Accrued interest on the bonds	(467,444)	
Other post employment benefits payable	(140,846)	
Compensated absences	<u>(1,172,637)</u>	<u>(94,852,949)</u>
Net position of governmental activities		<u>\$ 116,601,963</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, 2013

	General	Debt Service	Capital Construction Fund (3037)
REVENUES			
Taxes	\$ 35,868,364	\$ 7,682,101	\$ -
Licenses and permits	962,217	-	-
Intergovernmental	2,082,186	434,156	-
Charges for services	2,066,070	-	-
Fines and forfeitures	764,295	-	-
Investment income	47,898	14,258	7,392
Miscellaneous	300,151	345,275	4,637,697
Total revenues	<u>42,091,181</u>	<u>8,475,790</u>	<u>4,645,089</u>
EXPENDITURES			
Current			
General government	3,494,191	-	-
Public safety	24,182,916	-	-
Development	10,002,357	-	207,186
Building services	751,312	-	-
Recreation	6,094,785	-	-
Capital outlay	-	-	7,403,353
Debt service			
Principal retirement	-	4,665,000	-
Interest and fiscal charges	-	3,567,975	-
Paying agents' fees and issue costs	-	393,724	-
Total expenditures	<u>44,525,561</u>	<u>8,626,699</u>	<u>7,610,539</u>
Excess (deficiency) of revenues over expenditures	(2,434,380)	(150,909)	(2,965,450)
OTHER FINANCING SOURCES (USES)			
Bonds issued	-	25,015,000	-
Premium on issuance of bonds	-	2,163,159	-
Payment to escrow	-	(26,781,924)	-
Transfers in	3,041,760	-	1,538,035
Transfers out	(1,868,787)	-	-
Total other financing sources (uses)	<u>1,172,973</u>	<u>396,235</u>	<u>1,538,035</u>
Change in fund balances	(1,261,407)	245,326	(1,427,415)
Fund balances at beginning of year	19,122,910	977,452	3,695,907
Fund balances at end of year	<u>\$ 17,861,503</u>	<u>\$ 1,222,778</u>	<u>\$ 2,268,492</u>

The accompanying notes are an integral part of this statement.

Other Governmental Funds	Total Governmental Funds
\$ 1,881,129	\$ 45,431,594
-	962,217
1,796,377	4,312,719
-	2,066,070
141,904	906,199
6,703	76,251
405,080	5,688,203
<u>4,231,193</u>	<u>59,443,253</u>

1,247,620	4,741,811
914,434	25,097,350
-	10,209,543
-	751,312
1,491,567	7,586,352
304,579	7,707,932
-	4,665,000
-	3,567,975
-	393,724
<u>3,958,200</u>	<u>64,720,999</u>

272,993	(5,277,746)
-	25,015,000
-	2,163,159
-	(26,781,924)
960,262	5,540,057
<u>(1,230,000)</u>	<u>(3,098,787)</u>
<u>(269,738)</u>	<u>2,837,505</u>
3,255	(2,440,241)
<u>2,650,141</u>	<u>26,446,410</u>
<u>\$ 2,653,396</u>	<u>\$ 24,006,169</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, 2013*

Total net change in fund balances - governmental funds \$ (2,440,241)

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. 518,607

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Increase in capital assets	\$ 13,192,674	
Depreciation expense	<u>(14,298,858)</u>	(1,106,184)

The net effect of various transactions involving capital assets (i.e., transfers, adjustments and dispositions) is to increase (decrease) net position. (32,677)

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

Bonds at par value	(25,015,000)	
(Premium) discount	<u>(2,163,159)</u>	(27,178,159)

Payment to the escrow agent to refund bonds from refunding proceeds reduces long-term liabilities. 26,781,924

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		4,665,000
---------------------------	--	-----------

Because some property taxes will not be collected for several months after the City's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Similarly, other revenues are not currently available at year end and are not reported as revenue in the governmental funds.

Property taxes	268,718	
Other revenues	<u>(98,896)</u>	169,822

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	(58,443)	
Decrease in accrued interest	53,778	
Decrease in loss on bond refunding	(282,716)	
Decrease in bond premium	219,259	
Increase in other post employment benefits payable	<u>(27,365)</u>	<u>(95,487)</u>

Change in net position of governmental activities **\$ 1,282,605**

The accompanying notes are an integral part of this statement.



CITY OF VICTORIA, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2013

	Business-type Activities		
	Water and Wastewater	Environmental Services	Other Enterprise Funds
ASSETS			
Current assets			
Cash and cash equivalents	\$ 4,892,183	\$ 791,478	\$ 866,617
Investments	6,747,714	3,000,273	-
Receivables (net)	2,119,925	448,747	1,381
Due from other funds	-	-	120,000
Inventory	157,591	-	-
Returned checks	3,742	-	1,674
Restricted assets			
Cash and cash equivalents	5,908,347	3,248,770	1,186,022
Investments	-	1,700,175	-
Total current assets	19,829,502	9,189,443	2,175,694
Noncurrent assets			
Capital assets			
Land and other assets not being depreciated	8,750,248	799,931	399,758
Buildings, improvements, and equipment (net)	105,840,098	2,175,203	3,609,559
Total noncurrent assets	114,590,346	2,975,134	4,009,317
Total assets	134,419,848	12,164,577	6,185,011
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	495,998	-	-
Total deferred outflows of resources	495,998	-	-
LIABILITIES			
Current liabilities			
Accounts payable	1,065,950	132,900	71,219
Accounts payable (payable from restricted assets)	947,598	-	-
Accrued expenses	188,235	52,922	8,297
Accrued compensated absences	3,014	784	71
Due to other governments	-	37,404	-
Due to other funds	44,925	2,207	2,573
Due to component unit	-	24,397	-
Customer deposits	-	-	32,551
Claims payable	-	-	-
Accrued interest payable	969,044	-	-
Current portion of revenue bonds	5,170,000	-	-
Total current liabilities	8,388,766	250,614	114,711
Noncurrent liabilities			
Revenue bonds (net of current portion)	63,865,000	-	-
Premiums on long-term debt	2,167,055	-	-
Accrued compensated absences	197,676	51,417	4,636
Other post employment benefits payable	29,652	14,826	-
Estimated landfill closure and postclosure care cost	-	3,210,241	-
Total noncurrent liabilities	66,259,383	3,276,484	4,636
Total liabilities	74,648,149	3,527,098	119,347
NET POSITION			
Net investment in capital assets	46,720,674	2,975,134	4,009,317
Unrestricted net position	13,547,023	5,662,345	2,056,347
Total net position	\$ 60,267,697	\$ 8,637,479	\$ 6,065,664

The accompanying notes are an integral part of this statement.

<u>Total</u>	<u>Governmental Activities Internal Service Funds</u>
\$ 6,550,278	\$ 2,886,699
9,747,987	5,424,982
2,570,053	147,703
120,000	154,250
157,591	189,293
5,416	488
10,343,139	25,000
1,700,175	-
<u>31,194,639</u>	<u>8,828,415</u>
9,949,937	173,175
<u>111,624,860</u>	<u>10,493,589</u>
<u>121,574,797</u>	<u>10,666,764</u>
<u>152,769,436</u>	<u>19,495,179</u>
495,998	-
<u>495,998</u>	<u>-</u>
1,270,069	407,350
947,598	-
249,454	49,031
3,869	822
37,404	-
49,705	1,380
24,397	-
32,551	-
-	610,910
969,044	-
5,170,000	-
<u>8,754,091</u>	<u>1,069,493</u>
63,865,000	-
2,167,055	-
253,729	53,905
44,478	-
3,210,241	-
<u>69,540,503</u>	<u>53,905</u>
<u>78,294,594</u>	<u>1,123,398</u>
53,705,125	10,666,764
21,265,715	7,705,017
<u>\$ 74,970,840</u>	<u>\$ 18,371,781</u>

CITY OF VICTORIA, TEXAS

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

PROPRIETARY FUNDS

For the year ended September 30, 2013

	Business-type Activities		
	Water and Wastewater	Environmental Services	Other Enterprise Funds
OPERATING REVENUES			
Charges for services	\$ 24,480,658	\$ 4,468,036	\$ 397,968
Miscellaneous	336,091	528,093	-
Total operating revenues	<u>24,816,749</u>	<u>4,996,129</u>	<u>397,968</u>
OPERATING EXPENSES			
Personnel	5,027,100	1,285,753	292,954
Materials and supplies	1,375,305	329,656	24,832
Maintenance	1,014,895	7,193	50,730
Heat, lights and power	1,547,379	18,777	177,987
Reinsurance premiums	-	-	-
Miscellaneous services	1,829,877	937,327	67,979
Contractual services	527,849	245,790	46,999
Computer services	121,656	28,583	9,498
Court costs, judgments and damages	-	-	-
Claims expense	-	-	-
Wellness program	-	-	-
Tipping fees	-	771,548	-
Landfill closure and postclosure care cost	-	17,589	-
Depreciation	5,077,576	326,650	255,620
Total operating expenses	<u>16,521,637</u>	<u>3,968,866</u>	<u>926,599</u>
Operating income (loss) before nonoperating revenues (expenses) and contributions and transfers	8,295,112	1,027,263	(528,631)
NONOPERATING REVENUES (EXPENSES)			
Investment income	32,371	20,441	4,743
Interest and fiscal charges	(2,792,139)	-	-
Gain (loss) on disposition of capital assets	629,770	(350)	-
Net nonoperating revenues (expenses)	<u>(2,129,998)</u>	<u>20,091</u>	<u>4,743</u>
Income before contributions and transfers	6,165,114	1,047,354	(523,888)
Contributions and transfers			
Capital contributions	6,099,555	-	-
Transfers in	-	-	480,000
Transfers out	(2,450,100)	(571,860)	(19,800)
Total contributions and transfers	<u>3,649,455</u>	<u>(571,860)</u>	<u>460,200</u>
Change in net position	9,814,569	475,494	(63,688)
Total net position at beginning of year, as restated	<u>50,453,128</u>	<u>8,161,985</u>	<u>6,129,352</u>
Total net position at end of year	<u>\$ 60,267,697</u>	<u>\$ 8,637,479</u>	<u>\$ 6,065,664</u>

The accompanying notes are an integral part of this statement.

<u>Total</u>	<u>Governmental Activities Internal Service Funds</u>
\$ 29,346,662	\$ 14,618,464
864,184	206,124
<u>30,210,846</u>	<u>14,824,588</u>
6,605,807	1,214,487
1,729,793	1,969,028
1,072,818	426,793
1,744,143	30,280
-	883,944
2,835,183	687,347
820,638	1,293,397
159,737	52,055
-	9,329
-	5,530,874
-	18,414
771,548	-
17,589	-
<u>5,659,846</u>	<u>2,216,185</u>
<u>21,417,102</u>	<u>14,332,133</u>
8,793,744	492,455
57,555	15,828
(2,792,139)	-
629,420	(110,166)
<u>(2,105,164)</u>	<u>(94,338)</u>
6,688,580	398,117
6,099,555	-
480,000	120,490
<u>(3,041,760)</u>	<u>-</u>
<u>3,537,795</u>	<u>120,490</u>
10,226,375	518,607
<u>64,744,465</u>	<u>17,853,174</u>
<u>\$ 74,970,840</u>	<u>\$ 18,371,781</u>

CITY OF VICTORIA, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended September 30, 2013

	Business-type Activities		
	Water and Wastewater	Environmental Services	Other Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers/other funds	\$ 24,919,077	\$ 4,840,697	\$ 395,908
Cash paid to suppliers for goods and services	(5,856,025)	(2,292,808)	(357,072)
Cash paid to employees for services	(4,995,624)	(1,269,402)	(294,797)
Net cash provided (used) by operating activities	<u>14,067,428</u>	<u>1,278,487</u>	<u>(255,961)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Increase (decrease) in customer deposits	-	-	(21,534)
Borrowings from (to) other funds	470,425	2,207	2,573
Borrowings from (to) component unit	(500,000)	1,186	-
Transfers in from other funds	-	-	480,000
Transfers out to other funds	(2,450,100)	(571,860)	(19,800)
Net cash provided (used) by noncapital financing activities	<u>(2,479,675)</u>	<u>(568,467)</u>	<u>441,239</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(4,914,064)	(632,879)	(195,270)
Proceeds from sale of capital assets	629,770	-	-
Principal paid on revenue bonds	(4,915,000)	-	-
Interest paid on revenue bonds	(3,065,146)	-	-
Net cash provided (used) by capital and related financing activities	<u>(12,264,440)</u>	<u>(632,879)</u>	<u>(195,270)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	(6,747,714)	(4,700,448)	-
Proceeds from sales and maturities of investments	-	-	-
Investment income	32,371	20,441	4,743
Net cash provided (used) by investing activities	<u>(6,715,343)</u>	<u>(4,680,007)</u>	<u>4,743</u>
Net increase (decrease) in cash and cash equivalents	(7,392,030)	(4,602,866)	(5,249)
Cash and cash equivalents at beginning of year	<u>18,192,560</u>	<u>8,643,114</u>	<u>2,057,888</u>
Cash and cash equivalents at end of year	<u>\$ 10,800,530</u>	<u>\$ 4,040,248</u>	<u>\$ 2,052,639</u>

The accompanying notes are an integral part of this statement.

<u>Total</u>	<u>Governmental Activities Internal Service Funds</u>
\$ 30,155,682	\$ 14,803,968
(8,505,905)	(10,648,064)
<u>(6,559,823)</u>	<u>(1,211,126)</u>
15,089,954	2,944,778
(21,534)	-
475,205	-
(498,814)	-
480,000	120,490
<u>(3,041,760)</u>	<u>-</u>
(2,606,903)	120,490
(5,742,213)	(3,287,945)
629,770	41,655
(4,915,000)	-
<u>(3,065,146)</u>	<u>-</u>
(13,092,589)	(3,246,290)
(11,448,162)	(9,168,295)
-	3,743,313
<u>57,555</u>	<u>14,229</u>
<u>(11,390,607)</u>	<u>(5,410,753)</u>
(12,000,145)	(5,591,775)
<u>28,893,562</u>	<u>8,503,474</u>
<u>\$ 16,893,417</u>	<u>\$ 2,911,699</u>

(continued)

CITY OF VICTORIA, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended September 30, 2013

	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)	\$ 8,295,112	\$ 1,027,263	\$ (528,631)
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation	5,077,576	326,650	255,620
Changes in assets and liabilities			
(Increase) decrease in accounts receivable	95,375	7,033	-
(Increase) decrease in other receivables	8,574	(162,465)	(1,198)
(Increase) decrease in inventory	(17,300)	-	-
(Increase) decrease in returned checks	(1,621)	-	(862)
(Increase) decrease in due from other funds	-	-	-
Increase (decrease) in accounts payable	578,236	61,881	20,953
Increase (decrease) in accrued expenses	3,408	4,442	(2,506)
Increase (decrease) in due to other funds	-	-	-
Increase (decrease) in compensated absences	18,956	2,062	663
Increase (decrease) in due to other governments	-	(15,815)	-
Increase (decrease) in claims payable	-	-	-
Increase (decrease) in other post employment benefits payable	9,112	9,847	-
Increase (decrease) in landfill closure and postclosure care cost	-	17,589	-
Total adjustments	<u>5,772,316</u>	<u>251,224</u>	<u>272,670</u>
Net cash provided (used) by operating activities	<u>\$ 14,067,428</u>	<u>\$ 1,278,487</u>	<u>\$ (255,961)</u>
Reconciliation of cash and cash equivalents			
Unrestricted			
Cash and cash equivalents	\$ 4,892,183	\$ 791,478	\$ 866,617
Restricted			
Cash and cash equivalents	<u>5,908,347</u>	<u>3,248,770</u>	<u>1,186,022</u>
Total	<u>\$ 10,800,530</u>	<u>\$ 4,040,248</u>	<u>\$ 2,052,639</u>

The accompanying notes are an integral part of this statement.

<u>Total</u>	<u>Governmental Activities Internal Service Funds</u>
\$ 8,793,744	\$ 492,455
5,659,846	2,216,185
102,408	-
(155,089)	134,118
(17,300)	67,371
(2,483)	(488)
-	(154,250)
661,070	188,080
5,344	4,873
-	1,380
21,681	(1,512)
(15,815)	-
-	(3,434)
18,959	-
17,589	-
<u>6,296,210</u>	<u>2,452,323</u>
<u>\$ 15,089,954</u>	<u>\$ 2,944,778</u>
\$ 6,550,278	\$ 2,886,699
<u>10,343,139</u>	<u>25,000</u>
<u>\$ 16,893,417</u>	<u>\$ 2,911,699</u>

(concluded)

CITY OF VICTORIA, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
September 30, 2013

	Private Purpose Trust	Agency
	<u> </u>	<u> </u>
ASSETS		
Cash and cash equivalents	\$ 23,623	\$ 57,862
Receivables (net)	<u> -</u>	<u> 1,000</u>
Total assets	<u> 23,623</u>	<u> 58,862</u>
LIABILITIES		
Liabilities		
Accounts payable	-	391
Due to other agencies	<u> -</u>	<u> 58,471</u>
Total liabilities	<u> -</u>	<u> 58,862</u>
NET POSITION		
Unrestricted	<u> \$ 23,623</u>	<u> \$ -</u>

The accompanying notes are an integral part of this statement.

CITY OF VICTORIA, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the year ended September 30, 2013

	Private Purpose Trust
ADDITIONS	
Miscellaneous	
Participants' contributions	<u>\$ 113,873</u>
DEDUCTIONS	
General government	
Participants' withdrawals	<u>118,089</u>
Changes in net position	(4,216)
Net position - beginning	<u>27,839</u>
Net position - ending	<u><u>\$ 23,623</u></u>

The accompanying notes are an integral part of this statement.



CITY OF VICTORIA, TEXAS
STATEMENT OF NET POSITION
COMPONENT UNITS
September 30, 2013

	Sales Tax Development Corporation	Victoria Recreation	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 7,554,441	\$ 5,382	\$ 7,559,823
Investments	4,001,630	-	4,001,630
Receivables (net)			
Sales taxes	674,895	-	674,895
Due from primary government	24,397	-	24,397
Total current assets	<u>12,255,363</u>	<u>5,382</u>	<u>12,260,745</u>
Noncurrent assets			
Capital assets			
Land and other assets not being depreciated	4,971,942	-	4,971,942
Buildings, improvements, and equipment (net)	5,999,965	175,979	6,175,944
Total noncurrent assets	<u>10,971,907</u>	<u>175,979</u>	<u>11,147,886</u>
Total assets	<u>23,227,270</u>	<u>181,361</u>	<u>23,408,631</u>
LIABILITIES			
Current liabilities			
Accounts payable	701,123	-	701,123
Accrued interest payable	47,848	-	47,848
Current portion of long-term obligations	905,000	-	905,000
Noncurrent liabilities			
Noncurrent portion of long-term obligations	3,024,605	-	3,024,605
Total liabilities	<u>4,678,576</u>	<u>-</u>	<u>4,678,576</u>
NET POSITION			
Net investment in capital assets	7,042,302	175,979	7,218,281
Unrestricted	11,506,392	5,382	11,511,774
Total net position	<u>\$ 18,548,694</u>	<u>\$ 181,361</u>	<u>\$ 18,730,055</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, 2013

Function/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Component Units				
Sales Tax Development Corporation	\$ 13,981,204	\$ -	\$ -	\$ -
Victoria Recreation	<u>70,823</u>	<u>28,318</u>	<u>-</u>	<u>-</u>
Total component units	<u>\$ 14,052,027</u>	<u>\$ 28,318</u>	<u>\$ -</u>	<u>\$ -</u>

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

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue
and Changes
in Net Position

Component Units		
Sales Tax Development Corporation	Victoria Recreation	Total
\$ (13,981,204)	\$ -	\$ (13,981,204)
-	(42,505)	(42,505)
(13,981,204)	(42,505)	(14,023,709)
8,782,486	-	8,782,486
42,004	-	42,004
8,824,490	-	8,824,490
(5,156,714)	(42,505)	(5,199,219)
23,705,408	223,866	23,929,274
\$ 18,548,694	\$ 181,361	\$ 18,730,055

INDEX

<u>Note</u>		<u>Page</u>
1	Summary of Significant Accounting Policies	44
2	Stewardship, Compliance, and Accountability	53
3	Deposits and Investments.....	54
4	Receivables.....	55
5	Joint Venture	56
6	Capital Assets	57
7	Employees' Retirement Plan.....	59
8	Supplemental Death Benefit Plan	61
9	Other Postemployment Benefits (OPEB).....	62
10	Self-insurance	64
11	Deferred Compensation Plan.....	66
12	Long-term Debt	67
13	Interfund Receivables, Payables, and Transfers	72
14	Related Party Transactions.....	73
15	Prior Year Defeasance of Debt	73
16	Commitments and Contingencies.....	73
17	Closure and Postclosure Care Costs.....	74
18	Litigation.....	74
19	Conduit Debt Obligations	74
20	Fund Balances	75
21	Accounting Changes and Accounting Standards.....	75
22	Subsequent Events	76

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

Excluded from the reporting entity:

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

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

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

A. Reporting Entity - (Continued)

Included in the reporting entity:

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

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

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

B. Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

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

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

The City reports the following major governmental funds:

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

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

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

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

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

The City reports the following major proprietary funds:

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

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

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

Additionally, the City reports the following fund types:

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

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

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

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

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

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

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

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

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

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

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

D. Budgets and Budgetary Accounting

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

1. Prior to September 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted through passage of an ordinance.
4. No funds may be expended or encumbered which will exceed appropriations; however, the City Manager is authorized to transfer budgeted amounts within any department or agency. Any revisions that alter the total expenditures of any department or agency must be approved by the City Council. There were several supplemental appropriations made during the year. The effect of budget supplements was to increase appropriations for the General Fund in the amount of \$931,860.
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, 2013, 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 position. The City defines capital assets as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

J. Capital Assets - (Continued)

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

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

K. Compensated Absences

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

L. Long-Term Obligations

In the government-wide financial statements, and in proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount on the statement of net position.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs and deferred losses on refunding as expenditures during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

M. Deferred Outflows/Inflows of Resources

The statement of net position reports a separate section for deferred outflows of resources which follows the asset section. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City only has one item that qualifies for reporting in this category. It is the deferred amount on refunding reported in the government-wide statement of net position. A deferred amount on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

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

In addition to liabilities, the statement of net position also reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has one item that is considered a deferred inflow of resources. The item that arises under a modified accrual basis of accounting is *unavailable revenue* and is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from a variety of sources and are further defined in Note 4. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

N. Fund Balance Policies

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

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

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

Commitments will only be used for specific purposes pursuant to a formal action of the City Council. The action to commit funds must occur prior to fiscal year-end, to report such commitments in the balance sheet of the respective period, even though the amount may be determined subsequent to fiscal year-end.

A two-thirds majority vote is required to approve a commitment and a two-thirds majority vote is required to remove a commitment.

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

Encumbered amounts for specific purposes for which amounts have not been previously restricted, committed or assigned will be classified as committed or assigned, as appropriate, based on the definitions and criteria set forth in GASB Statement No. 54.

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

O. Net Position Flow Assumptions

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

P. Minimum Fund Balance Policy

The City will maintain a minimum unassigned fund balance in its General Fund of 22.5 percent of the subsequent year's budgeted expenditures and outgoing transfers. This minimum fund balance is to protect against cash flow shortfalls related to timing of projected revenue receipts and to maintain a budget stabilization commitment. When fund balance falls below the 22.5 percent range, the City will replenish shortages/deficiencies. Should unassigned fund balance of the General Fund ever exceed the maximum 22.5 percent range, the City will consider such fund balance surpluses for one-time expenditures that are nonrecurring in nature and which will not require additional future expense outlays for maintenance, additional staffing or other recurring expenditures.

Q. 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 2012-2013.

<u>Fund/Department</u>	<u>Budget</u>	<u>Actual</u>	<u>Negative Variance</u>
Debt Service Fund	\$ 8,421,782	\$ 8,626,699	\$ (204,917)

These over expenditures were bond issuance costs and were as a result of a bond refinancing that were not anticipated during the budgetary process. They were funded by an available fund balance in the Debt Service Fund.

NOTE 3: DEPOSITS AND INVESTMENTS

As of September 30, 2013, 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	\$ 11,353,503	29
TexPool Prime Pool	437,626	29
Money Market Fund	9,865,909	29
Municipal Bonds	4,040,923	293
Commercial Paper	37,587,720	112
Certificates of Deposits	3,479,415	424
Total	<u>\$ 66,765,096</u>	

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

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

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, 2013, 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, 2013, and for the year then ended, the City was not exposed to any custodial credit risk.

NOTE 4: RECEIVABLES

Receivables at September 30, 2013 consist of the following:

	General	Debt Service	Water and Wastewater	Environmental Services	Nonmajor and Other Funds	Total
Gross receivables:						
Accounts	\$ -	\$ -	\$ 2,242,942	\$ 256,773	\$ -	\$ 2,499,715
Ad valorem taxes	1,617,116	580,977	-	-	-	2,198,093
Franchise taxes	732,683	-	-	-	-	732,683
Sales taxes	1,349,790	-	-	-	-	1,349,790
Weedy lots	2,397,420	-	-	-	-	2,397,420
Ambulance	3,457,950	-	-	-	-	3,457,950
Fines	1,452,770	-	-	-	-	1,452,770
Other	417,641	-	20,889	218,064	782,439	1,439,033
Total gross receivables	11,425,370	580,977	2,263,831	474,837	782,439	15,527,454
Less: allowances	5,369,669	29,049	143,906	26,090	-	5,568,714
Total net receivables	<u>\$ 6,055,701</u>	<u>\$ 551,928</u>	<u>\$ 2,119,925</u>	<u>\$ 448,747</u>	<u>\$ 782,439</u>	<u>\$ 9,958,740</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, 2013, was \$0.6056 per \$100, which means that the City has a tax margin of \$1.3944 per \$100 and could raise up to \$47,874,096 on \$3,433,311,549 before the limit is reached.

NOTE 4: RECEIVABLES - (Continued)

The City's governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unavailable revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
General Fund			
Ad valorem taxes receivable	\$ 1,276,205	\$ -	\$ 1,276,205
Weedy lots	367,744	-	367,744
Ambulance	1,676,447	-	1,676,447
Fines	363,193	-	363,193
Franchise fees	-	758,652	758,652
Debt Service Fund			
Ad valorem taxes receivable	551,928	-	551,928
Nonmajor Funds			
Grants	-	261,579	261,579
	<u>\$ 4,235,517</u>	<u>\$ 1,020,231</u>	<u>\$ 5,255,748</u>

NOTE 5: JOINT VENTURE

The South Texas Zoo is a cooperative effort funded by the City of Victoria's General Fund and the South Texas Zoological Society. The South Texas Zoological Society operates and maintains the South Texas Zoo located in the City-owned Riverside Park. The City does not appoint any of the directors of the Society. As of the last financial statement, September 30, 2013, total assets were \$449,860, total liabilities were \$19,978, total fund net position was \$429,882, total support and revenues were \$760,657 and total expenses were \$787,487. Excess expenses over revenue resulted in a net loss of \$26,830. The amount contributed by the City for years ended September 30, 2013 and 2012, 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, 2013, 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	\$ 520,227	\$ -	\$ 4,361,837
Construction in progress	25,936,306	10,599,438	25,800,488	10,735,256
Total capital assets not being depreciated	<u>29,777,916</u>	<u>11,119,665</u>	<u>25,800,488</u>	<u>15,097,093</u>
Capital assets, being depreciated				
Machinery and equipment	47,797,623	4,553,726	1,760,910	50,590,439
Buildings	13,269,548	2,095,077	4,467	15,360,158
Improvements other than buildings	6,330,599	211,104	32,655	6,509,048
Infrastructure	219,703,784	24,301,535	-	244,005,319
Total capital assets being depreciated	<u>287,101,554</u>	<u>31,161,442</u>	<u>1,798,032</u>	<u>316,464,964</u>
Less accumulated depreciation for				
Machinery and equipment	29,014,853	4,858,185	1,603,818	32,269,220
Buildings	5,273,096	799,617	996	6,071,717
Improvements other than buildings	3,005,204	308,547	8,720	3,305,031
Infrastructure	103,859,185	10,548,695	-	114,407,880
Total accumulated depreciation	<u>141,152,338</u>	<u>16,515,044</u>	<u>1,613,534</u>	<u>156,053,848</u>
Total capital assets being depreciated, net	<u>145,949,216</u>	<u>14,646,398</u>	<u>184,498</u>	<u>160,411,116</u>
Governmental activities capital assets, net	<u>\$175,727,132</u>	<u>\$ 25,766,063</u>	<u>\$25,984,986</u>	<u>\$175,508,209</u>
Business-type activities				
Capital assets, not being depreciated				
Land	\$ 4,377,944	\$ -	\$ -	\$ 4,377,944
Construction in progress	10,203,322	8,836,042	13,467,371	5,571,993
Total capital assets not being depreciated	<u>14,581,266</u>	<u>8,836,042</u>	<u>13,467,371</u>	<u>9,949,937</u>
Capital assets, being depreciated				
Machinery and equipment	4,044,762	1,037,450	85,718	4,996,494
Buildings	42,420,230	672,638	-	43,092,868
Improvements other than buildings	2,053,089	30,181	1,046	2,082,224
Infrastructure	1,793,382	-	-	1,793,382
Water and wastewater distribution system	133,838,125	13,964,520	-	147,802,645
Total capital assets being depreciated	<u>184,149,588</u>	<u>15,704,789</u>	<u>86,764</u>	<u>199,767,613</u>
Less accumulated depreciation for				
Machinery and equipment	2,658,315	447,558	85,527	3,020,346
Buildings	14,465,492	1,287,417	-	15,752,909
Improvements other than buildings	1,002,596	128,598	890	1,130,304
Infrastructure	438,338	132,874	-	571,212
Water and wastewater distribution system	64,004,583	3,663,399	-	67,667,982
Total accumulated depreciation	<u>82,569,324</u>	<u>5,659,846</u>	<u>86,417</u>	<u>88,142,753</u>
Total capital assets being depreciated, net	<u>101,580,264</u>	<u>10,044,943</u>	<u>347</u>	<u>111,624,860</u>
Business-type activities capital assets, net	<u>\$116,161,530</u>	<u>\$ 18,880,985</u>	<u>\$13,467,718</u>	<u>\$121,574,797</u>

NOTE 6: CAPITAL ASSETS - (Continued)

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

Governmental activities

General government	\$ 167,363
Public safety	1,340,996
Development	12,037,786
Building services	32,063
Recreation	720,650

Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets 2,216,186

Total depreciation expense - governmental activities \$ 16,515,044

Business-type activities

Water/wastewater	\$ 5,077,576
Environmental services	326,650
Other	255,620

Total depreciation expense - business-type activities \$ 5,659,846

Discretely Presented Component Units:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Sales Tax Development Corporation				
Capital assets, not being depreciated				
Land	\$ 4,356,551	\$ -	\$ 196,005	\$ 4,160,546
Construction in progress	7,500	803,896	-	811,396
Total capital assets not being depreciated	<u>4,364,051</u>	<u>803,896</u>	<u>196,005</u>	<u>4,971,942</u>
Capital assets, being depreciated				
Improvements other than buildings	9,913,733	39,129	-	9,952,862
Total capital assets being depreciated	<u>9,913,733</u>	<u>39,129</u>	<u>-</u>	<u>9,952,862</u>
Less accumulated depreciation for				
Improvements other than buildings	2,961,524	991,373	-	3,952,897
Total accumulated depreciation	<u>2,961,524</u>	<u>991,373</u>	<u>-</u>	<u>3,952,897</u>
Total capital assets being depreciated, net	<u>6,952,209</u>	<u>(952,244)</u>	<u>-</u>	<u>5,999,965</u>
Sales Tax Development Corporation capital assets, net	<u>11,316,260</u>	<u>(148,348)</u>	<u>196,005</u>	<u>10,971,907</u>

NOTE 6: CAPITAL ASSETS - (Continued)

Discretely Presented Component Units - (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
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	38,352	-	-	38,352
Improvements other than buildings	262,457	23,152	-	285,609
Total accumulated depreciation	300,809	23,152	-	323,961
Total capital assets being depreciated, net	199,131	(23,152)	-	175,979
Victoria Recreation capital assets, net	199,131	(23,152)	-	175,979
Discretely presented component units capital assets, net	\$ 11,515,391	\$ (171,500)	\$ 196,005	\$ 11,147,886

NOTE 7: EMPLOYEES' RETIREMENT PLAN

Plan 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:

	Plan Year 2012	Plan Year 2013
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

NOTE 7: EMPLOYEES' RETIREMENT PLAN - (Continued)

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.

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

<u>Contributions Required and Contributions Made</u>			
<u>Year-end</u> <u>September 30</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of</u> <u>APC Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
2013	\$ 4,674,029	100%	\$ -
2012	4,398,292	100%	-
2011	4,305,054	100%	-

The required contribution rates for fiscal year 2013 were determined as part of the December 31, 2010 and 2011 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2012, also follows:

	<u>Actuarial Valuation Information</u>		
	<u>12/31/10</u>	<u>12/31/11</u>	<u>12/31/12</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	27.1 years; closed period	26.2 years; closed period	25.1 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%	7.0%
Projected salary increases *	varies by age and service	varies by age and service	varies by age and service
*Includes Inflation at Cost of living adjustments	3.0%	3.0%	3.0%
	2.1%	2.1%	2.1%

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

The funded status as of December 31, 2012, 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)	Funded Ratio (a/b)	Unfunded AAL (UAAL) (b-a)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/12	\$ 118,071,309	\$ 152,818,074	77.3%	\$ 34,746,765	\$ 25,482,495	136.4%

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 2013, 2012, and 2011 were \$18,412, \$17,650, and \$18,222, 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 disability coverage, pay a monthly health premium of \$71, without Medicare disability, \$136; with 20 to 29 years of service and with Medicare disability coverage pay a monthly health premium of \$142, without Medicare disability, \$272; with less than 20 years of service and with Medicare disability coverage pay a monthly health premium of \$356, without Medicare disability \$680.

Retirees, retired after 1/01/09 (not yet age 65) with 20 years or more of service and with Medicare disability coverage, pay a monthly health premium of \$84, without Medicare disability, \$136; with 10 to 19 years of service and with Medicare disability coverage pay a monthly health premium of \$152, without Medicare disability, \$272; with less than 10 years of service and with Medicare disability coverage pay a monthly health premium of \$340, without Medicare disability \$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 2013 and 2012 is as follows:

	<u>2013</u>	<u>2012</u>
Retirees	170	172
Active employees	610	611
Payments to Employee Health Plan Fund	\$ 6,259,274	\$ 5,561,244

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 2013 and the two preceding years are as follows:

<u>Year End September 30</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2013	\$ 558,603	78.69%	\$ 185,324
2012	593,714	112.22%	139,000
2011	573,624	75.77%	139,000

Funded Status and Funding Progress

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
9/30/2013	\$ -	\$ 9,948,933	\$ 9,948,933	0.00%	\$ 26,302,923	37.82%

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	
	9/30/13	9/30/11
Actuarial cost method	projected unit credit	projected unit credit
Amortization method	level percent of payroll	level percent of payroll
Amortization period in years	30 - open	24 - closed
Asset valuation method	fair value	fair value
Healthcare trend rate *		
Current retirees		
Pre-65 and post-65	10.00%; 0.00%	10.00%; 0.00%
Future retirees		
Pre-65	0.00%	0.00%
Post-65	0.00%	0.00%
Projected salary increases *	3.00%	3.00%
Investment rate of return *	4.50%	4.50%

*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 \$175,000 of claims per participant annually; after this a reinsurance policy pays any remaining claims for the remainder of the year. The reinsurance premiums were \$477,563 and \$292,112 for the fiscal years ended September 30, 2013 and 2012, 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, 2013 and 2012, the City paid health claims of \$5,380,302 and \$5,564,615. The fund incurred a net income for the year of \$123,441 compared to a net loss of \$566,048 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 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
Fiscal Year 2013	275,954	5,380,302	5,291,967	364,289

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 \$246,621 and \$338,390, for the fiscal years 2012-2013 and 2011-2012, 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 (\$24,315) and (\$74,858) in the fiscal years 2013 and 2012, 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 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
Fiscal Year 2013	338,390	150,572	242,341	246,621

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 2013 and 2012, total contributions from the various City funds totaled \$468,030 and \$514,302, respectively. During the fiscal years 2013 and 2012, the City paid \$406,381 and \$418,560 in reinsurance premiums and \$9,329 and \$6,938 in legal fees and claims. In addition to this, the fund incurred a net loss of \$57,491, compared to a net loss of \$22,397 for the prior year. Full insurance coverage was in effect for the year ended September 30, 2013. 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 2013. 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, 2013, 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	\$ 57,835,000	\$ -	\$ 10,450,000	\$ 47,385,000	\$ 2,055,000
General obligation bonds	39,975,000	25,015,000	18,620,000	46,370,000	3,010,000
Less deferred amounts:					
Issuance premiums	<u>797,298</u>	<u>2,163,159</u>	<u>219,259</u>	<u>2,741,198</u>	<u>-</u>
Net bonds and certificates payable	98,607,298	27,178,159	29,289,259	96,496,198	5,065,000
Other post employment benefits payable	113,481	27,365	-	140,846	-
Compensated absences	<u>1,170,433</u>	<u>1,778,941</u>	<u>1,719,068</u>	<u>1,230,306</u>	<u>18,475</u>
Total governmental activity long-term liabilities	<u>\$ 99,891,212</u>	<u>\$ 28,984,465</u>	<u>\$ 31,008,327</u>	<u>\$ 97,867,350</u>	<u>\$ 5,083,475</u>
Business-type activities					
Bonds payable					
Revenue bonds	\$ 73,950,000	\$ -	\$ 4,915,000	\$ 69,035,000	\$ 5,170,000
Less deferred amounts:					
Issuance premiums	<u>2,376,581</u>	<u>-</u>	<u>209,526</u>	<u>2,167,055</u>	<u>-</u>
Net bonds payable	76,326,581	-	5,124,526	71,202,055	5,170,000
Estimated landfill closure and postclosure care cost	3,192,652	511,089	493,500	3,210,241	-
Other post employment benefits payable	25,519	18,959	-	44,478	-
Compensated absences	<u>235,917</u>	<u>378,777</u>	<u>357,096</u>	<u>257,598</u>	<u>3,868</u>
Total business-type activity long-term liabilities	<u>\$ 79,780,669</u>	<u>\$ 908,825</u>	<u>\$ 5,975,122</u>	<u>\$ 74,714,372</u>	<u>\$ 5,173,868</u>
Discretely presented component units					
Sales Tax Development Corporation					
Bonds payable					
Revenue bonds	\$ 4,730,000	\$ -	\$ 870,000	\$ 3,860,000	\$ 905,000
Less deferred amounts:					
Issuance premiums	<u>91,022</u>	<u>-</u>	<u>21,417</u>	<u>69,605</u>	<u>-</u>
Net bonds payable	<u>4,821,022</u>	<u>-</u>	<u>891,417</u>	<u>3,929,605</u>	<u>905,000</u>
Total discretely presented component units	<u>\$ 4,821,022</u>	<u>\$ -</u>	<u>\$ 891,417</u>	<u>\$ 3,929,605</u>	<u>\$ 905,000</u>

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

Bonds and certificates payable at September 30, 2013, are comprised of the following individual issues:

\$9,915,000 2004 General Obligation Refunding Bonds due in annual installments ranging from \$100,000 to \$1,435,000 through August 15, 2021; interest varying between 1.70% and 4.35%.	\$ 1,285,000
\$12,335,000 2005 General Obligation Refunding Bonds due in annual installments ranging from \$115,000 to \$2,235,000 through August 15, 2023; interest varying between 3.00% and 4.20%.	95,000
\$14,120,000 2005 Certificates of Obligation due in annual installments ranging from \$200,000 to \$1,070,000 through August 15, 2026, interest varying between 3.00% and 5.00%.	2,145,000
\$9,880,000 2006 Certificates of Obligation due in annual installments ranging from \$45,000 to \$730,000 through August 15, 2026; interest varying between 3.875% and 4.50%.	7,540,000
\$9,995,000 2007 Certificates of Obligation due in annual installments ranging from \$40,000 to \$835,000 through August 15, 2027; interest varying between 4.00% and 4.50%.	8,830,000
\$3,325,000 2009A Certificates of Obligation due in annual installments ranging from \$205,000 to \$755,000 through August 15, 2017; interest varying between 2.00% and 3.50%.	2,200,000
\$23,005,000 2009B Certificates of Obligation "Build America Bonds" due in annual installments ranging from \$1,085,000 to \$2,280,000 through August 15, 2030; interest varying between 4.449% and 5.449%.	23,005,000
\$8,715,000 2010 General Obligation Refunding Bonds due in annual installments ranging from \$105,000 to \$1,260,000 through August 15, 2023; interest varying between 2.00% and 4.00%.	7,110,000
\$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 \$320,000 to \$385,000 through August 15, 2023; interest varying between 2.00% and 2.25%.	3,555,000
\$3,810,000 2012 Certificates of Obligation due in annual installments ranging from \$145,000 to \$250,000 through August 15, 2032; interest varying between 2.00% and 3.75%.	3,665,000
\$9,075,000 2013A General Obligation Refunding Bonds due in annual installments ranging from \$170,000 to \$1,000,000 through August 15, 2026; interest varying between 2.00% and 3.00%.	8,905,000
\$15,940,000 2013B General Obligation Refunding Bonds due in annual installments ranging from \$260,000 to \$1,250,000 through August 15, 2023; interest varying between 3.00% and 4.49%.	<u>15,680,000</u>
Total General Obligation Certificates and Bonds	<u>\$ 93,755,000</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
2014	\$ 5,065,000	\$ 3,739,554	\$ 8,804,554
2015	5,400,000	3,570,892	8,970,892
2016	5,685,000	3,406,542	9,091,542
2017	5,965,000	3,246,092	9,211,092
2018	6,540,000	3,085,516	9,625,516
2019-2023	35,635,000	11,586,146	47,221,146
2024-2028	21,920,000	5,004,191	26,924,191
2029-2032	7,545,000	683,706	8,228,706
Total	<u>\$ 93,755,000</u>	<u>\$ 34,322,639</u>	<u>\$ 128,077,639</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, \$54,727 of internal service funds' compensated absences are included in the above amounts. Also, for the governmental activities, compensated absences and other post employment benefits are generally liquidated by the General Fund.

NOTE 12: LONG-TERM DEBT - (Continued)

C. Revenue Bonds - Primary Government

Revenue bonds payable are comprised of the following individual issues:

\$20,045,000 2005 Utility System Revenue Refunding Bonds, Series 2005 due in annual installments ranging from \$25,000 to \$2,205,000 through December 1, 2021; interest varying between 3.00% and 5.00%.	\$ 13,540,000
\$18,360,000 2007 Utility System Revenue Refunding Bonds, Series 2007 due in annual installments ranging from \$425,000 to \$1,325,000 through December 1, 2027; interest varying between 4.00% and 5.00%.	13,900,000
\$6,555,000 2008 Utility System Revenue Bonds, Series 2008 due in annual installments ranging from \$230,000 to \$505,000 through December 1, 2028; interest varying between 4.00% and 5.00%.	5,575,000
\$24,590,000 2009 Utility System Revenue Refunding Bonds, Series 2009 due in annual installments ranging from \$1,390,000 to \$3,695,000 through December 1, 2023; interest varying between 3.00% and 5.00%.	20,270,000
\$7,550,000 2010 Utility System Revenue Bonds, Series 2010 due in annual installments ranging from \$270,000 to \$530,000 through December 1, 2031; interest varying between 2.00% and 4.00%.	7,005,000
\$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>8,745,000</u>
Total Revenue Bonds	<u>\$ 69,035,000</u>

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

Year Ending September 30	Business-type Activities		
	Principal	Interest	Total
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	6,130,000	1,873,682	8,003,682
2019-2023	27,855,000	5,339,337	33,194,337
2024-2028	10,550,000	1,623,081	12,173,081
2029-2032	<u>2,455,000</u>	<u>164,172</u>	<u>2,619,172</u>
Total	<u>\$ 69,035,000</u>	<u>\$ 18,956,676</u>	<u>\$ 87,991,676</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, 2013.

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 \$905,000 to \$1,025,000 through 2017; interest at 4.25%. \$ 3,860,000

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
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>\$ 3,860,000</u>	<u>\$ 418,626</u>	<u>\$ 4,278,626</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, 2013.

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, 2013.

G. Refunding Bonds

In December 2012, the City issued \$9,075,000 General Obligation Refunding Bonds with interest varying between 2.00% and of 3.00% to advance refund \$8,635,000 of the City's Certificates of Obligation, Series 2005, which were still outstanding in the amount of \$10,445,000 with interest rates ranging from 4.125% to 5.00% and to provide funding for costs of issuance. As a result, the Series 2005 bonds are considered defeased and the refunded portion of the liability has been removed from the governmental activities column of the statement of net position. The net proceeds available for refunding bonds in the amount of \$9,797,139 was deposited in an irrevocable trust with an escrow agent to provide for all future debt service on the refunded issue. The refunding of the Series 2005 bonds resulted in an economic gain of \$1,182,373 and an increase in cash flow of \$1,311,578.

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

Also in December 2012, the City issued \$15,940,000 General Obligation Refunding Bonds with interest varying between 0.40% and of 4.00% to advance refund portions of two outstanding issues. The issues were \$6,300,000 of the City's General Obligation Refunding Bonds, Series 2004, which were still outstanding in the amount of \$8,050,000 with interest rates ranging from 3.75% to 4.35% and \$9,470,000 of the City's General Obligation Refunding Bonds, Series 2005, which were still outstanding in the amount of \$10,445,000 with interest rates ranging from 3.75% to 4.20%. The refunding proceeds also provided funding for costs of issuance. As a result, the Series 2004 and 2005 bonds are considered defeased and the refunded portions of the liabilities have been removed from the governmental activities column of the statement of net position. The net proceeds available for refunding bonds in the amount of \$16,986,785 was deposited in an irrevocable trust with an escrow agent to provide for all future debt service on the refunded issues. The refunding of the Series 2004 and 2005 bonds resulted in an economic gain of \$815,220 and an increase in cash flow of \$899,470.

NOTE 13: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERSA. 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, 2013, were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor Governmental	\$ 447,486
Capital Construction (3037)	General	378,107
Nonmajor Governmental	General	191,909
	Nonmajor Governmental	122,288
	Environmental Services	65
Nonmajor Business-type	Nonmajor Governmental	120,000
Internal Service	General	102,430
	Nonmajor Governmental	800
	Water and Wastewater	44,925
	Environmental Services	2,142
	Other	3,953
		<u>\$ 1,414,105</u>

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

B. Interfund Transfers

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

Transfers Out	Transfers In					Total
	General	Capital Const. (3037)	Nonmajor Govt.	Nonmajor Bus.-type	Internal Service	
General	\$ -	\$ 1,538,035	\$ 210,262	\$ -	\$ 120,490	\$ 1,868,787
Nonmajor Govt.	-	-	750,000	480,000	-	1,230,000
Water and Wwater.	2,450,100	-	-	-	-	2,450,100
Environmental Srvs.	571,860	-	-	-	-	571,860
Nonmajor Bus.-type	19,800	-	-	-	-	19,800
	<u>\$ 3,041,760</u>	<u>\$ 1,538,035</u>	<u>\$ 960,262</u>	<u>\$ 480,000</u>	<u>\$ 120,490</u>	<u>\$ 6,140,547</u>

NOTE 14: RELATED PARTY TRANSACTIONS

During fiscal year 2013, the Sales Tax Development Corporation, a discretely presented component unit of the City, contributed \$11,057,527 to the City. The contributions consisted of \$6,099,555 to the Water and Wastewater Fund, \$4,612,697 to the Capital Construction Fund (3037), and \$345,275 to the Debt Service Fund during fiscal year 2013. The City's Capital Construction Fund (3037) contributed \$207,186 to the Sales Tax Development Corporation during fiscal year 2013.

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, 2013, \$89,605,000 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, 2013, 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, 2013, is 20 - 25 years.

The estimated liability for landfill closure and postclosure care costs has a balance of \$3,210,241 and \$3,192,652 as of September 30, 2013 and 2012, determined by calculating the lapsed portion of the landfill's life. In the upcoming fiscal year, the City anticipates capping approximately 46 acres at an estimated cost of \$3.2 million. It is estimated that an additional \$4,253,550 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.

As of September 30, 2013, the City is in compliance with state and federal laws and regulations concerning "financial assurances". The City currently has a contract with Republic Waste Services of Texas, Ltd., which is currently operating the landfill for the City. As per the contract agreement, Republic Waste Services of Texas, Ltd. "will be responsible for completing, at its cost, closure and post closure of any area of the landfill in which new waste disposal cells are constructed by operator and which is filled to the final grades authorized in the permit by operator during the operating term." The City will be responsible for prior existing cells, and has established a closure/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, 2013:

	Governmental Fund Balances				Total
	Nonspendable	Restricted	Committed	Unassigned	
General					
Inventory	\$ 240,214	\$ -	\$ -	\$ -	\$ 240,214
Outstanding encumbrances	-	-	2,331,578	-	2,331,578
Unassigned	-	-	-	15,289,711	15,289,711
Debt Service Fund					
Retirement of long-term debt	-	1,222,778	-	-	1,222,778
Capital Construction Fund (3037)					
Various capital projects	-	2,268,492	-	-	2,268,492
Nonmajor Governmental					
City parks	-	46,195	-	-	46,195
Arts, tourism and conventions	-	1,835,515	-	-	1,835,515
Police department	-	195,695	-	-	195,695
Emergency management	-	61,466	-	-	61,466
Municipal court security and technology	-	53,884	-	-	53,884
Various capital projects	-	460,641	-	-	460,641
	<u>\$ 240,214</u>	<u>\$ 6,144,666</u>	<u>\$ 2,331,578</u>	<u>\$ 15,289,711</u>	<u>\$ 24,006,169</u>

NOTE 21: ACCOUNTING CHANGES AND ACCOUNTING STANDARDS

In fiscal year 2013, the City implemented GASB Statement No. 63 "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" and GASB Statement No. 65 "Items Previously Reported as Assets and Liabilities". GASB Statement No. 63 will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effect on a government's net position. The objective of GASB Statement No. 65 is to either properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or to recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues).

The implementation of GASB Statement No. 65 resulted in the adjustment to the beginning net position of the governmental and business-type activities in the government-wide and Water and Wastewater Fund financial statements. The deferred charges for issuance costs were reclassified as expense of prior periods which resulted in a decrease of \$1,492,311 and \$1,337,820 for the governmental and business-type activities, respectively, to the September 30, 2012 unrestricted net position.

NOTE 21: ACCOUNTING CHANGES AND ACCOUNTING STANDARDS - (Continued)

The discretely presented component unit, Sales Tax Development Corporation, also implemented GASB Statement No. 65 which resulted in an adjustment to the beginning net position. The deferred charge for issuance costs were reclassified as an expense of prior periods which resulted in a decrease of \$87,650 to the September 30, 2012 unrestricted net position.

NOTE 22: SUBSEQUENT EVENTS

In October 2013, the City issued Certificates of Obligation, Series 2013 of \$9,095,000. The certificates are due in annual installments ranging from \$325,000 to \$455,000 through 2025 with interest varying from 3.00% to 4.49%. The proceeds from the sale of the bonds will be used to construct, improve and repair City streets and sidewalks, together with landscape, drainage, utility line replacement, traffic and street signalization and lighting improvements and to pay costs of issuance of the certificates.

CITY OF VICTORIA, TEXAS
MAJOR GOVERNMENTAL FUNDS - GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended September 30, 2013
With comparative totals for the year ended September 30, 2012

	2013			Variance Positive (Negative)	2012 Actual
	Original Budget	Final Budget	Actual		
REVENUES					
Taxes	\$ 36,590,559	\$ 36,590,559	\$ 35,868,364	\$ (722,195)	\$ 36,346,183
Licenses and permits	670,660	670,660	962,217	291,557	842,050
Intergovernmental	2,026,142	2,026,142	2,082,186	56,044	2,267,561
Charges for services	2,232,045	2,232,045	2,066,070	(165,975)	2,261,037
Fines and forfeitures	971,000	971,000	764,295	(206,705)	1,064,520
Investment income	50,000	50,000	47,898	(2,102)	36,430
Miscellaneous	197,416	197,416	300,151	102,735	189,973
Total revenues	<u>42,737,822</u>	<u>42,737,822</u>	<u>42,091,181</u>	<u>(646,641)</u>	<u>43,007,754</u>
EXPENDITURES					
General government	3,706,649	3,763,239	3,494,191	269,048	3,529,380
Public safety	24,498,950	25,430,966	24,182,916	1,248,050	22,594,341
Development	10,355,121	12,965,169	10,002,357	2,962,812	9,497,564
Building services	892,642	892,642	751,312	141,330	622,159
Recreation	6,323,824	7,024,277	6,094,785	929,492	5,085,064
Total expenditures	<u>45,777,186</u>	<u>50,076,293</u>	<u>44,525,561</u>	<u>5,550,732</u>	<u>41,328,508</u>
Excess (deficiency) of revenues over expenditures	(3,039,364)	(7,338,471)	(2,434,380)	4,904,091	1,679,246
OTHER FINANCING SOURCES (USES)					
Transfers in	3,041,760	3,041,760	3,041,760	-	2,962,479
Transfers out	(5,554,465)	(4,148,583)	(1,868,787)	2,279,796	(709,570)
Total other financing sources (uses)	<u>(2,512,705)</u>	<u>(1,106,823)</u>	<u>1,172,973</u>	<u>2,279,796</u>	<u>2,252,909</u>
Change in fund balance	(5,552,069)	(8,445,294)	(1,261,407)	7,183,887	3,932,155
Fund balance at beginning of year	19,122,910	19,122,910	19,122,910	-	15,190,755
Fund balance at end of year	<u>\$ 13,570,841</u>	<u>\$ 10,677,616</u>	<u>\$ 17,861,503</u>	<u>\$ 7,183,887</u>	<u>\$ 19,122,910</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, 2013***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)
12/31/2012	\$ 118,071,309	\$ 152,818,074	\$ 34,746,765	77.26%	\$ 25,482,495	136.36%
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, 2013

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
9/30/2013	\$ -	\$ 9,948,933	\$ 9,948,933	0.00%	\$ 26,302,923	37.82%
9/30/2012	-	9,497,294	9,497,294	0.00%	25,213,612	37.67%
9/30/2011	-	9,417,793	9,417,793	0.00%	26,031,106	36.18%

Actuarial Valuation Information

	9/30/13	9/30/11
Actuarial cost method	projected unit credit	projected unit credit
Amortization method	level percent of payroll	level percent of payroll
Amortization period in years	30 - open	24 - closed
Asset valuation method	fair value	fair value
Healthcare trend rate *		
Current retirees		
Pre-65 and post-65	10.00%; 0.00%	10.00%; 0.00%%
Future retirees		
Pre-65	0.00%	0.00%
Post-65	0.00%	0.00%
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, 2013

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, 2013

	Total Nonmajor Special Revenue Funds	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
ASSETS			
Current assets			
Cash and cash equivalents	\$ 2,819,889	\$ 460,641	\$ 3,280,530
Receivables (net)	633,355	-	633,355
Due from other funds	314,262	-	314,262
Total assets	<u>\$ 3,767,506</u>	<u>\$ 460,641</u>	<u>\$ 4,228,147</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 615,119	\$ -	\$ 615,119
Accrued expenditures	7,479	-	7,479
Due to other funds	690,574	-	690,574
Unearned revenue	261,579	-	261,579
Total liabilities	<u>1,574,751</u>	<u>-</u>	<u>1,574,751</u>
Fund balances			
Restricted			
City parks	46,195	-	46,195
Arts, tourism and conventions	1,835,515	-	1,835,515
Public safety	257,161	-	257,161
Municipal court	53,884	-	53,884
Various capital projects	-	460,641	460,641
Total fund balances	<u>2,192,755</u>	<u>460,641</u>	<u>2,653,396</u>
Total liabilities and fund balances	<u>\$ 3,767,506</u>	<u>\$ 460,641</u>	<u>\$ 4,228,147</u>

CITY OF VICTORIA, TEXAS*ALL NONMAJOR GOVERNMENTAL FUNDS**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**For the year ended September 30, 2013*

	Total Nonmajor Special Revenue Funds	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
REVENUES			
Taxes	\$ 1,881,129	\$ -	\$ 1,881,129
Intergovernmental	1,659,353	137,024	1,796,377
Fines and forfeitures	141,904	-	141,904
Investment income	5,882	821	6,703
Miscellaneous	405,080	-	405,080
Total revenues	<u>4,093,348</u>	<u>137,845</u>	<u>4,231,193</u>
EXPENDITURES			
Current			
General government	1,247,620	-	1,247,620
Public safety	914,434	-	914,434
Recreation	1,491,567	-	1,491,567
Capital outlay	-	304,579	304,579
Total expenditures	<u>3,653,621</u>	<u>304,579</u>	<u>3,958,200</u>
Excess (deficiency) of revenues over expenditures	439,727	(166,734)	272,993
OTHER FINANCING SOURCES (USES)			
Transfers in	960,262	-	960,262
Transfers out	(1,230,000)	-	(1,230,000)
Total other financing sources (uses)	<u>(269,738)</u>	<u>-</u>	<u>(269,738)</u>
Change in fund balances	169,989	(166,734)	3,255
Fund balances at beginning of year	<u>2,022,766</u>	<u>627,375</u>	<u>2,650,141</u>
Fund balances at end of year	<u>\$ 2,192,755</u>	<u>\$ 460,641</u>	<u>\$ 2,653,396</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.

GCRAC EMS/Trauma System Grant - Used to account for funds received to purchase additional supplies and equipment for local fire and EMS services.

GCRPC Grant - Used to account for funds received from the Golden Crescent Regional Planning Commission ("GCRPC") to better understand the feasibility of a permanent household hazardous waste site that would serve as a regional collection facility for the counties located within the planning region. Also, the fund is used to account for funds received from GCRPC to be used in relation to the 911 system Public Safety Answering Point (PSAP) facilities and personnel.

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

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.

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

Parks Improvement - Used to account for funds donated to the City for our parks. Currently holds funds from the Ethel Lee Tracy Foundation, 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 2013, \$1,877,614 was allocated as follows: for payroll and professional services not to exceed \$17,543; 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 \$38,500; for Victoria Symphony not to exceed \$57,157; for Victoria Bach Festival not to exceed \$35,840; for the Theatre Victoria not to exceed \$60,000; for the Film Festival not to exceed \$68,900; for the Quilt Guild not to exceed \$3,000; for the Victoria Ballet Theatre not to exceed \$67,565; for the Main Street Program not to exceed \$105,209; and for the Museum of the Coastal Bend not to exceed \$50,000; for the Children's Museum not to exceed \$6,150; for Victoria Preservation not to exceed \$12,000; for Victoria College Foundation not to exceed \$95,000; for Victoria Fine Arts Association not to exceed \$18,750 and for Victoria Art League not to exceed \$12,000..

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)

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

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.

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, 2013

	GCRAC EMS/Trauma System Grant	GCRPC Grant	Police Grants	TWDB Grant	Parks Improvement
ASSETS					
Cash and cash equivalents	\$ 10,244	\$ 160,954	\$ 908	\$ 75,000	\$ 46,195
Receivables (net)					
Other	-	-	-	-	-
Due from other funds	<u>2</u>	<u>65</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 10,246</u>	<u>\$ 161,019</u>	<u>\$ 908</u>	<u>\$ 75,000</u>	<u>\$ 46,195</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued expenditures	-	-	-	-	-
Due to other funds	-	-	-	-	-
Unearned revenue	<u>10,246</u>	<u>161,019</u>	<u>908</u>	<u>75,000</u>	<u>-</u>
Total liabilities	<u>10,246</u>	<u>161,019</u>	<u>908</u>	<u>75,000</u>	<u>-</u>
FUND BALANCES					
Restricted					
City parks	-	-	-	-	46,195
Arts, tourism and conventions	-	-	-	-	-
Public safety	-	-	-	-	-
Municipal court	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,195</u>
Total liabilities and fund balances	<u>\$ 10,246</u>	<u>\$ 161,019</u>	<u>\$ 908</u>	<u>\$ 75,000</u>	<u>\$ 46,195</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>	<u>K-9 Unit Program</u>
\$ 8,091	\$ -	\$ -	\$ -	\$ 1,847,885	\$ 195,340	\$ -	\$ 811
-	27,370	124,111	55,686	154,247	613	1,958	-
<u>-</u>	<u>53,113</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 8,091</u>	<u>\$ 80,483</u>	<u>\$ 124,111</u>	<u>\$ 55,686</u>	<u>\$ 2,002,132</u>	<u>\$ 195,953</u>	<u>\$ 1,958</u>	<u>\$ 811</u>
\$ -	\$ -	\$ 37,801	\$ 17,950	\$ 369,624	\$ 258	\$ -	\$ -
-	-	-	-	-	-	-	-
-	80,483	86,310	37,736	245,000	-	1,958	-
<u>8,091</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>811</u>
<u>8,091</u>	<u>80,483</u>	<u>124,111</u>	<u>55,686</u>	<u>614,624</u>	<u>258</u>	<u>1,958</u>	<u>811</u>
-	-	-	-	-	-	-	-
-	-	-	-	1,387,508	-	-	-
-	-	-	-	-	195,695	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	1,387,508	195,695	-	-
<u>\$ 8,091</u>	<u>\$ 80,483</u>	<u>\$ 124,111</u>	<u>\$ 55,686</u>	<u>\$ 2,002,132</u>	<u>\$ 195,953</u>	<u>\$ 1,958</u>	<u>\$ 811</u>

(continued)

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

September 30, 2013

	Victoria Kids Recycle	COPS Hiring Program	Municipal Court Special Revenue	Border Security Program	Lone Star Libraries Grant
ASSETS					
Cash and cash equivalents	\$ 3,553	\$ -	\$ 53,884	\$ 557	\$ 144
Receivables					
Other	-	86,755	-	12,500	-
Due from other funds	<u>-</u>	<u>26,572</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 3,553</u>	<u>\$ 113,327</u>	<u>\$ 53,884</u>	<u>\$ 13,057</u>	<u>\$ 144</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued expenditures	-	-	-	-	-
Due to other funds	-	113,327	-	12,500	-
Unearned revenue	<u>3,553</u>	<u>-</u>	<u>-</u>	<u>557</u>	<u>144</u>
Total liabilities	<u>3,553</u>	<u>113,327</u>	<u>-</u>	<u>13,057</u>	<u>144</u>
FUND BALANCES					
Restricted					
City parks	-	-	-	-	-
Arts, tourism and conventions	-	-	-	-	-
Public safety	-	-	-	-	-
Municipal court	<u>-</u>	<u>-</u>	<u>53,884</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>-</u>	<u>-</u>	<u>53,884</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 3,553</u>	<u>\$ 113,327</u>	<u>\$ 53,884</u>	<u>\$ 13,057</u>	<u>\$ 144</u>

<u>Community Development Block Grant</u>	<u>Homeland Security Grant</u>	<u>Emergency Management</u>	<u>Convention and Visitors Bureau</u>	<u>Total</u>
\$ -	\$ -	\$ 55,248	\$ 361,075	\$ 2,819,889
160,295	3,703	1,117	5,000	633,355
<u>-</u>	<u>274</u>	<u>109,236</u>	<u>125,000</u>	<u>314,262</u>
<u>\$ 160,295</u>	<u>\$ 3,977</u>	<u>\$ 165,601</u>	<u>\$ 491,075</u>	<u>\$ 3,767,506</u>
\$ 50,562	\$ -	\$ 104,135	\$ 34,789	\$ 615,119
-	-	-	7,479	7,479
108,483	3,977	-	800	690,574
<u>1,250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>261,579</u>
<u>160,295</u>	<u>3,977</u>	<u>104,135</u>	<u>43,068</u>	<u>1,574,751</u>
-	-	-	-	46,195
-	-	-	448,007	1,835,515
-	-	61,466	-	257,161
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>53,884</u>
<u>-</u>	<u>-</u>	<u>61,466</u>	<u>448,007</u>	<u>2,192,755</u>
<u>\$ 160,295</u>	<u>\$ 3,977</u>	<u>\$ 165,601</u>	<u>\$ 491,075</u>	<u>\$ 3,767,506</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, 2013

	Operation Stonegarden Grant	GCRAC EMS/Trauma System Grant	GCRPC Grant	Police Grants	EMS Local Project Grant
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	16,815	11,500
Fines and forfeitures	-	-	-	-	-
Investment income	-	-	698	-	-
Miscellaneous	-	10,171	30,037	10,403	-
Total revenues	<u>-</u>	<u>10,171</u>	<u>30,735</u>	<u>27,218</u>	<u>11,500</u>
EXPENDITURES					
General government	-	-	-	-	-
Public safety	520	10,173	30,735	27,218	32,200
Recreation	-	-	-	-	-
Total expenditures	<u>520</u>	<u>10,173</u>	<u>30,735</u>	<u>27,218</u>	<u>32,200</u>
Excess (deficiency) of revenues over expenditures	(520)	(2)	-	-	(20,700)
OTHER FINANCING SOURCES (USES)					
Transfers in	520	2	-	-	20,700
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>520</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>20,700</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>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>	<u>K-9 Unit Program</u>
\$ -	\$ -	\$ -	\$ -	\$ 1,881,129	\$ -	\$ -	\$ -
-	106,822	401,603	188,215	-	-	752	-
-	-	-	-	-	99,047	-	-
-	-	-	-	4,634	536	-	-
<u>3,600</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,778</u>	<u>-</u>	<u>34,124</u>	<u>1,979</u>
<u>3,600</u>	<u>106,822</u>	<u>401,603</u>	<u>188,215</u>	<u>1,896,541</u>	<u>99,583</u>	<u>34,876</u>	<u>1,979</u>
-	-	401,603	188,215	-	-	-	-
-	159,935	-	-	-	74,729	34,876	1,979
<u>67,891</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>617,889</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>67,891</u>	<u>159,935</u>	<u>401,603</u>	<u>188,215</u>	<u>617,889</u>	<u>74,729</u>	<u>34,876</u>	<u>1,979</u>
(64,291)	(53,113)	-	-	1,278,652	24,854	-	-
-	53,113	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,230,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>53,113</u>	<u>-</u>	<u>-</u>	<u>(1,230,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
(64,291)	-	-	-	48,652	24,854	-	-
<u>110,486</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,338,856</u>	<u>170,841</u>	<u>-</u>	<u>-</u>
<u>\$ 46,195</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,387,508</u>	<u>\$ 195,695</u>	<u>\$ -</u>	<u>\$ -</u>

(continued)

CITY OF VICTORIA, TEXAS*NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND**CHANGES IN FUND BALANCE**For the year ended September 30, 2013*

	COPS Hiring Program	Municipal Court Special Revenue	Border Security Program	F.H.L.B. Grant	Lone Star Libraries Grant
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	289,390	-	49,670	-	-
Fines and forfeitures	-	42,857	-	-	-
Investment income	-	-	-	-	-
Miscellaneous	-	7,220	-	63,273	5,606
Total revenues	<u>289,390</u>	<u>50,077</u>	<u>49,670</u>	<u>63,273</u>	<u>5,606</u>
EXPENDITURES					
General government	-	-	-	63,273	-
Public safety	315,807	62,413	49,670	-	-
Recreation	-	-	-	-	5,606
Total expenditures	<u>315,807</u>	<u>62,413</u>	<u>49,670</u>	<u>63,273</u>	<u>5,606</u>
Excess (deficiency) of revenues over expenditures	(26,417)	(12,336)	-	-	-
OTHER FINANCING SOURCES (USES)					
Transfers in	26,417	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>26,417</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balances	-	(12,336)	-	-	-
Fund balance at beginning of year	-	66,220	-	-	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ 53,884</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

<u>Community Development Block Grant</u>	<u>Homeland Security Grant</u>	<u>Emergency Management</u>	<u>Convention and Visitors Bureau</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ 1,881,129
584,529	8,084	1,973	-	1,659,353
-	-	-	-	141,904
-	-	-	14	5,882
<u>10,000</u>	<u>-</u>	<u>-</u>	<u>217,889</u>	<u>405,080</u>
<u>594,529</u>	<u>8,084</u>	<u>1,973</u>	<u>217,903</u>	<u>4,093,348</u>
594,529	-	-	-	1,247,620
-	8,358	105,821	-	914,434
<u>-</u>	<u>-</u>	<u>-</u>	<u>800,181</u>	<u>1,491,567</u>
<u>594,529</u>	<u>8,358</u>	<u>105,821</u>	<u>800,181</u>	<u>3,653,621</u>
-	(274)	(103,848)	(582,278)	439,727
-	274	109,236	750,000	960,262
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,230,000)</u>
<u>-</u>	<u>274</u>	<u>109,236</u>	<u>750,000</u>	<u>(269,738)</u>
-	-	5,388	167,722	169,989
<u>-</u>	<u>-</u>	<u>56,078</u>	<u>280,285</u>	<u>2,022,766</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,466</u>	<u>\$ 448,007</u>	<u>\$ 2,192,755</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, 2013

	<u>Capital Construction Fund (3035)</u>	<u>Capital Construction Fund (3036)</u>	<u>Total</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 7,692	\$ 452,949	\$ 460,641
Total assets	<u>\$ 7,692</u>	<u>\$ 452,949</u>	<u>\$ 460,641</u>
LIABILITIES			
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
FUND BALANCES			
Restricted			
Various capital projects	<u>7,692</u>	<u>452,949</u>	<u>460,641</u>
Total fund balances	<u>7,692</u>	<u>452,949</u>	<u>460,641</u>
Total liabilities and fund balances	<u>\$ 7,692</u>	<u>\$ 452,949</u>	<u>\$ 460,641</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, 2013*

	Capital Construction Fund (3035)	Capital Construction Fund (3036)	Total
REVENUES			
Intergovernmental	\$ 137,024	\$ -	\$ 137,024
Investment income			
Interest	<u>160</u>	<u>661</u>	<u>821</u>
Total revenues	<u>137,184</u>	<u>661</u>	<u>137,845</u>
EXPENDITURES			
Capital outlay	<u>304,579</u>	<u>-</u>	<u>304,579</u>
Total expenditures	<u>304,579</u>	<u>-</u>	<u>304,579</u>
Excess (deficiency) of revenues over expenditures	(167,395)	661	(166,734)
OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balances	(167,395)	661	(166,734)
Fund balances at beginning of year	<u>175,087</u>	<u>452,288</u>	<u>627,375</u>
Fund balances at end of year	<u>\$ 7,692</u>	<u>\$ 452,949</u>	<u>\$ 460,641</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, 2013
With comparative totals for September 30, 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and cash equivalents	\$ 3,773,533	\$ 19,275,582
Investments	15,319,500	1,010,383
Receivables (net)		
Ad valorem taxes (prior years)	1,276,205	1,101,281
Franchise taxes	732,683	782,370
Sales taxes	1,349,790	1,399,781
Ambulance	1,676,447	1,843,913
Fines	363,193	345,898
Other	657,383	511,855
Due from other funds	447,486	326,349
Inventory	240,214	314,846
Returned checks	<u>17,925</u>	<u>17,337</u>
Total assets	<u>\$ 25,854,359</u>	<u>\$ 26,929,595</u>
LIABILITIES		
Accounts payable	\$ 1,026,166	\$ 1,264,170
Accrued expenditures	1,735,443	1,486,348
Accrued compensated absences	2,942	17,544
Due to other governments	113,618	91,051
Due to other funds	672,446	150,456
Due to component unit	-	500,000
Unearned revenue	<u>758,652</u>	<u>689,579</u>
Total liabilities	<u>4,309,267</u>	<u>4,199,148</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue	<u>3,683,589</u>	<u>3,607,537</u>
Total deferred inflows of resources	<u>3,683,589</u>	<u>3,607,537</u>
FUND BALANCES		
Nonspendable		
Inventory	240,214	314,846
Committed	2,331,578	1,961,362
Unassigned	<u>15,289,711</u>	<u>16,846,702</u>
Total fund balances	<u>17,861,503</u>	<u>19,122,910</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 25,854,359</u>	<u>\$ 26,929,595</u>

CITY OF VICTORIA, TEXAS
MAJOR GOVERNMENTAL FUNDS - GENERAL FUND
SCHEDULE OF REVENUES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended September 30, 2013
With comparative totals for the year ended September 30, 2012

	2013			2012 Actual
	Final Budget	Actual	Variance Positive (Negative)	
Taxes				
Ad valorem taxes	\$ 13,084,559	\$ 12,932,373	\$ (152,186)	\$ 13,523,220
Penalty and interest	220,000	211,062	(8,938)	236,838
Franchise tax	4,956,000	5,136,247	180,247	4,981,674
Sales tax	18,269,000	17,516,177	(752,823)	17,533,000
Other	61,000	72,505	11,505	71,451
Total taxes	36,590,559	35,868,364	(722,195)	36,346,183
Licenses and permits				
Building	178,000	370,385	192,385	246,771
Electrical	46,000	69,233	23,233	81,472
Mechanical	35,000	59,746	24,746	63,424
Liquor	178,000	196,468	18,468	186,019
Plumbing	40,000	59,954	19,954	56,799
Vital statistics	135,600	127,943	(7,657)	130,455
Miscellaneous	58,060	78,488	20,428	77,110
Total licenses and permits	670,660	962,217	291,557	842,050
Intergovernmental	2,026,142	2,082,186	56,044	2,267,561
Charges for services				
Ambulance	1,900,000	1,676,447	(223,553)	1,843,913
Victoria Public Library	63,000	69,823	6,823	68,241
Parks and recreation	116,700	120,350	3,650	129,752
Miscellaneous	152,345	199,450	47,105	219,131
Total charges for services	2,232,045	2,066,070	(165,975)	2,261,037
Fines and forfeitures				
Court costs	156,000	87,881	(68,119)	168,700
Criminal and traffic court	800,000	666,058	(133,942)	882,436
Parking violations	15,000	10,356	(4,644)	13,384
Total fines and forfeitures	971,000	764,295	(206,705)	1,064,520
Investment income				
Interest	50,000	47,898	(2,102)	36,430
Miscellaneous				
Rents	1,800	2,843	1,043	2,278
Salvage and asset sales	25,000	8,926	(16,074)	25,230
Contributions and miscellaneous	170,616	288,382	117,766	162,465
Total miscellaneous	197,416	300,151	102,735	189,973
Total revenues	\$ 42,737,822	\$ 42,091,181	\$ (646,641)	\$ 43,007,754

CITY OF VICTORIA, TEXAS
MAJOR GOVERNMENTAL FUNDS - GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended September 30, 2013
With comparative totals for the year ended September 30, 2012

	2013			2012 Actual
	Final Budget	Actual	Variance Positive (Negative)	
General government				
City manager and council				
Personnel	\$ 551,248	\$ 539,318	\$ 11,930	\$ 487,928
Maintenance and operations	67,895	54,903	12,992	54,466
Capital outlay	2,797	2,570	227	-
Total city manager and council	621,940	596,791	25,149	542,394
Finance				
Personnel	449,297	451,947	(2,650)	430,440
Maintenance and operations	166,042	156,720	9,322	143,547
Capital outlay	4,000	1,671	2,329	19,771
Total finance	619,339	610,338	9,001	593,758
Legal				
Personnel	366,275	348,046	18,229	358,282
Maintenance and operations	141,915	102,133	39,782	121,098
Capital outlay	4,545	2,800	1,745	4,741
Total legal	512,735	452,979	59,756	484,121
Human resources				
Personnel	292,165	280,130	12,035	290,871
Maintenance and operations	153,296	111,693	41,603	107,492
Capital outlay	4,400	3,210	1,190	2,863
Total human resources	449,861	395,033	54,828	401,226
City secretary				
Personnel	148,368	144,670	3,698	140,242
Maintenance and operations	141,504	113,294	28,210	78,881
Capital outlay	2,200	2,140	60	11,764
Total city secretary	292,072	260,104	31,968	230,887
Public information office				
Personnel	183,533	181,274	2,259	185,040
Maintenance and operations	61,427	46,300	15,127	39,075
Capital outlay	6,150	5,984	166	9,786
Total public information office	251,110	233,558	17,552	233,901

(continued)

CITY OF VICTORIA, TEXAS
MAJOR GOVERNMENTAL FUNDS - GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended September 30, 2013
With comparative totals for the year ended September 30, 2012

	2013			2012 Actual
	Final Budget	Actual	Variance Positive (Negative)	
General government - (continued)				
Non-departmental				
Personnel	\$ 12,300	\$ 7,393	\$ 4,907	\$ 18,860
Maintenance and operations	1,003,882	937,995	65,887	1,024,233
Total non-departmental	1,016,182	945,388	70,794	1,043,093
Total general government	3,763,239	3,494,191	269,048	3,529,380
Public safety				
Police				
Personnel	10,390,880	10,057,078	333,802	9,352,956
Maintenance and operations	2,099,838	1,775,149	324,689	1,642,998
Capital outlay	367,320	246,777	120,543	240,014
Total police	12,858,038	12,079,004	779,034	11,235,968
Fire				
Personnel	8,979,167	8,818,307	160,860	8,357,526
Maintenance and operations	2,427,858	2,328,683	99,175	1,976,000
Capital outlay	600,900	486,280	114,620	716,301
Total fire	12,007,925	11,633,270	374,655	11,049,827
Municipal court				
Personnel	251,218	228,706	22,512	237,593
Maintenance and operations	93,785	43,734	50,051	69,757
Capital outlay	220,000	198,202	21,798	1,196
Total municipal court	565,003	470,642	94,361	308,546
Total public safety	25,430,966	24,182,916	1,248,050	22,594,341

(continued)

CITY OF VICTORIA, TEXAS
MAJOR GOVERNMENTAL FUNDS - GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended September 30, 2013
With comparative totals for the year ended September 30, 2012

	2013			2012 Actual
	Final Budget	Actual	Variance Positive (Negative)	
Development				
Development svcs. administration				
Personnel	\$ 158,521	\$ 155,136	\$ 3,385	\$ 146,671
Maintenance and operations	20,212	15,539	4,673	11,683
Total development svcs. administration	178,733	170,675	8,058	158,354
Planning services				
Personnel	224,596	211,437	13,159	181,015
Maintenance and operations	263,106	257,462	5,644	254,902
Capital outlay	-	-	-	1,729
Total planning services	487,702	468,899	18,803	437,646
Development center/inspections				
Personnel	618,341	599,341	19,000	580,469
Maintenance and operations	159,622	157,506	2,116	164,051
Capital outlay	3,745	3,669	76	2,810
Total development center/inspections	781,708	760,516	21,192	747,330
Code enforcement				
Personnel	194,156	182,136	12,020	141,328
Maintenance and operations	237,049	191,982	45,067	98,419
Capital outlay	1,100	553	547	5,973
Total code enforcement	432,305	374,671	57,634	245,720
Geographic information system (GIS)				
Personnel	238,674	237,592	1,082	180,354
Maintenance and operations	155,822	142,672	13,150	40,022
Capital outlay	-	6,374	(6,374)	-
Total geographic information system	394,496	386,638	7,858	220,376
Engineering				
Personnel	679,533	686,181	(6,648)	687,067
Maintenance and operations	202,236	183,870	18,366	151,190
Capital outlay	7,987	7,868	119	2,889
Total engineering	889,756	877,919	11,837	841,146

(continued)

CITY OF VICTORIA, TEXAS
MAJOR GOVERNMENTAL FUNDS - GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended September 30, 2013
With comparative totals for the year ended September 30, 2012

	2013			2012 Actual
	Final Budget	Actual	Variance Positive (Negative)	
Development - (continued)				
Streets and drainage				
Personnel	\$ 1,444,809	\$ 1,301,926	\$ 142,883	\$ 1,307,960
Maintenance and operations	1,215,065	794,531	420,534	1,242,482
Capital outlay	4,949,148	2,902,722	2,046,426	2,542,909
Total streets and drainage	7,609,022	4,999,179	2,609,843	5,093,351
Traffic control				
Personnel	436,290	413,794	22,496	384,812
Maintenance and operations	1,713,912	1,517,069	196,843	1,361,912
Capital outlay	41,245	32,997	8,248	6,917
Total traffic control	2,191,447	1,963,860	227,587	1,753,641
Total development	12,965,169	10,002,357	2,962,812	9,497,564
Building services				
Building services				
Personnel	283,900	244,592	39,308	278,177
Maintenance and operations	176,273	168,666	7,607	131,938
Capital outlay	236,300	157,586	78,714	23,444
Total building services	696,473	570,844	125,629	433,559
Custodial				
Personnel	162,235	155,764	6,471	159,455
Maintenance and operations	33,934	24,704	9,230	29,145
Total custodial	196,169	180,468	15,701	188,600
Total building services	892,642	751,312	141,330	622,159
Recreation				
Parks and recreation				
Personnel	1,769,810	1,585,462	184,348	1,533,615
Maintenance and operations	1,910,313	1,623,423	286,890	1,363,713
Capital outlay	1,125,086	829,155	295,931	201,986
Total parks and recreation	4,805,209	4,038,040	767,169	3,099,314

(continued)

CITY OF VICTORIA, TEXAS
MAJOR GOVERNMENTAL FUNDS - GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended September 30, 2013
With comparative totals for the year ended September 30, 2012

	2013			2012 Actual
	Final Budget	Actual	Variance Positive (Negative)	
Recreation - (continued)				
Library				
Personnel	\$ 1,325,447	\$ 1,229,427	\$ 96,020	\$ 1,208,766
Maintenance and operations	476,673	467,500	9,173	425,247
Capital outlay	416,948	359,818	57,130	351,737
Total library	2,219,068	2,056,745	162,323	1,985,750
Total recreation	7,024,277	6,094,785	929,492	5,085,064
Total expenditures	\$ 50,076,293	\$ 44,525,561	\$ 5,550,732	\$ 41,328,508

(concluded)

DEBT SERVICE FUND

To account for the receipt and disbursement of funds utilized for the retirement of general obligation debt of the City, including general obligation bonds and certificates of obligation. The Debt Service Fund is comprised of the following debt service issues:

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

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

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

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

2007 Streets, Sidewalk, Drainage, Traffic Control, and Water and Sewer Line Improvements Issue - To accumulate monies for payment of the 2007 \$9,995,000 4.00% - 4.50% Certificates of Obligation, which are serial and term certificates due in annual installments of various amounts plus interest until maturity in 2027. Property tax is levied to finance debt service. Proceeds from the sale of the Certificates will be used (1) to construct improvements and extensions to the City's waterworks and sewer systems, (2) construct street, sidewalk, and drainage improvements, (3) acquire and install traffic controls, and (4) pay for professional services rendered by engineers, attorneys, and financial advisors in connection with the above projects and the Certificates.

DEBT SERVICE FUND - (Continued)

2009A Streets, Sidewalk, Drainage, Traffic Control, and Water and Sewer Line Improvements Issue - To accumulate monies for payment of the 2009A \$3,325,000 2.00% - 3.50% Certificates of Obligation, which are serial certificates due in annual installments of various amounts plus interest until maturity in 2017. Property tax is levied to finance debt service. Proceeds from the sale of the Certificates will be used (1) to construct, improve and repair City streets and sidewalks, together with drainage, utility line replacement, traffic and street signalization and lighting improvements; (2) to acquire and install communications equipment for various City departments including the Police Department, the Fire Department, the Parks Department and the Public Works Department; (3) to construct and equip a fire station, and (4) pay all or a portion of the City's contractual obligations for professional services rendered by engineers, attorneys, and financial advisors in connection with the above projects and the Certificates.

2009B Streets, Sidewalk, Drainage, Traffic Control, and Water and Sewer Line Improvements Issue - To accumulate monies for payment of the 2009B \$23,005,000 4.449% - 5.449% Certificates of Obligation "Build America Bonds-Direct Payment", which are serial and term certificates due in annual installments of various amounts plus interest until maturity in 2030. Property tax is levied to finance debt service. Proceeds from the sale of the Certificates will be used (1) to construct, improve and repair City streets and sidewalks, together with drainage, utility line replacement, traffic and street signalization and lighting improvements; (2) to acquire and install communications equipment for various City departments including the Police Department, the Fire Department, the Parks Department and the Public Works Department; (3) to construct and equip a fire station, and (4) pay all or a portion of the City's contractual obligations for professional services rendered by engineers, attorneys, and financial advisors in connection with the above projects and the Certificates.

2010 General Obligation Refunding Issue - To accumulate monies for payment of the 2010 advance refunding issue of \$8,715,000 2.00% - 4.00% Refunding General Obligation Bonds which are serial bonds due in annual installments of various amounts plus interest until maturity in 2023. Property tax is levied to finance debt service. The \$8,715,000 from the proceeds was deposited into an escrow account to pay a portion of the 2001 General Obligation Bonds as they become due. Property taxes levied in excess of actual requirements are legally restricted to servicing this debt.

2011 Pass-Through Toll Revenue and Limited Tax Issue - To accumulate monies for payment of the 2011 \$9,740,000 2.00% - 4.00% Pass-Through Toll Revenue and Limited Tax Bonds which are serial bonds due in annual installments of various amounts plus interest until maturity in 2031. Property tax is levied to finance debt service. Proceeds from the sale of the Bonds will be used (1) to fund the City's obligations arising under the Pass-Through Toll Agreement between the City and the Texas Department of Transportation (TxDOT) pursuant to which road improvements to existing State Highway Loop 463 in the City will be made, and (2) to pay costs of issuance of the Bonds.

2012 General Obligation Refunding Issue - To accumulate monies for payment of the 2012 advance refunding issue of \$3,910,000 2.00% - 2.25% Refunding General Obligation Bonds which are serial bonds due in annual installments of various amounts plus interest until maturity in 2023. Property tax is levied to finance debt service. The \$3,910,000 from the proceeds was deposited into an escrow account to pay off the maturities of the 2003 Certificates of Obligations as they become due. Property taxes levied in excess of actual requirements are legally restricted to servicing this debt.

DEBT SERVICE FUND - (Continued)

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

2013A General Obligation Refunding Issue - To accumulate monies for payment of the 2013A advance refunding issue of \$9,075,000 2.00% - 3.00% Refunding General Obligation Bonds which are serial bonds due in annual installments of various amounts plus interest until maturity in 2026. Property tax is levied to finance debt service. The \$9,075,000 from the proceeds was deposited into an escrow account to pay off \$8,635,000 of the maturities of the 2005 Certificates of Obligations as they become due. Property taxes levied in excess of actual requirements are legally restricted to servicing this debt.

2013B General Obligation Refunding Issue - To accumulate monies for payment of the 2013B advance refunding issue of \$15,940,000 0.40% - 3.00% Refunding General Obligation Bonds which are serial bonds due in annual installments of various amounts plus interest until maturity in 2023. Property tax is levied to finance debt service. The \$15,940,000 from the proceeds was deposited into an escrow account to pay off \$6,300,000 of the maturities of the 2004 General Obligation Refunding Bonds and \$9,470,000 of the maturities of the 2005 General Obligation Refunding Bonds as they become due. Property taxes levied in excess of actual requirements are legally restricted to servicing this debt.

CITY OF VICTORIA, TEXAS
MAJOR GOVERNMENTAL FUNDS - DEBT SERVICE FUND
BALANCE SHEET
September 30, 2013
With comparative totals for September 30, 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and cash equivalents	\$ 73,106	\$ 891,202
Investments	1,149,672	-
Receivables (net)		
Ad valorem taxes (prior years)	551,928	440,614
Due from other funds	<u>-</u>	<u>86,250</u>
Total assets	<u>\$ 1,774,706</u>	<u>\$ 1,418,066</u>
LIABILITIES	<u>\$ -</u>	<u>\$ -</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue	<u>551,928</u>	<u>440,614</u>
Total deferred inflows of resources	<u>551,928</u>	<u>440,614</u>
FUND BALANCE		
Restricted	<u>1,222,778</u>	<u>977,452</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 1,774,706</u>	<u>\$ 1,418,066</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, 2013

With comparative totals for the year ended September 30, 2012

	2013			2012 Actual
	Final Budget	Actual	Variance Positive (Negative)	
REVENUES				
Taxes				
Ad valorem - current				
2003 Issue	\$ -	\$ -	\$ -	\$ 423,503
2004 Issue	787,886	780,603	(7,283)	771,717
2005 Issues	2,436,073	2,413,558	(22,515)	2,360,035
2006 Issue	762,869	755,814	(7,055)	739,864
2007 Issue	874,595	866,507	(8,088)	852,074
2009 Issues	1,102,637	1,092,446	(10,191)	1,099,660
2010 Issue	1,016,312	1,006,921	(9,391)	992,518
2012 Issues	664,254	658,117	(6,137)	-
Ad valorem - delinquent	125,000	108,135	(16,865)	176,096
Intergovernmental	453,901	434,156	(19,745)	453,901
Investment income - interest	5,800	14,258	8,458	12,036
Miscellaneous	345,275	345,275	-	-
Total revenues	<u>8,574,602</u>	<u>8,475,790</u>	<u>(98,812)</u>	<u>7,881,404</u>
EXPENDITURES				
Debt service				
Principal retirement				
2003 Issue	-	-	-	275,000
2004 Issue	465,000	465,000	-	455,000
2005 Issues	1,485,000	1,485,000	-	1,425,000
2006 Issue	430,000	430,000	-	410,000
2007 Issue	455,000	455,000	-	440,000
2009 Issues	180,000	180,000	-	205,000
2010 Issue	755,000	755,000	-	745,000
2012 Issues	465,000	465,000	-	35,000
2013 Issues	-	430,000	(430,000)	-
Interest				
2003 Issue	-	-	-	83,676
2004 Issue	318,864	68,256	250,608	334,789
2005 Issues	938,639	147,700	790,939	991,464
2006 Issue	328,975	328,975	-	347,425
2007 Issue	415,131	415,131	-	432,731
2009 Issues	1,370,910	1,370,910	-	1,375,266
2010 Issue	256,125	256,125	-	271,025
2011 Issue	345,275	345,275	-	447,898
2012 Issues	195,863	195,863	-	55,799
2013 Issues	-	439,740	(439,740)	-
Paying agents' fees and issue costs	17,000	393,724	(376,724)	123,167
Total expenditures	<u>8,421,782</u>	<u>8,626,699</u>	<u>(204,917)</u>	<u>8,453,240</u>
Excess (deficiency) of revenues over expenditures	152,820	(150,909)	(303,729)	(571,836)
OTHER FINANCING SOURCES (USES)				
Bonds issued	-	25,015,000	25,015,000	3,910,000
Premium on issuance of bonds	-	2,163,159	2,163,159	63,945
Payments to escrow	-	(26,781,924)	(26,781,924)	(3,867,191)
Transfer in	-	-	-	489,140
Total other financing sources (uses)	<u>-</u>	<u>396,235</u>	<u>396,235</u>	<u>595,894</u>
Changes in fund balance	152,820	245,326	92,506	24,058
Fund balance at beginning of year	977,452	977,452	-	953,394
Fund balance at end of year	<u>\$ 1,130,272</u>	<u>\$ 1,222,778</u>	<u>\$ 92,506</u>	<u>\$ 977,452</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, 2013

With comparative totals for the year ended September 30, 2012

	2013			2012 Actual
	Final Budget	Actual	Variance Positive (Negative)	
REVENUES				
Intergovernmental	\$ 137,024	\$ 137,024	\$ -	\$ 380,265
Investment income				
Interest	160	160	-	1,304
Miscellaneous	-	-	-	150,000
Total revenues	<u>137,184</u>	<u>137,184</u>	<u>-</u>	<u>531,569</u>
EXPENDITURES				
Capital outlay	<u>305,901</u>	<u>304,579</u>	<u>1,322</u>	<u>1,371,821</u>
Excess (deficiency) of revenues over expenditures	(168,717)	(167,395)	1,322	(840,252)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	529,416
Total other financing sources (uses)	-	-	-	529,416
Change in fund balance	(168,717)	(167,395)	1,322	(310,836)
Fund balance at beginning of year	<u>175,087</u>	<u>175,087</u>	<u>-</u>	<u>485,923</u>
Fund balance at end of year	<u>\$ 6,370</u>	<u>\$ 7,692</u>	<u>\$ 1,322</u>	<u>\$ 175,087</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, 2013

With comparative totals for the year ended September 30, 2012

	2013			2012 Actual
	Final Budget	Actual	Variance Positive (Negative)	
REVENUES				
Investment income				
Interest	\$ 708	\$ 661	\$ (47)	\$ 4,649
Miscellaneous	<u>345,275</u>	<u>-</u>	<u>(345,275)</u>	<u>504,153</u>
Total revenues	<u>345,983</u>	<u>661</u>	<u>(345,322)</u>	<u>508,802</u>
EXPENDITURES				
Current				
Development	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,025,984</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,025,984</u>
Excess (deficiency) of revenues over expenditures	345,983	661	(345,322)	(2,517,182)
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(345,275)</u>	<u>-</u>	<u>345,275</u>	<u>(739,393)</u>
Total other financing sources (uses)	<u>(345,275)</u>	<u>-</u>	<u>345,275</u>	<u>(739,393)</u>
Change in fund balance	708	661	(47)	(3,256,575)
Fund balance at beginning of year	<u>452,288</u>	<u>452,288</u>	<u>-</u>	<u>3,708,863</u>
Fund balance at end of year	<u>\$ 452,996</u>	<u>\$ 452,949</u>	<u>\$ (47)</u>	<u>\$ 452,288</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, 2013

With comparative totals for the year ended September 30, 2012

	2013		Variance Positive (Negative)	2012 Actual
	Final Budget	Actual		
REVENUES				
Investment income				
Interest	\$ 5,275	\$ 7,392	\$ 2,117	\$ 21,660
Miscellaneous	4,637,697	4,637,697	-	103,500
Total revenues	<u>4,642,972</u>	<u>4,645,089</u>	<u>2,117</u>	<u>125,160</u>
EXPENDITURES				
Current				
Development	-	207,186	(207,186)	174,321
Capital outlay	10,838,493	7,403,353	3,435,140	11,877,198
Debt service				
Bond issue costs	-	-	-	82,631
Total expenditures	<u>10,838,493</u>	<u>7,610,539</u>	<u>3,227,954</u>	<u>12,134,150</u>
Excess (deficiency) of revenues over expenditures	(6,195,521)	(2,965,450)	3,230,071	(12,008,990)
OTHER FINANCING SOURCES (USES)				
Bonds issued	-	-	-	3,810,000
Premium on issuance of bonds	-	-	-	7,807
Transfers in	1,613,927	1,538,035	(75,892)	-
Transfers out	-	-	-	(20,647)
Total other financing sources (uses)	<u>1,613,927</u>	<u>1,538,035</u>	<u>(75,892)</u>	<u>3,797,160</u>
Change in fund balance	(4,581,594)	(1,427,415)	3,154,179	(8,211,830)
Fund balance at beginning of year	3,695,907	3,695,907	-	11,907,737
Fund balance at end of year	<u>\$ (885,687)</u>	<u>\$ 2,268,492</u>	<u>\$ 3,154,179</u>	<u>\$ 3,695,907</u>

NONMAJOR ENTERPRISE FUNDS

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

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

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

CITY OF VICTORIA, TEXAS
ALL NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
September 30, 2013

	Community Center	700 Main Center	Total Nonmajor Enterprise Funds
ASSETS			
Current assets			
Cash and cash equivalents	\$ 742,821	\$ 123,796	\$ 866,617
Receivables (net)	375	1,006	1,381
Due from other funds	120,000	-	120,000
Returned checks	1,674	-	1,674
Restricted assets			
Cash and cash equivalents	1,186,022	-	1,186,022
Total current assets	<u>2,050,892</u>	<u>124,802</u>	<u>2,175,694</u>
Noncurrent assets			
Capital assets			
Land and other assets not being depreciated	175,160	224,598	399,758
Buildings, improvements, and equipment (net)	2,272,126	1,337,433	3,609,559
Total noncurrent assets	<u>2,447,286</u>	<u>1,562,031</u>	<u>4,009,317</u>
Total assets	<u>4,498,178</u>	<u>1,686,833</u>	<u>6,185,011</u>
LIABILITIES			
Current liabilities			
Accounts payable	52,085	19,134	71,219
Accrued expenses	8,297	-	8,297
Due to other funds	2,573	-	2,573
Accrued compensated absences	71	-	71
Customer deposits	32,551	-	32,551
Total current liabilities	<u>95,577</u>	<u>19,134</u>	<u>114,711</u>
Noncurrent liabilities			
Accrued compensated absences	4,636	-	4,636
Total liabilities	<u>100,213</u>	<u>19,134</u>	<u>119,347</u>
NET POSITION			
Net investment in capital assets	2,447,286	1,562,031	4,009,317
Unrestricted net position	1,950,679	105,668	2,056,347
Total net position	<u>\$ 4,397,965</u>	<u>\$ 1,667,699</u>	<u>\$ 6,065,664</u>

CITY OF VICTORIA, TEXAS*ALL NONMAJOR ENTERPRISE FUNDS**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**For the year ended September 30, 2013*

	Community Center	700 Main Center	Total Nonmajor Enterprise Funds
OPERATING REVENUES			
Charges for services	\$ 246,453	\$ 151,515	\$ 397,968
OPERATING EXPENSES			
Personnel	292,954	-	292,954
Materials and supplies	23,817	1,015	24,832
Maintenance	33,472	17,258	50,730
Heat, lights and power	109,163	68,824	177,987
Miscellaneous services	58,065	9,914	67,979
Contractual services	26,599	20,400	46,999
Computer services	9,498	-	9,498
Depreciation	156,047	99,573	255,620
Total operating expenses	<u>709,615</u>	<u>216,984</u>	<u>926,599</u>
Operating income (loss) before nonoperating revenues (expenses) and transfers	(463,162)	(65,469)	(528,631)
NONOPERATING REVENUES (EXPENSES)			
Investment income	<u>4,675</u>	<u>68</u>	<u>4,743</u>
Net nonoperating revenues (expenses)	<u>4,675</u>	<u>68</u>	<u>4,743</u>
Income before transfers	(458,487)	(65,401)	(523,888)
Transfers			
Transfers in	480,000	-	480,000
Transfers out	<u>(19,800)</u>	<u>-</u>	<u>(19,800)</u>
Total transfers	<u>460,200</u>	<u>-</u>	<u>460,200</u>
Change in net position	1,713	(65,401)	(63,688)
Total net position at beginning of year	<u>4,396,252</u>	<u>1,733,100</u>	<u>6,129,352</u>
Total net position at end of year	<u>\$ 4,397,965</u>	<u>\$ 1,667,699</u>	<u>\$ 6,065,664</u>

CITY OF VICTORIA, TEXAS
ALL NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the year ended September 30, 2013

	Community Center	700 Main Center	Total Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 245,216	\$ 150,692	\$ 395,908
Cash paid to suppliers for goods and services	(240,405)	(116,667)	(357,072)
Cash paid to employees for services	(294,797)	-	(294,797)
Net cash provided (used) by operating activities	<u>(289,986)</u>	<u>34,025</u>	<u>(255,961)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Increase (decrease) in customer deposits	(21,534)	-	(21,534)
Borrowings from (to) other funds	2,573	-	2,573
Transfers in from other funds	480,000	-	480,000
Transfers out to other funds	(19,800)	-	(19,800)
Net cash provided (used) by noncapital financing activities	<u>441,239</u>	<u>-</u>	<u>441,239</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(129,785)	(65,485)	(195,270)
Net cash provided (used) by capital and related financing activities	<u>(129,785)</u>	<u>(65,485)</u>	<u>(195,270)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	4,675	68	4,743
Net cash provided (used) by investing activities	<u>4,675</u>	<u>68</u>	<u>4,743</u>
Net increase (decrease) in cash and cash equivalents	26,143	(31,392)	(5,249)
Cash and cash equivalents at beginning of year	<u>1,902,700</u>	<u>155,188</u>	<u>2,057,888</u>
Cash and cash equivalents at end of year	<u>\$ 1,928,843</u>	<u>\$ 123,796</u>	<u>\$ 2,052,639</u>

CITY OF VICTORIA, TEXAS
ALL NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the year ended September 30, 2013

	<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)	\$ (463,162)	\$ (65,469)	\$ (528,631)
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation	156,047	99,573	255,620
Changes in assets and liabilities			
(Increase) decrease in other receivables	(375)	(823)	(1,198)
(Increase) decrease in returned checks	(862)	-	(862)
Increase (decrease) in accounts payable	20,209	744	20,953
Increase (decrease) in accrued expenses	(2,506)	-	(2,506)
Increase (decrease) in compensated absences	<u>663</u>	<u>-</u>	<u>663</u>
Total adjustments	<u>173,176</u>	<u>99,494</u>	<u>272,670</u>
Net cash provided (used) by operating activities	<u>\$ (289,986)</u>	<u>\$ 34,025</u>	<u>\$ (255,961)</u>



WATER AND WASTEWATER FUND

CITY OF VICTORIA, TEXAS
MAJOR ENTERPRISE FUND
WATER AND WASTEWATER FUND
BALANCE SHEET
September 30, 2013
With comparative totals for September 30, 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 4,892,183	\$ 9,524,913
Investments	6,747,714	-
Receivables (net)		
Accounts	2,099,036	2,194,411
Other	20,889	29,463
Due from other funds	-	445,208
Inventory	157,591	140,291
Returned checks	3,742	2,121
Restricted assets		
Cash and cash equivalents	<u>5,908,347</u>	<u>8,667,647</u>
Total current assets	<u>19,829,502</u>	<u>21,004,054</u>
Noncurrent assets		
Capital assets		
Buildings	35,833,881	35,818,882
Water and wastewater distribution system	147,802,645	133,838,125
Improvements other than buildings	1,443,431	1,413,250
Machinery and equipment	<u>3,244,385</u>	<u>2,430,512</u>
Total capital assets	188,324,342	173,500,769
Less accumulated depreciation	<u>82,484,244</u>	<u>77,459,738</u>
Subtotal	105,840,098	96,041,031
Land and water rights	3,178,255	3,178,255
Construction in progress	<u>5,571,993</u>	<u>10,203,322</u>
Net capital assets	<u>114,590,346</u>	<u>109,422,608</u>
Total noncurrent assets	<u>114,590,346</u>	<u>109,422,608</u>
Total assets	<u>134,419,848</u>	<u>130,426,662</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on refunding	<u>495,998</u>	<u>555,343</u>
Total deferred outflows of resources	<u>495,998</u>	<u>555,343</u>

CITY OF VICTORIA, TEXAS
MAJOR ENTERPRISE FUND
WATER AND WASTEWATER FUND
BALANCE SHEET
September 30, 2013
With comparative totals for September 30, 2012

	<u>2013</u>	<u>2012</u>
LIABILITIES		
Current liabilities		
Accounts payable	\$ 1,065,950	\$ 487,714
Accounts payable (payable from restricted assets)	947,598	1,715,903
Accrued expenses	188,235	184,827
Accrued compensated absences	3,014	17,170
Due to other funds	44,925	19,708
Due to component unit	-	500,000
Accrued interest payable	969,044	1,091,870
Current portion of waterworks and sewer system revenue bonds	<u>5,170,000</u>	<u>4,740,000</u>
Total current liabilities	<u>8,388,766</u>	<u>8,757,192</u>
Noncurrent liabilities		
Waterworks and sewer system revenue bonds (net of current portion)	63,865,000	69,210,000
Premiums on long-term debt	2,167,055	2,376,581
Other post employment benefits payable	29,652	20,540
Accrued compensated absences	<u>197,676</u>	<u>164,564</u>
Total noncurrent liabilities	<u>66,259,383</u>	<u>71,771,685</u>
Total liabilities	<u>74,648,149</u>	<u>80,528,877</u>
NET POSITION		
Net investment in capital assets	46,720,674	40,694,575
Unrestricted, as restated	<u>13,547,023</u>	<u>9,758,553</u>
Total net position	<u>\$ 60,267,697</u>	<u>\$ 50,453,128</u>

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

For the year ended September 30, 2013

With comparative totals for the year ended September 30, 2012

	<u>2013</u>	<u>2012</u>
OPERATING REVENUES		
Water sales	\$ 12,879,915	\$ 12,660,912
Sewer service	11,264,838	10,952,157
Tap and connection fees	335,905	317,010
Miscellaneous	<u>336,091</u>	<u>99,017</u>
Total operating revenues	<u>24,816,749</u>	<u>24,029,096</u>
OPERATING EXPENSES		
Personnel	5,027,100	5,063,489
Materials and supplies	1,375,305	1,365,493
Maintenance	1,014,895	961,401
Heat, lights, and power	1,547,379	1,454,195
Miscellaneous services	1,829,877	1,301,060
Contractual services	527,849	602,663
Computer services	121,656	158,877
Depreciation	<u>5,077,576</u>	<u>4,800,807</u>
Total operating expenses	<u>16,521,637</u>	<u>15,707,985</u>
Operating income (loss) before nonoperating revenues (expenses) and contributions and transfers	8,295,112	8,321,111
NONOPERATING REVENUES (EXPENSES)		
Investment income	32,371	33,625
Interest and fiscal charges	(2,792,139)	(3,019,105)
Gain (loss) on disposition of capital assets	<u>629,770</u>	<u>(10,430)</u>
Net nonoperating revenues (expenses)	<u>(2,129,998)</u>	<u>(2,995,910)</u>
Income before contributions and transfers	6,165,114	5,325,201
Contributions and transfers		
Capital contributions	6,099,555	2,875,295
Transfers in	-	20,647
Transfers out	<u>(2,450,100)</u>	<u>(2,373,458)</u>
Total contributions and transfers	<u>3,649,455</u>	<u>522,484</u>
Change in net position	9,814,569	5,847,685
Total net position at beginning of year, as restated	<u>50,453,128</u>	<u>44,605,443</u>
Total net position at end of year	<u>\$ 60,267,697</u>	<u>\$ 50,453,128</u>

CITY OF VICTORIA, TEXAS

MAJOR ENTERPRISE FUND

WATER AND WASTEWATER FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2013

With comparative totals for the year ended September 30, 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 24,919,077	\$ 24,392,702
Cash paid to suppliers for goods and services	(5,856,025)	(5,763,015)
Cash paid to employees for services	(4,995,624)	(5,046,968)
Net cash provided (used) by operating activities	<u>14,067,428</u>	<u>13,582,719</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Borrowings from (to) other funds	470,425	(278,899)
Borrowings from (to) component unit	(500,000)	-
Transfers in from other funds	-	20,647
Transfers out to other funds	(2,450,100)	(2,373,458)
Net cash provided (used) by noncapital financing activities	<u>(2,479,675)</u>	<u>(2,631,710)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(4,914,064)	(6,891,677)
Proceeds from sale of capital assets	629,770	-
Proceeds from issuance of revenue bonds	-	9,155,000
Principal paid on revenue bonds	(4,915,000)	(4,330,000)
Interest paid on revenue bonds	(3,065,146)	(3,012,205)
Net cash provided (used) by capital and related financing activities	<u>(12,264,440)</u>	<u>(5,078,882)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(6,747,714)	-
Proceeds from sales and maturities of investments	-	1,497,662
Investment income	32,371	35,472
Net cash provided (used) by investing activities	<u>(6,715,343)</u>	<u>1,533,134</u>
Net increase (decrease) in cash and cash equivalents	(7,392,030)	7,405,261
Cash and cash equivalents at beginning of year	<u>18,192,560</u>	<u>10,787,299</u>
Cash and cash equivalents at end of year	<u>\$ 10,800,530</u>	<u>\$ 18,192,560</u>

CITY OF VICTORIA, TEXAS
MAJOR ENTERPRISE FUND
WATER AND WASTEWATER FUND
STATEMENT OF CASH FLOWS
For the year ended September 30, 2013
With comparative totals for the year ended September 30, 2012

	<u>2013</u>	<u>2012</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 8,295,112	\$ 8,321,111
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	5,077,576	4,800,807
Changes in assets and liabilities		
(Increase) decrease in accounts receivable	95,375	362,413
(Increase) decrease in other receivables	8,574	(753)
(Increase) decrease in inventory	(17,300)	(22,984)
(Increase) decrease in returned checks	(1,621)	1,946
Increase (decrease) in accounts payable	578,236	103,658
Increase (decrease) in accrued expenses	3,408	8,040
Increase (decrease) in compensated absences	18,956	8,481
Increase (decrease) in other post employment benefits payable	9,112	-
Total adjustments	<u>5,772,316</u>	<u>5,261,608</u>
Net cash provided (used) by operating activities	<u>\$ 14,067,428</u>	<u>\$ 13,582,719</u>

COMMUNITY CENTER FUND

CITY OF VICTORIA, TEXAS
NONMAJOR ENTERPRISE FUND
COMMUNITY CENTER FUND
BALANCE SHEET
September 30, 2013
With comparative totals for September 30, 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 742,821	\$ 502,623
Receivables (net)		
Other	375	-
Due from other funds	120,000	120,000
Returned checks	1,674	812
Restricted assets		
Cash and cash equivalents	<u>1,186,022</u>	<u>1,400,077</u>
Total current assets	<u>2,050,892</u>	<u>2,023,512</u>
Noncurrent assets		
Capital assets		
Buildings	3,970,160	3,891,054
Infrastructure	288,581	288,581
Machinery and equipment	<u>148,175</u>	<u>113,179</u>
Total capital assets	4,406,916	4,292,814
Less accumulated depreciation	<u>2,134,790</u>	<u>1,994,426</u>
Subtotal	2,272,126	2,298,388
Land	<u>175,160</u>	<u>175,160</u>
Net capital assets	<u>2,447,286</u>	<u>2,473,548</u>
Total noncurrent assets	<u>2,447,286</u>	<u>2,473,548</u>
Total assets	<u>4,498,178</u>	<u>4,497,060</u>
LIABILITIES		
Current liabilities		
Accounts payable	52,085	31,876
Accrued expenses	8,297	10,803
Due to other funds	2,573	-
Accrued compensated absences	71	382
Customer deposits	<u>32,551</u>	<u>54,085</u>
Total current liabilities	<u>95,577</u>	<u>97,146</u>
Noncurrent liabilities		
Accrued compensated absences	<u>4,636</u>	<u>3,662</u>
Total liabilities	<u>100,213</u>	<u>100,808</u>
NET POSITION		
Net investment in capital assets	2,447,286	2,473,548
Unrestricted	<u>1,950,679</u>	<u>1,922,704</u>
Total net position	<u>\$ 4,397,965</u>	<u>\$ 4,396,252</u>

CITY OF VICTORIA, TEXAS
NONMAJOR ENTERPRISE FUND
COMMUNITY CENTER FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
For the year ended September 30, 2013
With comparative totals for the year ended September 30, 2012

	<u>2013</u>	<u>2012</u>
OPERATING REVENUES		
Rental fees	\$ 242,646	\$ 244,723
Miscellaneous	<u>3,807</u>	<u>1,172</u>
Total operating revenues	<u>246,453</u>	<u>245,895</u>
OPERATING EXPENSES		
Personnel	292,954	277,177
Materials and supplies	23,817	31,963
Maintenance	33,472	36,117
Heat, lights, and power	109,163	82,734
Miscellaneous services	58,065	48,021
Contractual services	26,599	5,536
Computer services	9,498	13,298
Depreciation	<u>156,047</u>	<u>146,120</u>
Total operating expenses	<u>709,615</u>	<u>640,966</u>
Operating income (loss) before nonoperating revenues (expenses) and transfers	(463,162)	(395,071)
NONOPERATING REVENUES (EXPENSES)		
Investment income	<u>4,675</u>	<u>4,719</u>
Net nonoperating revenues (expenses)	<u>4,675</u>	<u>4,719</u>
Income (loss) before transfers	(458,487)	(390,352)
Transfers		
Transfers in	480,000	480,000
Transfers out	<u>(19,800)</u>	<u>(19,800)</u>
Total transfers	<u>460,200</u>	<u>460,200</u>
Change in net position	1,713	69,848
Total net position at beginning of year	<u>4,396,252</u>	<u>4,326,404</u>
Total net position at end of year	<u>\$ 4,397,965</u>	<u>\$ 4,396,252</u>

CITY OF VICTORIA, TEXAS
NONMAJOR ENTERPRISE FUND
COMMUNITY CENTER FUND
STATEMENT OF CASH FLOWS
For the year ended September 30, 2013
With comparative totals for the year ended September 30, 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 245,216	\$ 245,895
Cash paid to suppliers for goods and services	(240,405)	(296,469)
Cash paid to employees for services	<u>(294,797)</u>	<u>(285,702)</u>
Net cash provided (used) by operating activities	<u>(289,986)</u>	<u>(336,276)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Increase (decrease) in customer deposits	(21,534)	14,650
Borrowings from (to) other funds	2,573	(64,001)
Transfers in from other funds	480,000	480,000
Transfers out to other funds	<u>(19,800)</u>	<u>(19,800)</u>
Net cash provided (used) by noncapital financing activities	<u>441,239</u>	<u>410,849</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	<u>(129,785)</u>	<u>(279,885)</u>
Net cash provided (used) by capital and related financing activities	<u>(129,785)</u>	<u>(279,885)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	<u>4,675</u>	<u>4,719</u>
Net cash provided (used) by investing activities	<u>4,675</u>	<u>4,719</u>
Net increase (decrease) in cash and cash equivalents	26,143	(200,593)
Cash and cash equivalents at beginning of year	<u>1,902,700</u>	<u>2,103,293</u>
Cash and cash equivalents at end of year	<u>\$ 1,928,843</u>	<u>\$ 1,902,700</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (463,162)	\$ (395,071)
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	156,047	146,120
Changes in assets and liabilities		
(Increase) decrease in other receivables	(375)	-
(Increase) decrease in returned checks	(862)	-
Increase (decrease) in accounts payable	20,209	(78,800)
Increase (decrease) in accrued expenses	(2,506)	84
Increase (decrease) in compensated absences	<u>663</u>	<u>(8,609)</u>
Total adjustments	<u>173,176</u>	<u>58,795</u>
Net cash provided (used) by operating activities	<u>\$ (289,986)</u>	<u>\$ (336,276)</u>

700 MAIN CENTER FUND

CITY OF VICTORIA, TEXAS
NONMAJOR ENTERPRISE FUND
700 MAIN CENTER FUND
BALANCE SHEET
September 30, 2013
With comparative totals for September 30, 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 123,796	\$ 155,188
Receivables (net)		
Other	<u>1,006</u>	<u>183</u>
Total current assets	<u>124,802</u>	<u>155,371</u>
Noncurrent assets		
Capital assets		
Buildings	2,620,424	2,554,939
Improvements other than buildings	78,216	78,216
Machinery and equipment	<u>113,698</u>	<u>113,698</u>
Total capital assets	2,812,338	2,746,853
Less accumulated depreciation	<u>1,474,905</u>	<u>1,375,332</u>
Subtotal	1,337,433	1,371,521
Land	<u>224,598</u>	<u>224,598</u>
Net capital assets	<u>1,562,031</u>	<u>1,596,119</u>
Total assets	<u>1,686,833</u>	<u>1,751,490</u>
LIABILITIES		
Current liabilities		
Accounts payable	<u>19,134</u>	<u>18,390</u>
NET POSITION		
Net investment in capital assets	1,562,031	1,596,119
Unrestricted	<u>105,668</u>	<u>136,981</u>
Total net position	<u>\$ 1,667,699</u>	<u>\$ 1,733,100</u>

CITY OF VICTORIA, TEXAS

NONMAJOR ENTERPRISE FUND

700 MAIN CENTER FUND

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

For the year ended September 30, 2013

With comparative totals for the year ended September 30, 2012

	<u>2013</u>	<u>2012</u>
OPERATING REVENUES		
Rental fees	\$ 151,515	\$ 151,636
OPERATING EXPENSES		
Materials and supplies	1,015	1,336
Maintenance	17,258	12,443
Heat, lights, and power	68,824	57,792
Miscellaneous services	9,914	12,571
Contractual services	20,400	21,450
Depreciation	<u>99,573</u>	<u>97,296</u>
Total operating expenses	<u>216,984</u>	<u>202,888</u>
Operating income (loss) before nonoperating revenues (expenses) and transfers	(65,469)	(51,252)
NONOPERATING REVENUES		
Investment income	68	31
Loss on disposition of capital assets	<u>-</u>	<u>(4,858)</u>
Net nonoperating revenues (expenses)	<u>68</u>	<u>(4,827)</u>
Income (loss) before transfers	(65,401)	(56,079)
Transfers		
Transfers out	<u>-</u>	<u>(21,617)</u>
Total transfers	<u>-</u>	<u>(21,617)</u>
Change in net position	(65,401)	(77,696)
Total net position at beginning of year	<u>1,733,100</u>	<u>1,810,796</u>
Total net position at end of year	<u>\$ 1,667,699</u>	<u>\$ 1,733,100</u>

CITY OF VICTORIA, TEXAS
NONMAJOR ENTERPRISE FUND
700 MAIN CENTER FUND
STATEMENT OF CASH FLOWS
For the year ended September 30, 2013
With comparative totals for the year ended September 30, 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 150,692	\$ 151,465
Cash paid to suppliers for goods and services	<u>(116,667)</u>	<u>(94,268)</u>
Net cash provided (used) by operating activities	<u>34,025</u>	<u>57,197</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers out to other funds	<u>-</u>	<u>(21,617)</u>
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>(21,617)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	<u>(65,485)</u>	<u>(33,862)</u>
Net cash provided (used) by capital and related financing activities	<u>(65,485)</u>	<u>(33,862)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	<u>68</u>	<u>31</u>
Net cash provided (used) by investing activities	<u>68</u>	<u>31</u>
Net increase (decrease) in cash and cash equivalents	(31,392)	1,749
Cash and cash equivalents at beginning of year	<u>155,188</u>	<u>153,439</u>
Cash and cash equivalents at end of year	<u>\$ 123,796</u>	<u>\$ 155,188</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (65,469)	\$ (51,252)
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	99,573	97,296
Changes in assets and liabilities		
(Increase) decrease in other receivables	(823)	(171)
Increase (decrease) in accounts payable	<u>744</u>	<u>11,324</u>
Total adjustments	<u>99,494</u>	<u>108,449</u>
Net cash provided (used) by operating activities	<u>\$ 34,025</u>	<u>\$ 57,197</u>

ENVIRONMENTAL SERVICES FUND

CITY OF VICTORIA, TEXAS
MAJOR ENTERPRISE FUND
ENVIRONMENTAL SERVICES FUND
BALANCE SHEET
September 30, 2013
With comparative totals for September 30, 2012

	2013	2012
ASSETS		
Current assets		
Cash and cash equivalents	\$ 791,478	\$ 3,418,285
Investments	3,000,273	-
Receivables (net)		
Accounts	230,683	237,716
Other	218,064	55,599
Restricted assets		
Cash and cash equivalents	3,248,770	5,224,829
Investments	1,700,175	-
Total current assets	<u>9,189,443</u>	<u>8,936,429</u>
Noncurrent assets		
Capital assets		
Buildings	668,403	155,352
Infrastructure	1,504,801	1,504,801
Improvements other than buildings	560,577	561,623
Machinery and equipment	1,490,234	1,387,373
Total capital assets	4,224,015	3,609,149
Less accumulated depreciation	2,048,812	1,739,825
Subtotal	2,175,203	1,869,324
Land	799,931	799,931
Net capital assets	<u>2,975,134</u>	<u>2,669,255</u>
Total noncurrent assets	<u>2,975,134</u>	<u>2,669,255</u>
Total assets	<u>12,164,577</u>	<u>11,605,684</u>
LIABILITIES		
Current liabilities		
Accounts payable	132,900	71,019
Accrued expenses	52,922	48,480
Accrued compensated absences	784	4,737
Due to other funds	2,207	-
Due to other governments	37,404	53,219
Due to component unit	24,397	23,211
Total current liabilities	<u>250,614</u>	<u>200,666</u>
Noncurrent liabilities		
Accrued compensated absences	51,417	45,402
Other post employment benefits payable	14,826	4,979
Estimated landfill closure and postclosure care cost	3,210,241	3,192,652
Total noncurrent liabilities	<u>3,276,484</u>	<u>3,243,033</u>
Total liabilities	<u>3,527,098</u>	<u>3,443,699</u>
NET POSITION		
Net investment in capital assets	2,975,134	2,669,255
Unrestricted	5,662,345	5,492,730
Total net position	<u>\$ 8,637,479</u>	<u>\$ 8,161,985</u>

CITY OF VICTORIA, TEXAS

MAJOR ENTERPRISE FUND

ENVIRONMENTAL SERVICES FUND

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

For the year ended September 30, 2013

With comparative totals for the year ended September 30, 2012

	<u>2013</u>	<u>2012</u>
OPERATING REVENUES		
Garbage fees	\$ 3,318,404	\$ 3,287,269
Other garbage fees	1,149,632	973,528
Miscellaneous	<u>528,093</u>	<u>538,885</u>
Total operating revenues	<u>4,996,129</u>	<u>4,799,682</u>
OPERATING EXPENSES		
Personnel	1,285,753	1,250,575
Materials and supplies	329,656	308,828
Maintenance	7,193	12,334
Heat, lights and power	18,777	16,141
Miscellaneous services	937,327	835,089
Contractual services	245,790	223,377
Computer services	28,583	48,082
Tipping fees	771,548	730,910
Landfill closure and postclosure care cost	17,589	105,196
Depreciation	<u>326,650</u>	<u>318,676</u>
Total operating expenses	<u>3,968,866</u>	<u>3,849,208</u>
Operating income (loss) before nonoperating revenues (expenses) and transfers	1,027,263	950,474
NONOPERATING REVENUES (EXPENSES)		
Loss on disposition of capital assets	(350)	-
Investment income	<u>20,441</u>	<u>22,048</u>
Net nonoperating revenues (expenses)	<u>20,091</u>	<u>22,048</u>
Income before transfers	1,047,354	972,522
Transfers		
Transfers out	<u>(571,860)</u>	<u>(567,312)</u>
Total transfers	<u>(571,860)</u>	<u>(567,312)</u>
Change in net position	475,494	405,210
Total net position at beginning of year	<u>8,161,985</u>	<u>7,756,775</u>
Total net position at end of year	<u>\$ 8,637,479</u>	<u>\$ 8,161,985</u>

CITY OF VICTORIA, TEXAS

MAJOR ENTERPRISE FUND

ENVIRONMENTAL SERVICES FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2013

With comparative totals for the year ended September 30, 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 4,840,697	\$ 4,821,054
Cash paid to suppliers for goods and services	(2,292,808)	(2,143,597)
Cash paid to employees for services	<u>(1,269,402)</u>	<u>(1,239,378)</u>
Net cash provided (used) by operating activities	<u>1,278,487</u>	<u>1,438,079</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Borrowings from (to) other funds	2,207	31,040
Borrowings from (to) component unit	1,186	1,084
Transfers out to other funds	<u>(571,860)</u>	<u>(567,312)</u>
Net cash provided (used) by noncapital financing activities	<u>(568,467)</u>	<u>(535,188)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	<u>(632,879)</u>	<u>(55,622)</u>
Net cash provided (used) by capital and related financing activities	<u>(632,879)</u>	<u>(55,622)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(4,700,448)	-
Investment income	<u>20,441</u>	<u>22,048</u>
Net cash provided (used) by investing activities	<u>(4,680,007)</u>	<u>22,048</u>
Net increase (decrease) in cash and cash equivalents	(4,602,866)	869,317
Cash and cash equivalents at beginning of year	<u>8,643,114</u>	<u>7,773,797</u>
Cash and cash equivalents at end of year	<u>\$ 4,040,248</u>	<u>\$ 8,643,114</u>

CITY OF VICTORIA, TEXAS

MAJOR ENTERPRISE FUND

ENVIRONMENTAL SERVICES FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2013

With comparative totals for the year ended September 30, 2012

	<u>2013</u>	<u>2012</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 1,027,263	\$ 950,474
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	326,650	318,676
Changes in assets and liabilities		
(Increase) decrease in accounts receivable	7,033	(26,280)
(Increase) decrease in other receivables	(162,465)	47,652
Increase (decrease) in accounts payable	61,881	8,663
Increase (decrease) in due to other governments	(15,815)	22,501
Increase (decrease) in accrued expenses	4,442	5,628
Increase (decrease) in compensated absences	2,062	5,569
Increase (decrease) in other post employment benefits payable	9,847	-
Increase (decrease) in landfill closure and postclosure care cost	<u>17,589</u>	<u>105,196</u>
Total adjustments	<u>251,224</u>	<u>487,605</u>
Net cash provided (used) by operating activities	<u>\$ 1,278,487</u>	<u>\$ 1,438,079</u>

INTERNAL SERVICE FUNDS

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

Vehicle and Equipment Services Fund (V.E.S.) - The V.E.S. fund is responsible for two main functions: 1) To account for the cost of operating a central maintenance facility for all City-owned automotive equipment. The department also maintains equipment which the Internal Service Fund does not own, i.e., non-automotive equipment owned by other City departments and automotive equipment owned by outside agencies. For those maintenance activities, the Internal Service Fund makes direct charges for parts and labor to the entities involved. 2) To account for the administration of the Vehicle and Equipment Services Division. All automotive equipment is owned by this department of the Internal Service Fund and rented to the user departments. In addition, this department maintains stocks of fuel and parts with which to service the City's fleet and related communications and emergency equipment. The costs of parts, labor, vehicle insurance and garage overhead are recovered from user departments through the use of monthly vehicle equipment charges. In addition, the V.E.S. Fund operates a motor pool of vehicles and equipment which it rents, on an as-needed basis, to City departments. Fiscal year 2003 was the first year for service center operations to be contracted out to an outside vendor.

Information Technology Fund - This fund has one operating department whose responsibility is to provide centralized electronic data processing services to all City departments. The services include system design and programming. This department was set up as a separate fund so that its total costs could be apportioned to the many user departments from several funds.

Communications Fund - This fund is responsible for accounting for the cost of operating a central maintenance facility for all City-owned communications and emergency equipment.

Purchasing Fund - The purpose of this fund is to account for the costs of operating a central purchasing department and a central warehouse. The actual cost of goods is billed to user departments along with an added purchasing overhead charge to defray operating expenses, thereby making the department a self-supporting entity.

Safety Management Fund - This fund was set up to account for all risk type expenses and revenues. Insurance premiums, deductible expenses, non-insured claims and costs are all recorded in this fund, as well as prorated contributions from all operating funds.

Workers' Compensation Fund - The City established an Internal Service Fund called Workers' Compensation Fund in the fiscal year 1990 to account for and finance its uninsured risk of loss. Under this program the Workers' Compensation Fund provides coverage for up to a maximum of \$350,000 for each workers' compensation claim. Any excess over the maximum self-insured amount would be covered by the City's compensation insurance.

Print Shop Fund - The purpose of this fund is to account for the cost of operating a central print shop for City as well as County of Victoria departments. The department provides central reproduction services to City and County departments on a billable basis. This department also processes incoming and outgoing mail and maintains inventory for office supplies to be used by City and County departments.

Employee Health Plan Fund - The Employee Health Plan Fund was created to provide accounting for transactions of a self-insured health insurance plan for City employees, employee dependents, and retirees. The City pays a portion of the premium for City employees and retirees, and employees pay the premium if they wish to cover dependents. Payments by the various City funds, employees, and retirees (for retiree dependent coverage) are revenues of the fund. Payments are made from the fund to a third party administrator for services, to an insurance company for specific stop loss insurance and life insurance, and to providers of medical services.

CITY OF VICTORIA, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
September 30, 2013

	<u>V.E.S.</u>	<u>Information Technology</u>	<u>Communications</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 647,388	\$ 315,431	\$ 97,814
Investments	-	-	-
Receivables (net)			
Other	74,911	-	6,093
Due from other funds	-	-	-
Returned checks	-	-	-
Inventory	92,222	-	-
Restricted assets			
Cash and cash equivalents	-	-	-
Total current assets	<u>814,521</u>	<u>315,431</u>	<u>103,907</u>
Noncurrent assets			
Capital assets			
Land and other assets not being depreciated	134,007	-	39,168
Buildings, improvements, and equipment (net)	<u>8,416,117</u>	<u>609,592</u>	<u>1,387,139</u>
Total noncurrent assets	<u>8,550,124</u>	<u>609,592</u>	<u>1,426,307</u>
Total assets	<u>9,364,645</u>	<u>925,023</u>	<u>1,530,214</u>
LIABILITIES			
Current liabilities			
Accounts payable	357,787	5,531	6,042
Accrued expenses	4,807	26,606	2,192
Due to other funds	238	707	-
Accrued compensated absences	7,514	26,688	3,688
Claims payable	-	-	-
Total current liabilities	<u>370,346</u>	<u>59,532</u>	<u>11,922</u>
Total liabilities	<u>370,346</u>	<u>59,532</u>	<u>11,922</u>
NET POSITION			
Net investment in capital assets	8,550,124	609,592	1,426,307
Unrestricted	<u>444,175</u>	<u>255,899</u>	<u>91,985</u>
Total net position	<u>\$ 8,994,299</u>	<u>\$ 865,491</u>	<u>\$ 1,518,292</u>

<u>Purchasing</u>	<u>Safety Management</u>	<u>Workers' Compensation</u>	<u>Print Shop</u>	<u>Employee Health Plan</u>	<u>Total</u>
\$ 94,650	\$ 246,454	\$ 392,900	\$ 119,514	\$ 972,548	\$ 2,886,699
-	-	-	-	5,424,982	5,424,982
318	-	-	1,229	65,152	147,703
-	-	-	-	154,250	154,250
-	-	-	-	488	488
79,107	-	-	17,964	-	189,293
-	-	<u>25,000</u>	-	-	<u>25,000</u>
<u>174,075</u>	<u>246,454</u>	<u>417,900</u>	<u>138,707</u>	<u>6,617,420</u>	<u>8,828,415</u>
-	-	-	-	-	173,175
<u>65,306</u>	<u>1,790</u>	<u>-</u>	<u>13,645</u>	<u>-</u>	<u>10,493,589</u>
<u>65,306</u>	<u>1,790</u>	<u>-</u>	<u>13,645</u>	<u>-</u>	<u>10,666,764</u>
<u>239,381</u>	<u>248,244</u>	<u>417,900</u>	<u>152,352</u>	<u>6,617,420</u>	<u>19,495,179</u>
7,250	6,130	16,153	8,197	260	407,350
7,074	4,370	-	3,982	-	49,031
197	45	-	193	-	1,380
10,310	2,599	-	3,928	-	54,727
-	-	<u>246,621</u>	-	<u>364,289</u>	<u>610,910</u>
<u>24,831</u>	<u>13,144</u>	<u>262,774</u>	<u>16,300</u>	<u>364,549</u>	<u>1,123,398</u>
<u>24,831</u>	<u>13,144</u>	<u>262,774</u>	<u>16,300</u>	<u>364,549</u>	<u>1,123,398</u>
65,306	1,790	-	13,645	-	10,666,764
<u>149,244</u>	<u>233,310</u>	<u>155,126</u>	<u>122,407</u>	<u>6,252,871</u>	<u>7,705,017</u>
<u>\$ 214,550</u>	<u>\$ 235,100</u>	<u>\$ 155,126</u>	<u>\$ 136,052</u>	<u>\$ 6,252,871</u>	<u>\$ 18,371,781</u>

CITY OF VICTORIA, TEXAS*INTERNAL SERVICE FUNDS**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN**FUND NET POSITION**For the year ended September 30, 2013*

	<u>V.E.S.</u>	<u>Information Technology</u>	<u>Communications</u>
OPERATING REVENUES			
Charges for services	\$ 6,198,497	\$ 1,032,898	\$ 216,364
Miscellaneous	<u>116,731</u>	<u>-</u>	<u>-</u>
Total operating revenues	<u>6,315,228</u>	<u>1,032,898</u>	<u>216,364</u>
OPERATING EXPENSES			
Personnel	124,664	654,463	56,309
Materials and supplies	1,937,366	19,521	3,503
Maintenance	15,501	120,391	277,581
Heat, lights, and power	25,286	-	-
Reinsurance premiums	-	-	-
Miscellaneous services	487,317	112,976	35,219
Contractual services	971,095	8,490	-
Computer services	-	-	10,358
Court costs, judgments, and damages	-	-	-
Claims expense	-	-	-
Wellness program	-	-	-
Depreciation	<u>1,747,765</u>	<u>249,826</u>	<u>200,750</u>
Total operating expenses	<u>5,308,994</u>	<u>1,165,667</u>	<u>583,720</u>
Operating income (loss) before nonoperating revenues (expenses) and transfers	1,006,234	(132,769)	(367,356)
NONOPERATING REVENUES (EXPENSES)			
Investment income	1,032	295	204
Gain (loss) on disposition of capital assets	<u>(110,233)</u>	<u>-</u>	<u>-</u>
Net nonoperating revenues (expenses)	<u>(109,201)</u>	<u>295</u>	<u>204</u>
Income (loss) before transfers	897,033	(132,474)	(367,152)
Transfers			
Transfers in	<u>-</u>	<u>-</u>	<u>120,490</u>
Total transfers	<u>-</u>	<u>-</u>	<u>120,490</u>
Change in net position	897,033	(132,474)	(246,662)
Total net position at beginning of year	<u>8,097,266</u>	<u>997,965</u>	<u>1,764,954</u>
Total net position at end of year	<u>\$ 8,994,299</u>	<u>\$ 865,491</u>	<u>\$ 1,518,292</u>

<u>Purchasing</u>	<u>Safety Management</u>	<u>Workers' Compensation</u>	<u>Print Shop</u>	<u>Employee Health Plan</u>	<u>Total</u>
\$ 200,056	\$ 468,030	\$ 100,000	\$ 143,345	\$ 6,259,274	\$ 14,618,464
<u>3,600</u>	<u>27,556</u>	<u>25,724</u>	<u>-</u>	<u>32,513</u>	<u>206,124</u>
<u>203,656</u>	<u>495,586</u>	<u>125,724</u>	<u>143,345</u>	<u>6,291,787</u>	<u>14,824,588</u>
174,274	99,296	-	105,481	-	1,214,487
4,109	1,031	-	3,498	-	1,969,028
999	-	-	12,321	-	426,793
4,994	-	-	-	-	30,280
-	406,381	-	-	477,563	883,944
18,667	17,848	-	15,320	-	687,347
-	8,206	-	-	305,606	1,293,397
26,286	10,358	-	5,053	-	52,055
-	9,329	-	-	-	9,329
-	-	150,572	-	5,380,302	5,530,874
-	-	-	-	18,414	18,414
<u>10,572</u>	<u>853</u>	<u>-</u>	<u>6,419</u>	<u>-</u>	<u>2,216,185</u>
<u>239,901</u>	<u>553,302</u>	<u>150,572</u>	<u>148,092</u>	<u>6,181,885</u>	<u>14,332,133</u>
(36,245)	(57,716)	(24,848)	(4,747)	109,902	492,455
-	225	533	-	13,539	15,828
<u>67</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(110,166)</u>
<u>67</u>	<u>225</u>	<u>533</u>	<u>-</u>	<u>13,539</u>	<u>(94,338)</u>
(36,178)	(57,491)	(24,315)	(4,747)	123,441	398,117
-	-	-	-	-	120,490
-	-	-	-	-	120,490
(36,178)	(57,491)	(24,315)	(4,747)	123,441	518,607
<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>
<u>\$ 214,550</u>	<u>\$ 235,100</u>	<u>\$ 155,126</u>	<u>\$ 136,052</u>	<u>\$ 6,252,871</u>	<u>\$ 18,371,781</u>

CITY OF VICTORIA, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the year ended September 30, 2013

	<u>V.E.S.</u>	<u>Information Technology</u>	<u>Communications</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from other funds	\$ 6,334,784	\$ 1,032,898	\$ 338,400
Cash paid to suppliers for goods and services	(3,158,965)	(296,309)	(322,262)
Cash paid to employees for services	(123,596)	(653,620)	(55,852)
Net cash provided (used) by operating activities	<u>3,052,223</u>	<u>82,969</u>	<u>(39,714)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in from other funds	-	-	120,490
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>-</u>	<u>120,490</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(3,131,212)	(148,124)	-
Proceeds from sale of capital assets	41,588	-	-
Net cash provided (used) by capital and related financing activities	<u>(3,089,624)</u>	<u>(148,124)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	-	-	-
Proceeds from sales and maturities of investments	-	-	-
Investment income	1,032	295	204
Net cash provided (used) by investing activities	<u>1,032</u>	<u>295</u>	<u>204</u>
Net increase (decrease) in cash and cash equivalents	(36,369)	(64,860)	80,980
Cash and cash equivalents at beginning of year	<u>683,757</u>	<u>380,291</u>	<u>16,834</u>
Cash and cash equivalents at end of year	<u>\$ 647,388</u>	<u>\$ 315,431</u>	<u>\$ 97,814</u>

<u>Purchasing</u>	<u>Safety Management</u>	<u>Workers' Compensation</u>	<u>Print Shop</u>	<u>Employee Health Plan</u>	<u>Total</u>
\$ 203,696	\$ 495,586	\$ 125,724	\$ 144,910	\$ 6,127,970	\$ 14,803,968
(49,696)	(448,325)	(247,429)	(27,503)	(6,097,575)	(10,648,064)
<u>(172,589)</u>	<u>(100,418)</u>	<u>-</u>	<u>(105,051)</u>	<u>-</u>	<u>(1,211,126)</u>
<u>(18,589)</u>	<u>(53,157)</u>	<u>(121,705)</u>	<u>12,356</u>	<u>30,395</u>	<u>2,944,778</u>
-	-	-	-	-	120,490
-	-	-	-	-	120,490
(7,539)	-	-	(1,070)	-	(3,287,945)
<u>67</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,655</u>
<u>(7,472)</u>	<u>-</u>	<u>-</u>	<u>(1,070)</u>	<u>-</u>	<u>(3,246,290)</u>
-	-	-	-	(9,168,295)	(9,168,295)
-	-	-	-	3,743,313	3,743,313
<u>-</u>	<u>225</u>	<u>533</u>	<u>-</u>	<u>11,940</u>	<u>14,229</u>
<u>-</u>	<u>225</u>	<u>533</u>	<u>-</u>	<u>(5,413,042)</u>	<u>(5,410,753)</u>
(26,061)	(52,932)	(121,172)	11,286	(5,382,647)	(5,591,775)
<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>
<u>\$ 94,650</u>	<u>\$ 246,454</u>	<u>\$ 417,900</u>	<u>\$ 119,514</u>	<u>\$ 972,548</u>	<u>\$ 2,911,699</u>

(continued)

CITY OF VICTORIA, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the year ended September 30, 2013

	<u>V.E.S.</u>	<u>Information Technology</u>	<u>Communications</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 1,006,234	\$ (132,769)	\$ (367,356)
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation	1,747,765	249,826	200,750
Changes in assets and liabilities			
(Increase) decrease in other receivables	19,556	-	122,036
(Increase) decrease in due from other funds	-	-	-
(Increase) decrease in returned checks	-	-	-
(Increase) decrease in inventory	57,487	-	-
Increase (decrease) in accounts payable	219,875	(35,638)	4,399
Increase (decrease) in accrued expenses	467	2,105	213
Increase (decrease) in due to other funds	238	707	-
Increase (decrease) in compensated absences	601	(1,262)	244
Increase (decrease) in claims payable	-	-	-
Total adjustments	<u>2,045,989</u>	<u>215,738</u>	<u>327,642</u>
Net cash provided (used) by operating activities	<u>\$ 3,052,223</u>	<u>\$ 82,969</u>	<u>\$ (39,714)</u>

<u>Purchasing</u>	<u>Safety Management</u>	<u>Workers' Compensation</u>	<u>Print Shop</u>	<u>Employee Health Plan</u>	<u>Total</u>
\$ (36,245)	\$ (57,716)	\$ (24,848)	\$ (4,747)	\$ 109,902	\$ 492,455
10,572	853	-	6,419	-	2,216,185
40	-	-	1,565	(9,079)	134,118
-	-	-	-	(154,250)	(154,250)
-	-	-	-	(488)	(488)
4,915	-	-	4,969	-	67,371
247	4,783	(5,088)	3,527	(4,025)	188,080
1,104	554	-	430	-	4,873
197	45	-	193	-	1,380
581	(1,676)	-	-	-	(1,512)
-	-	(91,769)	-	88,335	(3,434)
<u>17,656</u>	<u>4,559</u>	<u>(96,857)</u>	<u>17,103</u>	<u>(79,507)</u>	<u>2,452,323</u>
<u>\$ (18,589)</u>	<u>\$ (53,157)</u>	<u>\$ (121,705)</u>	<u>\$ 12,356</u>	<u>\$ 30,395</u>	<u>\$ 2,944,778</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, 2013
With comparative totals for September 30, 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 647,388	\$ 683,757
Receivables		
Other	74,911	94,467
Inventory	<u>92,222</u>	<u>149,709</u>
Total current assets	<u>814,521</u>	<u>927,933</u>
Noncurrent assets		
Capital assets		
Buildings	416,435	364,797
Infrastructure	93,179	93,179
Improvements other than buildings	10,659	10,659
Machinery and equipment	<u>18,924,230</u>	<u>17,068,065</u>
Total capital assets	19,444,503	17,536,700
Less accumulated depreciation	<u>11,028,386</u>	<u>10,352,209</u>
Subtotal	8,416,117	7,184,491
Land	<u>134,007</u>	<u>134,007</u>
Net capital assets	<u>8,550,124</u>	<u>7,318,498</u>
Total assets	<u>9,364,645</u>	<u>8,246,431</u>
LIABILITIES		
Current liabilities		
Accounts payable	357,787	137,912
Accrued expenses	4,807	4,340
Due to other funds	238	-
Accrued compensated absences	<u>7,514</u>	<u>6,913</u>
Total liabilities	<u>370,346</u>	<u>149,165</u>
NET POSITION		
Net investment in capital assets	8,550,124	7,318,498
Unrestricted	<u>444,175</u>	<u>778,768</u>
Total net position	<u>\$ 8,994,299</u>	<u>\$ 8,097,266</u>

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

For the year ended September 30, 2013

With comparative totals for the year ended September 30, 2012

	<u>2013</u>	<u>2012</u>
OPERATING REVENUES		
Charges for services	\$ 6,198,497	\$ 5,290,876
Miscellaneous	<u>116,731</u>	<u>14,216</u>
Total operating revenues	<u>6,315,228</u>	<u>5,305,092</u>
OPERATING EXPENSES		
Personnel	124,664	124,911
Materials and supplies	1,937,366	1,784,590
Maintenance	15,501	16,726
Heat, lights, and power	25,286	19,841
Miscellaneous services	487,317	430,985
Contractual services	971,095	896,073
Depreciation	<u>1,747,765</u>	<u>1,390,449</u>
Total operating expenses	<u>5,308,994</u>	<u>4,663,575</u>
Operating income (loss) before nonoperating revenues (expenses)	1,006,234	641,517
NONOPERATING REVENUES (EXPENSES)		
Investment income	1,032	319
Loss on disposition of capital assets	<u>(110,233)</u>	<u>(60,130)</u>
Net nonoperating revenues (expenses)	<u>(109,201)</u>	<u>(59,811)</u>
Change in net position	897,033	581,706
Total net position at beginning of year	<u>8,097,266</u>	<u>7,515,560</u>
Total net position at end of year	<u>\$ 8,994,299</u>	<u>\$ 8,097,266</u>

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

V.E.S. FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2013

With comparative totals for the year ended September 30, 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from other funds	\$ 6,334,784	\$ 5,320,592
Cash paid to suppliers for goods and services	(3,158,965)	(3,154,448)
Cash paid to employees for services	<u>(123,596)</u>	<u>(124,742)</u>
Net cash provided (used) by operating activities	<u>3,052,223</u>	<u>2,041,402</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(3,131,212)	(2,042,257)
Proceeds from sale of capital assets	<u>41,588</u>	<u>84,740</u>
Net cash provided (used) by capital and related financing activities	<u>(3,089,624)</u>	<u>(1,957,517)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	<u>1,032</u>	<u>319</u>
Net increase (decrease) in cash and cash equivalents	(36,369)	84,204
Cash and cash equivalents at beginning of year	<u>683,757</u>	<u>599,553</u>
Cash and cash equivalents at end of year	<u>\$ 647,388</u>	<u>\$ 683,757</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 1,006,234	\$ 641,517
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	1,747,765	1,390,449
Changes in assets and liabilities		
(Increase) decrease in other receivables	19,556	10,743
(Increase) decrease in due from other funds	-	4,757
(Increase) decrease in inventory	57,487	(43,921)
Increase (decrease) in accounts payable	219,875	37,688
Increase (decrease) in accrued expenses	467	127
Increase (decrease) in due to other funds	238	-
Increase (decrease) in compensated absences	<u>601</u>	<u>42</u>
Total adjustments	<u>2,045,989</u>	<u>1,399,885</u>
Net cash provided (used) by operating activities	<u>\$ 3,052,223</u>	<u>\$ 2,041,402</u>

INFORMATION TECHNOLOGY FUND

CITY OF VICTORIA, TEXAS
INTERNAL SERVICE FUND
INFORMATION TECHNOLOGY FUND
BALANCE SHEET
 September 30, 2013
 With comparative totals for September 30, 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 315,431	\$ 380,291
Total current assets	<u>315,431</u>	<u>380,291</u>
Noncurrent assets		
Capital assets		
Machinery and equipment	1,856,707	1,708,583
Total capital assets	<u>1,856,707</u>	<u>1,708,583</u>
Less accumulated depreciation	<u>1,247,115</u>	<u>997,289</u>
Net capital assets	<u>609,592</u>	<u>711,294</u>
Total assets	<u>925,023</u>	<u>1,091,585</u>
LIABILITIES		
Current liabilities		
Accounts payable	5,531	41,169
Accrued expenses	26,606	24,501
Due to other funds	707	-
Accrued compensated absences	<u>26,688</u>	<u>27,950</u>
Total liabilities	<u>59,532</u>	<u>93,620</u>
NET POSITION		
Net investment in capital assets	609,592	711,294
Unrestricted	<u>255,899</u>	<u>286,671</u>
Total net position	<u>\$ 865,491</u>	<u>\$ 997,965</u>

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

INFORMATION TECHNOLOGY FUND

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

For the year ended September 30, 2013

With comparative totals for the year ended September 30, 2012

	<u>2013</u>	<u>2012</u>
OPERATING REVENUES		
Charges for services	\$ 1,032,898	\$ 1,278,486
Miscellaneous	<u>-</u>	<u>1,032</u>
Total operating revenues	<u>1,032,898</u>	<u>1,279,518</u>
OPERATING EXPENSES		
Personnel	654,463	633,039
Materials and supplies	19,521	21,680
Maintenance	120,391	83,565
Miscellaneous services	112,976	123,628
Contractual services	8,490	12,786
Depreciation	<u>249,826</u>	<u>219,694</u>
Total operating expenses	<u>1,165,667</u>	<u>1,094,392</u>
Operating income (loss) before nonoperating revenues (expenses) and transfers	(132,769)	185,126
NONOPERATING REVENUES (EXPENSES)		
Investment income	<u>295</u>	<u>239</u>
Net nonoperating revenues (expenses)	<u>295</u>	<u>239</u>
Income (loss) before transfers	(132,474)	185,365
Transfers		
Transfers out	<u>-</u>	<u>(140,000)</u>
Total transfers	<u>-</u>	<u>(140,000)</u>
Change in net position	(132,474)	45,365
Total net position at beginning of year	<u>997,965</u>	<u>952,600</u>
Total net position at end of year	<u>\$ 865,491</u>	<u>\$ 997,965</u>

CITY OF VICTORIA, TEXAS
INTERNAL SERVICE FUND
INFORMATION TECHNOLOGY FUND
STATEMENT OF CASH FLOWS
For the year ended September 30, 2013
With comparative totals for the year ended September 30, 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from other funds	\$ 1,032,898	\$ 1,292,034
Cash paid to suppliers for goods and services	(296,309)	(219,468)
Cash paid to employees for services	(653,620)	(639,328)
Net cash provided (used) by operating activities	<u>82,969</u>	<u>433,238</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfer out to other funds	-	(140,000)
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>(140,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(148,124)	(357,727)
Net cash provided (used) by capital and related financing activities	<u>(148,124)</u>	<u>(357,727)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	295	239
Net cash provided (used) by investing activities	<u>295</u>	<u>239</u>
Net increase (decrease) in cash and cash equivalents	(64,860)	(64,250)
Cash and cash equivalents at beginning of year	380,291	444,541
Cash and cash equivalents at end of year	<u>\$ 315,431</u>	<u>\$ 380,291</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (132,769)	\$ 185,126
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	249,826	219,694
Changes in assets and liabilities		
(Increase) decrease in due from other funds	-	12,516
Increase (decrease) in accounts payable	(35,638)	22,191
Increase (decrease) in accrued expenses	2,105	500
Increase (decrease) in due to other funds	707	-
Increase (decrease) in compensated absences	(1,262)	(6,789)
Total adjustments	<u>215,738</u>	<u>248,112</u>
Net cash provided (used) by operating activities	<u>\$ 82,969</u>	<u>\$ 433,238</u>

COMMUNICATIONS FUND

CITY OF VICTORIA, TEXAS
INTERNAL SERVICE FUND
COMMUNICATIONS FUND
BALANCE SHEET
September 30, 2013
With comparative totals for September 30, 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 97,814	\$ 16,834
Receivables		
Other	<u>6,093</u>	<u>128,129</u>
Total current assets	<u>103,907</u>	<u>144,963</u>
Noncurrent assets		
Capital assets		
Buildings	32,623	32,623
Infrastructure	2,501	2,501
Machinery and equipment	<u>3,776,319</u>	<u>3,776,319</u>
Total capital assets	3,811,443	3,811,443
Less accumulated depreciation	<u>2,424,304</u>	<u>2,223,554</u>
Subtotal	1,387,139	1,587,889
Land	<u>39,168</u>	<u>39,168</u>
Net capital assets	<u>1,426,307</u>	<u>1,627,057</u>
Total assets	<u>1,530,214</u>	<u>1,772,020</u>
LIABILITIES		
Current liabilities		
Accounts payable	6,042	1,643
Accrued expenses	2,192	1,979
Accrued compensated absences	<u>3,688</u>	<u>3,444</u>
Total liabilities	<u>11,922</u>	<u>7,066</u>
NET POSITION		
Net investment in capital assets	1,426,307	1,627,057
Unrestricted	<u>91,985</u>	<u>137,897</u>
Total net position	<u>\$ 1,518,292</u>	<u>\$ 1,764,954</u>

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

COMMUNICATIONS FUND

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

For the year ended September 30, 2013

With comparative totals for the year ended September 30, 2012

	<u>2013</u>	<u>2012</u>
OPERATING REVENUES		
Charges for services	\$ 216,364	\$ 187,230
OPERATING EXPENSES		
Personnel	56,309	57,975
Materials and supplies	3,503	3,556
Maintenance	277,581	274,290
Miscellaneous services	35,219	31,867
Computer services	10,358	10,358
Depreciation	<u>200,750</u>	<u>200,475</u>
Total operating expenses	<u>583,720</u>	<u>578,521</u>
Operating income (loss) before nonoperating revenues (expenses) and transfers	(367,356)	(391,291)
NONOPERATING REVENUES (EXPENSES)		
Investment income	<u>204</u>	<u>63</u>
Net nonoperating revenues (expenses)	<u>204</u>	<u>63</u>
Income (loss) before transfers	<u>(367,152)</u>	<u>(391,228)</u>
Transfers		
Transfers in	<u>120,490</u>	<u>114,108</u>
Change in net position	(246,662)	(277,120)
Total net position at beginning of year	<u>1,764,954</u>	<u>2,042,074</u>
Total net position at end of year	<u>\$ 1,518,292</u>	<u>\$ 1,764,954</u>

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

COMMUNICATIONS FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2013

With comparative totals for the year ended September 30, 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from other funds	\$ 338,400	\$ 167,613
Cash paid to suppliers for goods and services	(322,262)	(318,428)
Cash paid to employees for services	<u>(55,852)</u>	<u>(57,790)</u>
Net cash provided (used) by operating activities	<u>(39,714)</u>	<u>(208,605)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Repayments to other funds	-	(103,891)
Transfer in from other funds	<u>120,490</u>	<u>114,108</u>
Net cash provided (used) by noncapital financing activities	<u>120,490</u>	<u>10,217</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	<u>-</u>	<u>(14,675)</u>
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(14,675)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	<u>204</u>	<u>63</u>
Net cash provided (used) by investing activities	<u>204</u>	<u>63</u>
Net increase (decrease) in cash and cash equivalents	80,980	(213,000)
Cash and cash equivalents at beginning of year	<u>16,834</u>	<u>229,834</u>
Cash and cash equivalents at end of year	<u>\$ 97,814</u>	<u>\$ 16,834</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (367,356)	\$ (391,291)
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	200,750	200,475
Changes in assets and liabilities		
(Increase) decrease in other receivables	122,036	(20,803)
(Increase) decrease in due from other funds	-	1,186
Increase (decrease) in accounts payable	4,399	1,643
Increase (decrease) in accrued expenses	213	85
Increase (decrease) in compensated absences	<u>244</u>	<u>100</u>
Total adjustments	<u>327,642</u>	<u>182,686</u>
Net cash provided (used) by operating activities	<u>\$ (39,714)</u>	<u>\$ (208,605)</u>

PURCHASING FUND

CITY OF VICTORIA, TEXAS
INTERNAL SERVICE FUND
PURCHASING FUND
BALANCE SHEET
September 30, 2013
With comparative totals for September 30, 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 94,650	\$ 120,711
Receivables		
Other	318	358
Inventory	<u>79,107</u>	<u>84,022</u>
Total current assets	<u>174,075</u>	<u>205,091</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>39,095</u>	<u>36,595</u>
Total capital assets	193,481	190,981
Less accumulated depreciation	<u>128,175</u>	<u>122,642</u>
Net capital assets	<u>65,306</u>	<u>68,339</u>
Total assets	<u>239,381</u>	<u>273,430</u>
LIABILITIES		
Current liabilities		
Accounts payable	7,250	7,003
Accrued expenses	7,074	5,970
Due to other funds	197	-
Accrued compensated absences	<u>10,310</u>	<u>9,729</u>
Total liabilities	<u>24,831</u>	<u>22,702</u>
NET POSITION		
Net investment in capital assets	65,306	68,339
Unrestricted	<u>149,244</u>	<u>182,389</u>
Total net position	<u>\$ 214,550</u>	<u>\$ 250,728</u>

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

PURCHASING FUND

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

For the year ended September 30, 2013

With comparative totals for the year ended September 30, 2012

	<u>2013</u>	<u>2012</u>
OPERATING REVENUES		
Charges for services	\$ 200,056	\$ 171,051
Miscellaneous	<u>3,600</u>	<u>4,220</u>
Total operating revenues	<u>203,656</u>	<u>175,271</u>
OPERATING EXPENSES		
Personnel	174,274	170,980
Materials and supplies	4,109	3,849
Maintenance	999	1,227
Heat, lights, and power	4,994	4,216
Miscellaneous services	18,667	11,807
Computer services	26,286	26,286
Depreciation	<u>10,572</u>	<u>10,197</u>
Total operating expenses	<u>239,901</u>	<u>228,562</u>
Operating income (loss) before nonoperating revenues (expenses)	(36,245)	(53,291)
NONOPERATING REVENUES (EXPENSES)		
Gain (loss) on disposition of capital assets	<u>67</u>	<u>-</u>
Net nonoperating revenues (expenses)	<u>67</u>	<u>-</u>
Change in net position	(36,178)	(53,291)
Total net position at beginning of year	<u>250,728</u>	<u>304,019</u>
Total net position at end of year	<u>\$ 214,550</u>	<u>\$ 250,728</u>

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

PURCHASING FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2013

With comparative totals for the year ended September 30, 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from other funds	\$ 203,696	\$ 180,400
Cash paid to suppliers for goods and services	(49,696)	(52,403)
Cash paid to employees for services	<u>(172,589)</u>	<u>(170,181)</u>
Net cash provided (used) by operating activities	<u>(18,589)</u>	<u>(42,184)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(7,539)	-
Proceeds from sale of capital assets	<u>67</u>	<u>-</u>
Net cash provided (used) by capital and related financing activities	<u>(7,472)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(26,061)	(42,184)
Cash and cash equivalents at beginning of year	<u>120,711</u>	<u>162,895</u>
Cash and cash equivalents at end of year	<u>\$ 94,650</u>	<u>\$ 120,711</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (36,245)	\$ (53,291)
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	10,572	10,197
Changes in assets and liabilities		
(Increase) decrease in other receivables	40	(194)
(Increase) decrease in due from other funds	-	5,323
(Increase) decrease in inventory	4,915	(8,245)
Increase (decrease) in accounts payable	247	3,227
Increase (decrease) in accrued expenses	1,104	189
Increase (decrease) in due to other funds	197	-
Increase (decrease) in compensated absences	<u>581</u>	<u>610</u>
Total adjustments	<u>17,656</u>	<u>11,107</u>
Net cash provided (used) by operating activities	<u>\$ (18,589)</u>	<u>\$ (42,184)</u>

SAFETY MANAGEMENT FUND

CITY OF VICTORIA, TEXAS
INTERNAL SERVICE FUND
SAFETY MANAGEMENT FUND
BALANCE SHEET
September 30, 2013
With comparative totals for September 30, 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 246,454	\$ 299,386
Total current assets	<u>246,454</u>	<u>299,386</u>
Noncurrent assets		
Capital assets		
Buildings	973	973
Machinery and equipment	15,540	15,540
Total capital assets	<u>16,513</u>	<u>16,513</u>
Less accumulated depreciation	<u>14,723</u>	<u>13,870</u>
Net capital assets	<u>1,790</u>	<u>2,643</u>
Total assets	<u>248,244</u>	<u>302,029</u>
LIABILITIES		
Current liabilities		
Accounts payable	6,130	1,347
Accrued expenses	4,370	3,816
Due to other funds	45	-
Accrued compensated absences	<u>2,599</u>	<u>4,275</u>
Total liabilities	<u>13,144</u>	<u>9,438</u>
NET POSITION		
Net investment in capital assets	1,790	2,643
Unrestricted	<u>233,310</u>	<u>289,948</u>
Total net position	<u>\$ 235,100</u>	<u>\$ 292,591</u>

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

SAFETY MANAGEMENT FUND

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

For the year ended September 30, 2013

With comparative totals for the year ended September 30, 2012

	<u>2013</u>	<u>2012</u>
OPERATING REVENUES		
Charges for services	\$ 468,030	\$ 514,302
Miscellaneous	<u>27,556</u>	<u>32,870</u>
Total operating revenues	<u>495,586</u>	<u>547,172</u>
OPERATING EXPENSES		
Personnel	99,296	102,289
Materials and supplies	1,031	2,604
Reinsurance premiums	406,381	418,560
Miscellaneous services	17,848	18,570
Contractual services	8,206	8,754
Computer services	10,358	10,358
Court costs, judgments, and damages	9,329	6,938
Depreciation	<u>853</u>	<u>1,505</u>
Total operating expenses	<u>553,302</u>	<u>569,578</u>
Operating income (loss) before nonoperating revenues (expenses)	(57,716)	(22,406)
NONOPERATING REVENUES (EXPENSES)		
Investment income	<u>225</u>	<u>9</u>
Net nonoperating revenues (expenses)	<u>225</u>	<u>9</u>
Change in net position	(57,491)	(22,397)
Total net position at beginning of year	<u>292,591</u>	<u>314,988</u>
Total net position at end of year	<u>\$ 235,100</u>	<u>\$ 292,591</u>

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

SAFETY MANAGEMENT FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2013

With comparative totals for the year ended September 30, 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from other funds	\$ 495,586	\$ 549,632
Cash paid to suppliers for goods and services	(448,325)	(466,729)
Cash paid to employees for services	(100,418)	(100,938)
Net cash provided (used) by operating activities	<u>(53,157)</u>	<u>(18,035)</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>-</u>	<u>(1,350)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	225	9
Net cash provided (used) by investing activities	<u>225</u>	<u>9</u>
Net increase (decrease) in cash and cash equivalents	(52,932)	(19,376)
Cash and cash equivalents at beginning of year	299,386	318,762
Cash and cash equivalents at end of year	<u>\$ 246,454</u>	<u>\$ 299,386</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (57,716)	\$ (22,406)
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	853	1,505
Changes in assets and liabilities		
(Increase) decrease in other receivables	-	111
(Increase) decrease in due from other funds	-	2,349
Increase (decrease) in accounts payable	4,783	(945)
Increase (decrease) in accrued expenses	554	861
Increase (decrease) in due to other funds	45	-
Increase (decrease) in compensated absences	(1,676)	490
Total adjustments	<u>4,559</u>	<u>4,371</u>
Net cash provided (used) by operating activities	<u>\$ (53,157)</u>	<u>\$ (18,035)</u>

WORKERS' COMPENSATION FUND

CITY OF VICTORIA, TEXAS
INTERNAL SERVICE FUND
WORKERS' COMPENSATION FUND
BALANCE SHEET
September 30, 2013
With comparative totals for September 30, 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 392,900	\$ 517,072
Restricted assets		
Cash and cash equivalents	<u>25,000</u>	<u>22,000</u>
Total assets	<u>417,900</u>	<u>539,072</u>
LIABILITIES		
Current liabilities		
Accounts payable	16,153	21,241
Claims payable	<u>246,621</u>	<u>338,390</u>
Total liabilities	<u>262,774</u>	<u>359,631</u>
NET POSITION		
Unrestricted	<u>155,126</u>	<u>179,441</u>
Total net position	<u>\$ 155,126</u>	<u>\$ 179,441</u>

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

WORKERS' COMPENSATION FUND

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

For the year ended September 30, 2013

With comparative totals for the year ended September 30, 2012

	<u>2013</u>	<u>2012</u>
OPERATING REVENUES		
Charges for services	\$ 100,000	\$ 309,982
Miscellaneous	<u>25,724</u>	<u>-</u>
Total operating revenues	<u>125,724</u>	<u>309,982</u>
OPERATING EXPENSES		
Claims expense	<u>150,572</u>	<u>385,036</u>
Total operating expenses	<u>150,572</u>	<u>385,036</u>
Operating income (loss) before nonoperating revenues (expenses)	(24,848)	(75,054)
NONOPERATING REVENUES (EXPENSES)		
Investment income	<u>533</u>	<u>196</u>
Change in net position	(24,315)	(74,858)
Total net position at beginning of year	<u>179,441</u>	<u>254,299</u>
Total net position at end of year	<u>\$ 155,126</u>	<u>\$ 179,441</u>

CITY OF VICTORIA, TEXAS
INTERNAL SERVICE FUND
WORKERS' COMPENSATION FUND
STATEMENT OF CASH FLOWS
For the year ended September 30, 2013
With comparative totals for the year ended September 30, 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from other funds	\$ 125,724	\$ 309,982
Cash paid to suppliers for goods and services	<u>(247,429)</u>	<u>(257,294)</u>
Net cash provided (used) by operating activities	<u>(121,705)</u>	<u>52,688</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	<u>533</u>	<u>196</u>
Net cash provided (used) by investing activities	<u>533</u>	<u>196</u>
Net increase (decrease) in cash and cash equivalents	(121,172)	52,884
Cash and cash equivalents at beginning of year	<u>539,072</u>	<u>486,188</u>
Cash and cash equivalents at end of year	<u>\$ 417,900</u>	<u>\$ 539,072</u>
 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (24,848)	\$ (75,054)
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Changes in assets and liabilities		
Increase (decrease) in accounts payable	(5,088)	6,208
Increase (decrease) in claims payable	<u>(91,769)</u>	<u>121,534</u>
Total adjustments	<u>(96,857)</u>	<u>127,742</u>
Net cash provided (used) by operating activities	<u>\$ (121,705)</u>	<u>\$ 52,688</u>

PRINT SHOP FUND

CITY OF VICTORIA, TEXAS
INTERNAL SERVICE FUND
PRINT SHOP FUND
BALANCE SHEET
September 30, 2013
With comparative totals for September 30, 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 119,514	\$ 108,228
Receivables		
Other	1,229	2,794
Inventory	<u>17,964</u>	<u>22,933</u>
Total current assets	<u>138,707</u>	<u>133,955</u>
Noncurrent assets		
Capital assets		
Machinery and equipment	95,561	94,491
Less accumulated depreciation	<u>81,916</u>	<u>75,497</u>
Net capital assets	<u>13,645</u>	<u>18,994</u>
Total assets	<u>152,352</u>	<u>152,949</u>
LIABILITIES		
Current liabilities		
Accounts payable	8,197	4,670
Accrued expenses	3,982	3,552
Due to other funds	193	-
Accrued compensated absences	<u>3,928</u>	<u>3,928</u>
Total liabilities	<u>16,300</u>	<u>12,150</u>
NET POSITION		
Net investment in capital assets	13,645	18,994
Unrestricted	<u>122,407</u>	<u>121,805</u>
Total net position	<u>\$ 136,052</u>	<u>\$ 140,799</u>

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

PRINT SHOP FUND

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

For the year ended September 30, 2013

With comparative totals for the year ended September 30, 2012

	<u>2013</u>	<u>2012</u>
OPERATING REVENUES		
Charges for services	\$ 143,345	\$ 148,801
OPERATING EXPENSES		
Personnel	105,481	105,073
Materials and supplies	3,498	3,770
Maintenance	12,321	16,006
Miscellaneous services	15,320	15,248
Computer services	5,053	5,053
Depreciation	<u>6,419</u>	<u>6,288</u>
Total operating expenses	<u>148,092</u>	<u>151,438</u>
Operating income (loss) before nonoperating revenues (expenses)	(4,747)	(2,637)
NONOPERATING REVENUES (EXPENSES)	<u>-</u>	<u>-</u>
Change in net position	(4,747)	(2,637)
Total net position at beginning of year	<u>140,799</u>	<u>143,436</u>
Total net position at end of year	<u>\$ 136,052</u>	<u>\$ 140,799</u>

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

PRINT SHOP FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2013

With comparative totals for the year ended September 30, 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from other funds	\$ 144,910	\$ 150,442
Cash paid to suppliers for goods and services	(27,503)	(42,488)
Cash paid to employees for services	<u>(105,051)</u>	<u>(104,332)</u>
Net cash provided (used) by operating activities	<u>12,356</u>	<u>3,622</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	<u>(1,070)</u>	<u>(4,195)</u>
Net cash provided (used) by capital and related financing activities	<u>(1,070)</u>	<u>(4,195)</u>
Net increase (decrease) in cash and cash equivalents	11,286	(573)
Cash and cash equivalents at beginning of year	<u>108,228</u>	<u>108,801</u>
Cash and cash equivalents at end of year	<u>\$ 119,514</u>	<u>\$ 108,228</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (4,747)	\$ (2,637)
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	6,419	6,288
Changes in assets and liabilities		
(Increase) decrease in other receivables	1,565	(2,086)
(Increase) decrease in due from other funds	-	3,727
(Increase) decrease in inventory	4,969	(5,032)
Increase (decrease) in accounts payable	3,527	2,621
Increase (decrease) in accrued expenses	430	157
Increase (decrease) in due to other funds	193	-
Increase (decrease) in compensated absences	<u>-</u>	<u>584</u>
Total adjustments	<u>17,103</u>	<u>6,259</u>
Net cash provided (used) by operating activities	<u>\$ 12,356</u>	<u>\$ 3,622</u>

EMPLOYEE HEALTH PLAN FUND

CITY OF VICTORIA, TEXAS
INTERNAL SERVICE FUND
EMPLOYEE HEALTH PLAN FUND
BALANCE SHEET
 September 30, 2013
 With comparative totals for September 30, 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 972,548	\$ 6,355,195
Investments	5,424,982	-
Receivables		
Other	65,152	54,474
Due from other funds	154,250	-
Returned checks	488	-
	<u>6,617,420</u>	<u>6,409,669</u>
Total assets		
LIABILITIES		
Current liabilities		
Accounts payable	260	4,285
Claims payable	364,289	275,954
	<u>364,549</u>	<u>280,239</u>
Total liabilities		
NET POSITION		
Unrestricted	<u>6,252,871</u>	<u>6,129,430</u>
Total net position	<u>\$ 6,252,871</u>	<u>\$ 6,129,430</u>

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

EMPLOYEE HEALTH PLAN FUND

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

For the year ended September 30, 2013

With comparative totals for year ended September 30, 2012

	<u>2013</u>	<u>2012</u>
OPERATING REVENUES		
Charges for services	\$ 6,259,274	\$ 5,561,244
Miscellaneous	<u>32,513</u>	<u>20,211</u>
Total operating revenues	<u>6,291,787</u>	<u>5,581,455</u>
OPERATING EXPENSES		
Reinsurance premiums	477,563	292,112
Contractual services	305,606	293,697
Claims expense	5,380,302	5,564,615
Wellness program	<u>18,414</u>	<u>16,219</u>
Total operating expenses	<u>6,181,885</u>	<u>6,166,643</u>
Operating income (loss) before nonoperating revenues (expenses)	109,902	(585,188)
NONOPERATING REVENUES (EXPENSES)		
Investment income	<u>13,539</u>	<u>19,140</u>
Net nonoperating revenues (expenses)	<u>13,539</u>	<u>19,140</u>
Change in net position	123,441	(566,048)
Total net position at beginning of year	<u>6,129,430</u>	<u>6,695,478</u>
Total net position at end of year	<u>\$ 6,252,871</u>	<u>\$ 6,129,430</u>

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

EMPLOYEE HEALTH PLAN FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2013

With comparative totals for the year ended September 30, 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from other funds	\$ 6,127,970	\$ 5,583,834
Cash paid to suppliers for goods and services	<u>(6,097,575)</u>	<u>(6,110,529)</u>
Net cash provided (used) by operating activities	<u>30,395</u>	<u>(526,695)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Repayments to other funds	<u>-</u>	<u>(818,708)</u>
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>(818,708)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(9,168,295)	-
Proceeds from sales and maturities of investments	3,743,313	-
Investment income	<u>11,940</u>	<u>19,140</u>
Net cash provided (used) by investing activities	<u>(5,413,042)</u>	<u>19,140</u>
Net increase (decrease) in cash and cash equivalents	(5,382,647)	(1,326,263)
Cash and cash equivalents at beginning of year	<u>6,355,195</u>	<u>7,681,458</u>
Cash and cash equivalents at end of year	<u>\$ 972,548</u>	<u>\$ 6,355,195</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 109,902	\$ (585,188)
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Changes in assets and liabilities		
(Increase) decrease in other receivables	(9,079)	2,166
(Increase) decrease in due from other funds	(154,250)	-
(Increase) decrease in returned checks	(488)	213
Increase (decrease) in accounts payable	(4,025)	4,094
Increase (decrease) in claims payable	<u>88,335</u>	<u>52,020</u>
Total adjustments	<u>(79,507)</u>	<u>58,493</u>
Net cash provided (used) by operating activities	<u>\$ 30,395</u>	<u>\$ (526,695)</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, 2013*

	<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	\$ 55,303	\$ 64,338	\$ 61,779	\$ 57,862
Receivables (net)	<u>-</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Total assets	<u>\$ 55,303</u>	<u>\$ 65,338</u>	<u>\$ 61,779</u>	<u>\$ 58,862</u>
Liabilities				
Accounts payable	\$ 160	\$ 64,720	\$ 64,489	\$ 391
Due to other agencies	<u>55,143</u>	<u>55,251</u>	<u>51,923</u>	<u>58,471</u>
Total liabilities	<u>\$ 55,303</u>	<u>\$ 119,971</u>	<u>\$ 116,412</u>	<u>\$ 58,862</u>



STATISTICAL SECTION

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

<u>Contents</u>	<u>Page</u>
Financial Trends	
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time	182
Revenue Capacity	
These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property taxes and water and sewer revenues	196
Debt Capacity	
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.....	208
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	216
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	218

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

	Fiscal Year			
	2004	2005	2006	2007
Governmental activities				
Net investment in capital assets	\$ 67,795,661	\$ 61,535,936	\$ 68,885,648	\$ 81,674,543
Restricted	896,865	1,270,596	1,173,690	1,696,525
Unrestricted	14,383,907	23,093,045	23,686,971	22,718,779
Total governmental activities net position	\$ 83,076,433	\$ 85,899,577	\$ 93,746,309	\$ 106,089,847
Business-type activities				
Net investment in capital assets	\$ 29,224,195	\$ 29,115,974	\$ 33,504,794	\$ 33,129,491
Unrestricted	16,612,003	16,655,572	15,904,762	12,929,543
Total business-type activities net position	\$ 45,836,198	\$ 45,771,546	\$ 49,409,556	\$ 46,059,034
Primary Government				
Net investment in capital assets	\$ 97,019,856	\$ 90,651,910	\$ 102,390,442	\$ 114,804,034
Restricted	896,865	1,270,596	1,173,690	1,696,525
Unrestricted	30,995,910	39,748,617	39,591,733	35,648,322
Total primary government activities net position	\$ 128,912,631	\$ 131,671,123	\$ 143,155,865	\$ 152,148,881

(1) Accrual basis of accounting

Fiscal Year					
2008	2009	2010	2011	2012	2013
\$ 90,954,312	\$ 103,076,382	\$ 101,134,927	\$ 96,662,568	\$ 92,513,084	\$ 94,905,320
1,838,427	1,699,737	3,582,920	4,685,266	2,919,609	3,500,017
24,267,168	25,988,151	26,775,847	19,134,765	21,378,976	18,196,626
<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>	<u>\$ 116,601,963</u>
\$ 37,957,306	\$ 37,535,371	\$ 38,241,963	\$ 42,657,025	\$ 47,433,497	\$ 53,705,125
12,557,448	16,284,572	14,932,212	17,370,233	18,648,788	21,265,715
<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>	<u>\$ 74,970,840</u>
\$ 128,911,618	\$ 140,611,753	\$ 139,376,890	\$ 139,319,593	\$ 139,946,581	\$ 148,610,445
1,838,427	1,699,737	3,582,920	4,685,266	2,919,609	3,500,017
36,824,616	42,272,723	41,708,059	36,504,998	40,027,764	39,462,341
<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>	<u>\$ 191,572,803</u>

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

	Fiscal Year			
	2004	2005	2006	2007
Governmental activities				
Expenses				
General government	\$ 5,986,540	\$ 7,186,520	\$ 6,938,465	\$ 6,309,381
Public safety	19,459,798	20,714,077	21,069,293	21,011,764
Development	5,380,086	7,102,676	7,043,318	6,536,201
Building services	-	-	-	-
Recreation	4,353,401	4,142,411	4,355,134	4,567,261
Interest on long-term debt	2,509,154	2,116,958	2,697,616	3,045,176
Total expenses	<u>37,688,979</u>	<u>41,262,642</u>	<u>42,103,826</u>	<u>41,469,783</u>
Program revenues				
Charges for services				
General government	1,547,062	1,481,442	1,561,043	1,500,177
Public safety	2,739,814	3,449,535	3,438,132	3,462,799
Development	8,893	-	-	1,764
Recreation	990,143	1,096,961	1,116,400	1,291,701
Operating grants and contributions	1,011,868	1,646,050	1,484,178	1,483,014
Capital grants and contributions	2,360,407	1,372,520	3,949,167	205,606
Total program revenues	<u>8,658,187</u>	<u>9,046,508</u>	<u>11,548,920</u>	<u>7,945,061</u>
Total governmental activities net program (expense) revenue	(29,030,792)	(32,216,134)	(30,554,906)	(33,524,722)
General revenues and other changes in net position				
Taxes				
Property taxes	14,812,104	15,598,891	16,031,334	17,365,758
Sales taxes	10,183,182	10,954,207	12,223,392	13,028,689
Franchise taxes	4,454,229	4,532,668	4,807,526	4,887,453
Other taxes	800,767	883,957	993,013	1,127,701
Unrestricted investment earnings	432,387	821,776	1,924,805	2,333,774
Gain (loss) on disposition of capital assets	(193,039)	(90,444)	(52,797)	(153,537)
Miscellaneous	495,876	577,513	707,809	987,575
Payments from component units	965,000	-	-	-
Transfers	2,459,814	2,223,481	2,284,100	6,290,847
Total general revenues and other changes in net position	<u>34,410,320</u>	<u>35,502,049</u>	<u>38,919,182</u>	<u>45,868,260</u>
Total governmental activities change in net position	<u>\$ 5,379,528</u>	<u>\$ 3,285,915</u>	<u>\$ 8,364,276</u>	<u>\$ 12,343,538</u>

(1) Accrual basis of accounting

Fiscal Year					
2008	2009	2010	2011	2012	2013
\$ 6,931,856	\$ 7,644,809	\$ 7,634,811	\$ 8,885,981	\$ 7,882,287	\$ 5,709,668
21,735,079	23,007,338	24,156,480	24,668,502	26,018,770	25,215,002
7,823,283	7,914,392	14,827,929	26,226,457	17,974,898	19,282,345
-	-	-	-	-	622,921
5,103,708	5,127,406	5,358,952	5,579,848	6,366,709	7,025,377
3,292,118	3,200,423	4,562,764	4,187,138	4,465,314	3,971,377
<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>	<u>61,826,690</u>
1,984,766	2,559,383	2,411,387	2,571,837	3,086,126	2,216,473
5,061,946	3,830,282	3,549,406	3,720,774	4,055,811	4,009,925
-	-	-	-	-	-
199,493	300,970	311,471	375,573	422,205	575,059
1,782,897	1,802,260	2,868,795	3,961,041	2,419,230	2,580,598
<u>4,000,000</u>	<u>10,424,447</u>	<u>3,834,982</u>	<u>2,598,637</u>	<u>1,307,549</u>	<u>4,749,721</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>	<u>14,131,776</u>
(31,856,942)	(27,977,026)	(43,564,895)	(56,320,064)	(51,417,057)	(47,694,914)
18,731,119	19,676,691	20,178,350	20,330,192	20,855,303	20,848,132
13,545,220	13,046,352	11,978,185	14,768,729	17,533,000	17,516,177
4,678,027	4,657,347	4,665,101	4,761,009	4,981,674	5,136,247
1,306,496	1,127,564	1,196,969	1,661,740	2,116,093	1,993,357
2,062,275	792,410	305,323	128,013	98,042	92,079
-	-	-	-	-	-
577,458	715,111	1,084,532	1,113,342	742,520	829,767
-	-	-	-	-	-
<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>2,561,760</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>48,977,519</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>	<u>\$ 1,282,605</u>

(continued)

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

	Fiscal Year			
	2004	2005	2006	2007
Business-type activities				
Expenses				
Water/wastewater	\$ 16,088,822	\$ 16,490,646	\$ 17,110,109	\$ 17,796,972
Environmental services	3,494,557	3,905,166	3,878,901	3,910,749
Other	566,894	575,023	652,407	644,320
Total expenses	<u>20,150,273</u>	<u>20,970,835</u>	<u>21,641,417</u>	<u>22,352,041</u>
Program revenues				
Charges for services				
Water/wastewater	16,693,360	18,328,875	19,465,995	19,097,742
Environmental services	4,295,737	4,201,109	4,277,226	4,319,074
Other	326,391	320,235	338,111	346,655
Operating grants and contributions	-	-	-	-
Capital grants and contributions	430,569	214,564	2,722,436	774,028
Total program revenues	<u>21,746,057</u>	<u>23,064,783</u>	<u>26,803,768</u>	<u>24,537,499</u>
Total business-type activities net program (expense) revenue	1,595,784	2,093,948	5,162,351	2,185,458
General revenues and other changes in net position				
Unrestricted investment earnings	343,789	436,387	713,215	812,815
Gain (loss) on disposition of capital assets	(241,662)	(371,506)	(41,675)	(194,343)
Miscellaneous	-	-	88,219	136,395
Transfers	(2,459,814)	(2,223,481)	(2,284,100)	(6,290,847)
Total general revenues and other changes in net position	<u>(2,357,687)</u>	<u>(2,158,600)</u>	<u>(1,524,341)</u>	<u>(5,535,980)</u>
Total business-type activities change in net position	<u>\$ (761,903)</u>	<u>\$ (64,652)</u>	<u>\$ 3,638,010</u>	<u>\$ (3,350,522)</u>
Total primary government change in net position	<u>\$ 4,617,625</u>	<u>\$ 3,221,263</u>	<u>\$ 12,002,286</u>	<u>\$ 8,993,016</u>

(1) Accrual basis of accounting

Fiscal Year					
2008	2009	2010	2011	2012	2013
\$ 18,715,248	\$ 19,175,705	\$ 18,589,868	\$ 18,628,230	\$ 18,694,233	\$ 19,313,776
5,024,014	3,790,348	3,182,201	3,219,898	3,849,208	3,968,866
884,680	790,005	848,161	813,330	848,712	926,599
<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>	<u>24,209,241</u>
20,997,411	22,889,967	21,973,303	24,086,400	24,029,096	24,816,749
6,726,226	4,245,528	4,128,139	4,462,994	4,799,682	4,996,129
480,797	564,531	425,929	339,623	397,531	397,968
-	54,826	-	-	-	-
<u>1,800,876</u>	<u>705,899</u>	<u>284,490</u>	<u>3,127,754</u>	<u>2,875,295</u>	<u>6,099,555</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>36,310,401</u>
5,381,368	4,704,693	4,191,631	9,355,313	8,709,451	12,101,160
748,603	266,410	48,460	43,714	60,423	57,555
-	-	-	-	-	-
-	-	-	-	-	629,420
<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>(2,561,760)</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>(1,874,785)</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>\$ 10,226,375</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>	<u>\$ 11,508,980</u>

(concluded)

CITY OF VICTORIA, TEXAS

PROGRAM REVENUES BY FUNCTION/PROGRAM (1)

Last ten fiscal years

Function/Program	Fiscal Year			
	2004	2005	2006	2007
Governmental activities				
General government	\$ 2,992,334	\$ 3,806,589	\$ 3,658,884	\$ 2,599,379
Public safety				
Police	1,697,990	2,006,081	1,964,931	1,819,087
Fire	409,220	477,883	443,096	338,684
Ambulance	1,023,178	1,403,857	1,499,431	1,450,870
Other	48,339	230,873	56,394	232,401
Development	1,446,763	-	2,794,733	161,801
Recreation				
Parks	38,635	30,534	32,453	33,906
Library	904,620	1,006,914	1,027,126	1,183,038
Other	97,108	83,777	71,872	125,895
Subtotal governmental activities	<u>8,658,187</u>	<u>9,046,508</u>	<u>11,548,920</u>	<u>7,945,061</u>
Business-type activities				
Water/wastewater	17,123,929	18,543,439	22,188,431	19,855,925
Environmental services	4,295,737	4,201,109	4,277,226	4,319,074
Community center	153,872	151,915	169,040	230,517
700 main center	172,519	168,320	169,071	131,983
Education & government channel	-	-	-	-
Subtotal business-type activities	<u>21,746,057</u>	<u>23,064,783</u>	<u>26,803,768</u>	<u>24,537,499</u>
Total primary government	<u>\$ 30,404,244</u>	<u>\$ 32,111,291</u>	<u>\$ 38,352,688</u>	<u>\$ 32,482,560</u>

(1) Accrual basis of accounting

Fiscal Year					
2008	2009	2010	2011	2012	2013
\$ 4,342,863	\$ 3,959,110	\$ 3,676,509	\$ 4,165,588	\$ 4,061,019	\$ 3,390,820
548,526	562,958	1,754,661	1,104,800	1,110,570	1,608,173
2,125,551	1,498,958	2,147,401	1,673,163	1,649,689	1,400,000
1,448,287	1,997,342	2,367,421	2,022,130	1,960,248	1,530,652
339,910	140,475	12,684	173,514	81,830	47,314
4,000,000	10,410,473	2,667,991	3,297,208	1,381,185	5,392,128
136,490	144,192	224,017	639,063	655,488	257,374
86,475	79,009	90,592	87,526	74,431	75,429
1,000	124,825	34,765	64,870	316,461	429,886
<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>	<u>14,131,776</u>
22,798,287	23,595,866	22,246,356	27,214,154	26,904,391	30,916,304
6,726,226	4,245,528	4,128,139	4,462,994	4,799,682	4,996,129
224,297	267,761	222,105	240,429	245,895	246,453
247,701	351,596	215,261	99,194	151,636	151,515
8,799	-	-	-	-	-
<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>36,310,401</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>	<u>\$ 50,442,177</u>

CITY OF VICTORIA, TEXAS

FUND BALANCES, GOVERNMENTAL FUNDS (1)

Last ten fiscal years

	Fiscal Year			
	2004	2005	2006	2007
General Fund				
Nonspendable				
Inventory	\$ -	\$ -	\$ -	\$ -
Committed	-	-	-	-
Unassigned	-	-	-	-
Reserved				
Encumbrances	3,101,695	2,325,502	1,957,344	2,841,648
Inventory	-	-	-	-
Unreserved	<u>7,420,786</u>	<u>8,063,890</u>	<u>8,722,939</u>	<u>12,041,754</u>
Total general fund	<u>\$ 10,522,481</u>	<u>\$ 10,389,392</u>	<u>\$ 10,680,283</u>	<u>\$ 14,883,402</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	8,385,224	4,673,438	9,768,774	22,936,937
Unreserved, reported in				
Special revenue funds	376,491	501,201	617,155	782,553
Debt service fund	479,890	903,386	801,189	933,505
Capital project funds	<u>9,351,347</u>	<u>21,409,866</u>	<u>21,526,958</u>	<u>2,858,366</u>
Total all other governmental funds	<u>\$ 18,592,952</u>	<u>\$ 27,487,891</u>	<u>\$ 32,714,076</u>	<u>\$ 27,511,361</u>

(1) Modified accrual basis of accounting

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

Fiscal Year					
2008	2009	2010	2011	2012	2013
\$ -	\$ -	\$ -	\$ 315,614	\$ 314,846	\$ 240,214
-	-	-	1,570,456	1,961,362	2,331,578
-	-	-	14,342,229	16,846,702	15,289,711
3,790,753	2,007,737	2,009,003	-	-	-
252,156	280,174	205,798	-	-	-
<u>11,055,775</u>	<u>12,913,370</u>	<u>11,937,105</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>	<u>\$ 17,861,503</u>
\$ -	\$ -	\$ -	\$ 953,394	\$ 977,452	\$ 1,222,778
-	-	-	16,102,523	4,323,282	2,729,133
-	-	-	352,694	110,486	46,195
-	-	-	1,029,173	1,619,141	1,835,515
-	-	-	135,328	226,919	257,161
-	-	-	96,783	66,220	53,884
10,449,047	1,869,318	29,200,456	-	-	-
786,064	753,475	654,310	-	-	-
1,185,901	1,197,665	1,024,126	-	-	-
<u>11,722,400</u>	<u>12,370,240</u>	<u>6,088,406</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>	<u>\$ 6,144,666</u>

CITY OF VICTORIA, TEXAS

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (1)

Last ten fiscal years

	Fiscal Year			
	2004	2005	2006	2007
Revenues				
Taxes	\$ 30,532,177	\$ 32,187,110	\$ 34,415,212	\$ 36,551,459
Licenses and permits	584,247	595,288	704,596	727,532
Intergovernmental	3,691,636	4,715,501	4,454,844	3,325,215
Charges for services	1,177,888	1,490,281	1,639,480	1,697,048
Fines and forfeitures	1,044,418	1,331,397	1,289,136	1,413,887
Investment income	424,915	790,078	1,855,480	2,436,372
Miscellaneous	278,659	261,771	3,164,484	757,739
Total revenues	<u>37,733,940</u>	<u>41,371,426</u>	<u>47,523,232</u>	<u>46,909,252</u>
Expenditures				
Current				
General government	6,050,675	6,796,494	6,883,983	5,634,109
Public safety	19,150,382	20,489,310	21,195,636	21,705,108
Development	3,824,406	5,586,168	5,506,925	4,882,077
Building services	-	-	-	-
Recreation	4,290,112	4,413,818	4,872,862	4,825,620
Capital outlay	12,048,011	6,669,082	9,815,300	11,154,436
Debt service				
Principal retirement	2,850,000	3,090,000	3,200,000	3,150,000
Interest and fiscal charges	2,501,208	1,956,240	2,534,977	2,824,445
Paying agents' fees and issue costs	-	710,900	179,670	23,900
Total expenditures	<u>50,714,794</u>	<u>49,712,012</u>	<u>54,189,353</u>	<u>54,199,695</u>
Excess (deficiency) of revenues over expenditures	(12,980,854)	(8,340,586)	(6,666,121)	(7,290,443)
Other financing sources (uses)				
Bonds issued	-	36,640,240	9,880,000	-
Premium on issuance of bonds	-	-	119,097	-
Payment to escrow	-	(21,585,103)	-	-
Transfers in	3,058,090	2,989,580	5,488,240	6,902,090
Transfers out	(1,295,046)	(966,099)	(3,304,140)	(611,243)
Payment from component unit	1,000,000	-	-	-
Payment to component unit	(35,000)	-	-	-
Total other financing sources (uses)	<u>2,728,044</u>	<u>17,078,618</u>	<u>12,183,197</u>	<u>6,290,847</u>
Change in fund balances	<u>\$ (10,252,810)</u>	<u>\$ 8,738,032</u>	<u>\$ 5,517,076</u>	<u>\$ (999,596)</u>
Debt service as a percentage of noncapital expenditures	<u>15.53%</u>	<u>12.93%</u>	<u>14.32%</u>	<u>15.07%</u>

(1) Modified accrual basis of accounting

Fiscal Year					
2008	2009	2010	2011	2012	2013
\$ 38,384,785	\$ 38,607,055	\$ 38,100,542	\$ 41,747,689	\$ 45,781,292	\$ 45,431,594
787,190	654,842	662,792	654,829	842,050	962,217
4,411,652	4,127,236	6,923,780	5,568,731	4,740,048	4,312,719
1,764,291	2,020,751	1,957,973	2,108,045	2,261,037	2,066,070
1,254,294	1,025,175	913,478	871,159	1,216,786	906,199
1,852,377	654,772	156,822	113,446	78,076	76,251
4,559,666	10,580,086	1,628,730	3,512,629	1,470,793	5,688,203
<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>	<u>59,443,253</u>
6,162,416	7,079,966	6,842,991	7,691,966	6,600,564	4,741,811
25,752,199	25,516,863	26,475,134	25,970,544	26,151,196	25,097,350
4,961,785	6,319,245	4,533,558	17,378,572	9,134,802	10,209,543
-	-	-	-	-	751,312
5,952,544	5,758,754	5,787,081	5,473,792	6,564,863	7,586,352
18,826,980	16,355,509	10,862,646	18,889,663	13,249,019	7,707,932
3,325,000	3,805,000	3,390,000	3,715,000	3,990,000	4,665,000
3,117,121	3,057,924	4,103,879	4,037,313	4,340,073	3,567,975
185,803	32,687	681,114	203,809	205,798	393,724
<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>	<u>64,720,999</u>
(15,269,593)	(10,256,031)	(12,332,286)	(28,784,131)	(13,846,233)	(5,277,746)
9,995,000	-	35,045,000	9,740,000	7,720,000	25,015,000
195,519	-	515,234	97,204	71,752	2,163,159
-	-	(8,985,582)	-	(3,867,191)	(26,781,924)
2,641,257	5,691,053	7,275,415	10,568,226	5,207,042	5,540,057
(967,006)	(3,285,139)	(1,790,556)	(7,842,309)	(2,699,610)	(3,098,787)
-	-	-	-	-	-
-	-	-	-	-	-
<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>2,837,505</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>(2,440,241)</u>
<u>14.43%</u>	<u>14.76%</u>	<u>14.98%</u>	<u>12.85%</u>	<u>16.05%</u>	<u>15.98%</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>
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
2013	20,614,474	211,062	5,136,247	17,516,177	1,881,129
Change 2004-2013	38.81%	-13.23%	15.31%	72.01%	157.98%

(1) Modified accrual basis of accounting

NOTE: Property tax rates have remained stable because of growth in property tax values and the addition of new construction values.

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

Sales tax revenue maintained a slow, but steady increase through fiscal year 2008. Fiscal year 2009 ended with a slight decrease, with a dramatic decrease during 2010, the height of the recession. Victoria's economy has improved since fiscal year 2010. In fiscal years 2011 through 2013, 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>
\$ 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
72,505	45,431,594
1.28%	48.80%

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
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
2013	2012	2,075,282,113	1,181,360,108	41,314,579	610,312,210	105,676,050

(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>
\$ 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%
580,633,511	3,433,311,549	0.6056	3,433,311,549	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
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
2013	0.2506	0.3550	0.6056	1.3090	0.1606	0.0285

SOURCE: Victoria County Appraisal District

Overlapping Rates				
Victoria County	Road and Bridge	Ground Water District	Total	
\$ 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
0.3436	0.0550	0.0092		1.9059

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

2013

Taxpayer	Taxable Assessed Valuation	Percentage of Total City Taxable Assessed Valuation
EES Leasing, L.L.C	\$ 31,868,440	0.93%
Halliburton Energy Services	31,718,450	0.92%
Victoria WLE, L.P.	27,560,582	0.80%
Integrated Production Services	26,788,330	0.78%
Victoria Hospital, L.L.C.	22,214,700	0.65%
AEP Texas Central Co.	21,735,580	0.63%
Caterpillar, Inc.	18,966,650	0.55%
Berry Plastics Corporation	18,177,610	0.53%
James A. Wayne	17,990,950	0.52%
H.E.B. Grocery Company, L.P.	16,252,540	0.47%
	\$ 233,273,832	6.78%

2004

Taxpayer	Taxable Assessed Valuation	Percentage of Total City Taxable Assessed Valuation
AEP Central Power & Light Co.	\$ 30,598,050	1.44%
Victoria Retail Properties, L.P.	26,067,220	1.23%
Carlisle Plastics, Inc.	24,734,210	1.17%
Victoria Hospital, L.L.C.	20,021,040	0.94%
Southwestern Bell Telephone Co.	18,295,320	0.86%
H.E.B. Grocery	14,649,610	0.69%
James A. Wayne	13,045,715	0.62%
Central Power & Light Co.	12,942,080	0.61%
VRMC Limited Partnership	9,320,130	0.44%
Schlumberger Well Services	8,324,870	0.39%
	\$ 177,998,245	8.40%

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>
2004	\$ 14,831,821	\$ (25,445)	\$ 14,806,376	\$ 14,489,718	97.86%
2005	15,641,785	343,745	15,985,530	15,301,130	95.72%
2006	16,142,704	(25,600)	16,117,104	15,844,174	98.31%
2007	17,294,507	83,206	17,377,713	17,050,006	98.11%
2008	18,725,721	(1,127)	18,724,594	18,369,725	98.10%
2009	19,693,268	(1,309)	19,691,959	19,271,874	97.87%
2010	20,228,599	(3,416)	20,225,183	19,755,429	97.68%
2011	20,327,879	(1,981)	20,325,898	19,938,819	98.10%
2012	20,693,808	(3,782)	20,690,027	20,470,591	98.94%
2013	20,792,135	35,491	20,827,625	20,338,256	97.65%

SOURCE: City of Victoria
Victoria County Tax Assessor/Collector

Collections in Subsequent Years	Total Collections to Date	
	Amount	Percentage of Levy
\$ 273,719	\$ 14,763,437	99.71%
641,346	15,942,476	99.73%
229,344	16,073,518	99.73%
273,885	17,323,891	99.69%
288,812	18,658,537	99.65%
345,799	19,617,673	99.62%
362,561	20,117,990	99.47%
268,574	20,207,393	99.42%
58,521	20,529,113	99.22%
-	20,338,256	97.65%

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>
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
2013	3,631,750,000	3,166,164,000	465,586,000	12.82%	2,147,917,000

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
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
17.96	1.67	22.43	2.22

CITY OF VICTORIA, TEXAS

WATER AND SEWER RATES

Last ten fiscal years

	Fiscal Year			
	2004	2005	2006	2007
Water Rates (per 2,000 gallons)				
Base Rate (meter size)				
¾"	\$ 12.93	\$ 14.43	\$ 14.43	\$ 15.01
1"	28.57	36.08	36.08	37.53
1½"	54.64	72.15	72.15	75.05
2"	85.87	115.44	115.44	120.08
3"	169.24	230.88	230.88	240.17
4"	263.19	360.75	360.75	375.25
6"	523.87	523.87	721.50	750.50
8"	1,232.15	1,232.15	2,308.80	2,401.60
10"	2,609.34	2,609.34	2,609.34	3,752.50
Water usage rate (1,000 gallons increments)				
3-7	1.45	1.52	1.52	1.52
8-18	1.60	1.68	1.68	1.68
19-50	1.90	2.00	2.00	2.00
51-75	-	2.25	2.25	2.25
>51	2.05	-	-	-
76-100	-	2.40	2.40	2.40
>100	-	2.55	2.55	2.55
Sewer Rates (per 2,000 gallons)				
¾"	18.48	18.48	18.48	19.16
1"	46.11	46.20	46.20	47.90
1½"	92.20	92.40	92.40	95.80
2"	147.73	147.84	147.84	153.28
3"	295.44	295.68	295.68	306.56
4"	461.77	462.00	462.00	479.00
6"	923.52	923.52	924.00	958.00
8"	2,178.13	2,178.13	2,956.80	3,065.60
10"	4,617.60	4,617.60	4,617.60	4,790.00
Sewer usage rate (1,000 gallons increments)				
>2	2.07	-	-	-
3-7	-	2.07	2.07	2.07
8-18	-	2.12	2.12	2.12
19-50	-	2.17	2.17	2.17
51-75	-	2.22	2.22	2.22
76-100	-	2.37	2.37	2.37
>100,000	-	2.52	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									
		2008	2009	2010	2011	2012	2013				
\$	16.73	\$	17.09	\$	17.49	\$	17.49	\$	17.96	\$	17.96
	41.84		42.73		43.73		43.73		44.92		44.92
	83.66		85.45		87.45		87.45		89.82		89.82
	133.86		136.73		139.93		139.93		143.72		143.72
	267.73		273.45		279.85		279.85		287.44		287.44
	418.31		427.26		437.26		437.26		449.12		449.12
	836.62		854.51		874.51		874.51		898.23		898.23
	2,677.17		2,734.43		2,798.43		2,798.43		2,874.33		2,874.33
	4,183.08		4,272.55		4,372.55		4,372.55		4,491.14		4,491.14
	1.57		1.67		1.67		1.67		1.67		1.67
	1.73		1.83		1.83		1.83		1.83		1.83
	2.05		2.15		2.15		2.15		2.15		2.15
	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		2.70
	21.03		21.41		21.85		21.85		22.43		22.43
	52.57		53.54		54.64		54.64		56.08		56.08
	105.14		107.10		109.30		109.30		112.19		112.19
	168.22		171.34		174.86		174.86		179.48		179.48
	336.44		342.69		349.73		349.73		358.97		358.97
	525.69		535.45		546.45		546.45		560.88		560.88
	1,051.37		1,070.89		1,092.89		1,092.89		1,121.75		1,121.75
	3,364.39		3,426.86		3,497.26		3,497.26		3,589.61		3,589.61
	5,256.86		5,354.47		5,464.47		5,464.47		5,608.77		5,608.77
	-		-		-		-		-		-
	2.12		2.22		2.22		2.22		2.22		2.22
	2.17		2.27		2.27		2.27		2.27		2.27
	2.22		2.32		2.32		2.32		2.32		2.32
	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		2.67

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

2013

<u>Customer</u>	<u>Type of Business</u>	<u>12-Month Water Consumption (In Thousands)</u>	<u>Percent of Total Billed</u>
Citizens Medical Center	Hospital	46,673	1.29%
Detar Hospital	Hospital	33,920	0.93%
Caterpillar	Business	23,099	0.64%
Autumn Park	Apartments	22,300	0.61%
Victoria County Jail	Government	18,385	0.51%
Victoria East High	School	17,757	0.49%
Victoria Housing	Apartments	16,960	0.47%
University of Houston	School	15,915	0.44%
Victoria College	School	15,858	0.44%
Victoria West High	School	14,764	0.41%

2004

<u>Customer</u>	<u>Type of Business</u>	<u>12-Month Water Consumption (In Thousands)</u>	<u>Percent of Total Billed</u>
Citizens Medical Center	Hospital	54,970	1.59%
DeTar Hospital	Hospital	18,543	0.54%
Victoria County Judge	County Jail	17,737	0.51%
Sage Creek	Apartment Complex	14,211	0.41%
Creekstone Ranch	Apartment Complex	10,712	0.31%
VISD - Memorial	School	9,787	0.28%
Cintas	Laundry/Cleaners	9,656	0.28%
Holiday Acres	Mobile Home Park	9,365	0.27%
Linwood Place	Nursing Home	8,889	0.26%
Silvermine Apartments	Apartment Complex	8,649	0.25%

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			
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	6.70%	2,630
2011	59,740,000 **	38,135,000 *	69,125,000	167,000,000	6.29%	2,668
2012	57,835,000 **	39,975,000 *	73,950,000	171,760,000	6.10%	2,721
2013	47,385,000 **	46,370,000 *	69,035,000	162,790,000	N/A	2,541

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		
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
2013	47,385,000 **	46,370,000 *	93,755,000	1,222,778	92,532,222

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 beginning in 2012.

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

Details regarding the City's outstanding debt can be found in the notes to the financial statements.

N/A denotes information not available.

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

SOURCE: City of Victoria

<u>Percentage of Actual Taxable Value of Property</u>	<u>Per Capita</u>
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
3.10%	1,548
3.02%	1,534
2.70%	1,444

CITY OF VICTORIA, TEXAS*DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**(UNAUDITED)**September 30, 2013*

	<u>Gross Debt Outstanding</u>		<u>Percentage Applicable To City</u>	<u>Amount Applicable To City</u>
	<u>Date</u>	<u>Amount</u>		
Direct Debt:				
City of Victoria	9/30/2013	<u>\$ 93,755,000</u> *	100.00%	<u>\$ 93,755,000</u>
Overlapping Debt:				
Victoria County	9/30/2013	9,035,000	59.51%	5,376,729
Victoria County Junior College District	9/30/2013	32,345,000	59.51%	19,248,510
Victoria County Navigation District	9/30/2013	350,000	51.04%	178,640
Victoria Independent School District	9/30/2013	<u>165,995,000</u>	66.34%	<u>110,121,083</u>
Total Overlapping Debt		<u>207,725,000</u>		<u>134,924,961</u>
Total		<u>\$ 301,480,000</u>		<u>\$ 228,679,961</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>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Debt limit	\$ 105,941,582	\$ 113,346,267	\$ 116,976,114	\$ 125,322,513
Total net debt applicable to limit	<u>48,335,110</u>	<u>61,496,614</u>	<u>68,278,811</u>	<u>64,996,495</u>
Legal debt margin	<u>\$ 57,606,472</u>	<u>\$ 51,849,653</u>	<u>\$ 48,697,303</u>	<u>\$ 60,326,018</u>
Total net debt applicable to the limit as a percentage of debt limit	45.62%	54.26%	58.37%	51.86%

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>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 138,709,044	\$ 151,486,678	\$ 156,810,850	\$ 156,368,302	\$ 160,417,119	\$ 171,665,577
<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>92,532,222</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>	<u>\$ 79,133,355</u>
51.48%	44.62%	57.92%	61.98%	60.36%	53.90%

Legal Debt Margin Calculation for Fiscal Year 2013

Assessed value	\$ 3,433,311,549
Debt limit	171,665,577
Debt applicable to limit	
General obligation bonds	93,755,000
Less: Debt Service Fund Balance	<u>1,222,778</u>
Total amount of debt applicable to debt limit	<u>92,532,222</u>
Legal debt margin	<u>\$ 79,133,355</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
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
2013	24,849,120	11,444,061	13,405,059	4,798,185

NOTES: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

"Gross Revenue" as used herein refers to all operating revenues, interest income, and miscellaneous revenue of the Water and Wastewater Fund.

"Direct Operating Expenses" is defined as all operating expenses of the Water and Wastewater Fund (which does not include capital outlays or interest expense) less depreciation and amortization and (through FY 2011) GBRA debt which is included in the contractual service expense account. Beginning in January 2011, the City assumed operations of the wastewater treatment plant formerly operated by GBRA under a services contract.

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

SOURCE: City of Victoria

Water and Sewer Revenue Bonds

Subordinate Bonds		
Average Debt	Priority Bonds	Subordinate Bonds
Service	Coverage	Coverage
Requirements		
\$ 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
-	2.79	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>
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	2,461,948	39,265	13,854	7.6%
2011	62,592	2,654,564	42,411	14,409	6.9%
2012	63,131	2,817,552	44,630	14,543	6.0%
2013	64,072	N/A	N/A	14,559	5.4%

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 2013 is not yet available.
(3) Victoria Independent School District as of October 1, 2013
(4) U.S. Department of Labor

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

2013

<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total Area Employment</u>
The Inteplast Group	2,300	5.04%
Victoria Independent School District	2,200	4.82%
Formosa Plastics	1,800	3.95%
Citizens Medical Center	1,053	2.31%
DeTar Healthcare System	976	2.14%
Alcoa	650	1.42%
City of Victoria	610	1.34%
Invista	600	1.32%
Calhoun Independent School District	582	1.28%
DOW - Seadrift Operations	<u>564</u>	<u>1.24%</u>
	<u>11,335</u>	<u>24.84%</u>

2004

<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total Area Employment</u>
Victoria Independent School District	2,200	4.99%
The Inteplast Group	1,500	3.40%
Formosa Plastics	1,500	3.40%
Citizens Medical Center	1,235	2.80%
DeTar Healthcare System	976	2.21%
Koch-Invista	710	1.61%
Dow-Seadrift Operations	660	1.50%
Alcoa	618	1.40%
Calhoun Independent School District	609	1.38%
City of Victoria	<u>592</u>	<u>1.34%</u>
	<u>10,600</u>	<u>24.05%</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			
	2004	2005	2006	2007
General government				
City manager	10	10	10	11
Legal	5.5	5.5	5.5	5.5
Financial	7	7	7	7
Municipal court	6.5	6.5	5.5	5.5
Human resources	6	6	6	5
Planning	10	10	10	10
Development services administration	-	-	-	-
Geographic information system (GIS)	-	-	-	-
Building services	12	12	12	12
City secretary	3	3	3	4
Public information office	-	-	-	-
Public safety				
Police	143	150	148	146
Fire	109	107	107	107
Inspections	11	11	11	11
Code enforcement	-	5	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	35	35	37
Public library	29	29	28	28
Water/wastewater	74	81	81	80
Community center	6	6	6	6
Environmental services	50	45	46	48
Vehicle and equipment services	1	1	2	2
Information technology	8	8	10	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>592</u>	<u>605</u>	<u>605</u>	<u>607</u>

- NOTES: * A full-time employee is scheduled to work 2,080 hours per year (including vacation and sick leave). Full-time-equivalent employment is calculated by dividing total labor hours by 2,080.
- * 'Fiscal year 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					
2008	2009	2010	2011	2012	2013
11	12	10	10	10	10
5.5	5.5	4.5	4	4	4
7	7	6	6	6	6
5.5	5.5	5.5	5	5	5
5	5	5	4	4	4
10	10	4	4	4	5
-	-	2	2	2	2
-	-	3	3	3	4
12	12	12	10	10	10
4	4	4	3	3	3
-	-	2	2	2	2
146	147	149	154	154	155
118	118	118	118	118	117
11	11	12	10	11	10
7	7	5	4	4	5
10	11	10	9	9	9
13	12	12	11	11	10
34	34	34	31	31	31
41	41	43	41	43	41
28	28	28	27	27	27
80	80	82	96	96	96
7	7	7	7	7	7
43	43	26	24	24	24
2	2	2	2	2	2
10	10	10	10	10	10
2	1	1	1	1	1
4	4	3	3	3	3
2	2	2	2	2	2
2	2	2	2	2	2
-	-	-	-	3	3
<u>620</u>	<u>621</u>	<u>604</u>	<u>605</u>	<u>611</u>	<u>610</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			
	2004	2005	2006	2007
General government				
Building permits issued	2,060	1,371	1,294	1,147
Building inspections conducted	11,344	13,349	10,415	11,062
Birth certificates registered	2,160	2,098	2,255	2,374
Death certificates registered	871	944	983	1,003
Birth certificates issued	4,785	6,927	6,567	7,246
Death certificates issued	6,564	7,147	7,677	6,863
Public safety				
Police				
Physical arrests	5,182	4,911	5,775	4,427
Parking violations	1,980	1,527	939	1,080
Traffic violations	12,355	12,728	13,726	14,303
Warrants issued	1,999	3,035	3,279	4,583
Fire				
Total Incidents	6,813	7,087	7,175	7,355
Fires	352	458	493	381
Rescue/Emergency Medical	5,070	5,326	5,393	5,706
Inspections	735	827	830	874
Streets and highways				
Street resurfacing (linear feet)	30,094	44,088	24,990	29,756
Culture and recreation				
Community center admissions (event contracts)				
Dome	111	118	107	120
Annex	176	161	155	136
Arena	26	30	29	29
Library				
Number of items	141,709	142,319	145,318	148,764
Circulation	288,451	285,435	279,679	276,357
Gate count	238,077	230,218	226,171	228,114
Water and wastewater				
Water				
Active water connections	21,474	21,700	21,861	21,962
Active sewer connections	19,969	20,085	20,235	20,435
Active garbage accounts	18,258	18,432	18,655	18,131
Average daily consumption (pumped) (in 000's)	9,467	9,591	10,067	8,615
Peak monthly consumption (in 000's)	255,920	313,298	349,686	233,143
Wastewater				
Average daily sewage treatment	8,218,447	7,029,795	6,469,471	8,812,263
Environmental services				
Refuse collection				
Refuse collected (tons per month)	2,303	2,248	2,240	2,473
Landfill tonnage accepted	154,458	135,049	166,475	160,048
Recyclables collected (tons per year)	603.97	612.39	742.45	691.52

NOTE: N/A denotes information not available

SOURCE: Various City departments

Fiscal Year					
2008	2009	2010	2011	2012	2013
1,345	1,433	1,627	1,484	1,884	2,342
9,883	6,138	6,066	5,874	7,044	8,698
2,376	1,998	2,146	2,009	2,112	1,719
984	795	885	924	930	754
7,251	6,569	6,043	5,645	5,980	5,946
6,767	5,698	5,295	5,269	1,601	1,249
4,461	4,044	3,152	3,387	3,427	3,552
641	472	368	223	334	187
14,482	12,143	7,303	8,756	8,876	13,181
5,520	1,812	1,879	1,960	2,139	N/A
8,152	8,551	8,455	9,072	8,797	8,669
557	621	349	554	271	202
6,166	7,930	6,568	6,832	8,526	8,467
1,210	1,279	1,555	1,351	2,187	1,513
31,178	12,907	16,250	7,000	12,000	14,000
116	120	98	89	88	92
120	133	102	85	81	75
23	27	14	22	22	27
138,804	140,599	141,887	146,455	137,548	140,976
284,919	313,099	271,281	340,204	340,320	353,122
242,388	263,730	336,580	245,844	249,672	243,192
22,041	22,129	22,071	22,312	22,456	22,660
20,532	20,461	20,587	20,720	20,845	21,068
19,233	19,018	19,014	19,105	19,322	19,508
9,584	10,718	8,617	11,292	10,283	9,950
372,618	354,264	319,293	407,616	374,666	374,690
6,837,775	6,038,356	7,370,000	5,800,000	6,180,000	5,469,000
2,139	1,723	1,936	1,669	1,685	N/A
140,508	140,791	102,657	202,723	149,137	154,291
479.13	269.56	196.31	389.90	2,235.98	3,227.66

CITY OF VICTORIA, TEXAS

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

Last ten fiscal years

Function/Program	Fiscal Year			
	2004	2005	2006	2007
General government				
Buildings	3	3	3	3
Public safety				
Police				
Stations	1	1	1	1
Patrol units	30	30	32	34
Fire stations	4	4	4	4
Highways and streets				
Streets (miles)	307.31	307.72	309.87	310.60
Streetlights	6,070	6,276	6,367	6,475
Traffic signals	74	74	76	76
School zone flashers	58	58	58	58
Culture and recreation				
Acreage	750.0	750.0	750.0	748.0
Playgrounds	14	14	14	14
Baseball/softball diamonds	15	15	15	27
Community centers	1	1	1	1
Libraries	1	1	1	1
Water and wastewater				
Water				
Water mains (miles)	355.0	356.6	361	361.5
Wastewater				
Sanitary sewers (miles)	335.0	336.4	337.2	337.6
Storm sewers (miles)	447.3	449.9	450.9	451.2
Environmental services				
Refuse collection				
Garbage collection trucks	16	16	16	17
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						
2008	2009	2010	2011	2012	2013	
3	3	3	3	3	3	3
1	1	1	1	1	1	1
36	36	36	35	37	36	36
4	5	5	5	5	5	5
310.82	312.00	314.50	312.60	313.23	314.51	
4,359	4,380	4,429	4,473	4,444	4,550	
	78	78	81	81	84	
58	61	61	61	61	61	
748.0	748.0	748.0	876.0	876.0	866.7	
15	15	15	16	16	16	
27	21	19	19	19	19	
1	1	1	1	1	1	
1	1	1	1	1	1	
361.5	363	365.8	366.8	366.8	373	
337.6	337	342	342	342	342	
451.2	450	452	452	452	452	
17	11	11	7	7	7	
N/A	N/A	N/A	5	5	5	
N/A	N/A	N/A	4	4	6	
N/A	N/A	N/A	1	1	1	



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
FAX: (361) 573-9531

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Victoria, Texas (the "City") as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 19, 2014. The financial statements of the Sales Tax Development Corporation and the Victoria Recreation Association, Inc. were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Harrison, Waldrop & Uherek, LLP

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

March 19, 2014



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

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

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FAX: (361) 573-9531

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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Victoria, Texas (the "City") compliance with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2013. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2013.

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

Report on Internal Control Over Compliance

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

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

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

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

Harrison, Waldrop & Uherek, LLP

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

March 19, 2014

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

For the year ended September 30, 2013

<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-12-MC-48-0510	<u>\$ 584,529</u>
Total U.S. Department of Housing and Urban Development			<u>584,529</u>
U.S. Department of Transportation			
<i>Passed Through Texas Department of Transportation</i> Metropolitan Planning Program	20.205	50-13XF0023	<u>188,215</u>
Total U.S. Department of Transportation			<u>188,215</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	<u>8,084</u>
Total U.S. Department of Homeland Security			<u>8,084</u>
U.S. Department of Justice			
2010 COPS Hiring Program	16.710	2010-UM-WX-0372	289,390
<i>Passed Through the Office of the Governor Criminal Justice Division</i> Edward Byrne Memorial Justice Assistance Grant - 2010 ARRA	16.803	2010-DJ-BX-0092	752
<i>Passed Through the Office of the Attorney General</i> Internet Crimes Against Children Task Force Program	16.543	2012-MC-FX-K047	<u>16,815</u>
Total U.S. Department of Justice			<u>306,957</u>
TOTAL FEDERAL EXPENDITURES			<u>1,087,785</u>

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

For the year ended September 30, 2013

<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-T01-10070-13	\$ 94,769
Automobile Theft Grant	N/A	2014-T01-City of-00022	<u>12,053</u>
Total Texas Department of Motor Vehicles			<u>106,822</u>
Texas Commission on Environmental Quality			
Rider 8 Local Air Quality Planning Grant	N/A	582-11-11225	<u>401,603</u>
Texas Parks and Wildlife			
Outdoor Recreation Grant	N/A	50-000415	<u>137,024</u>
Texas Department of State Health Services			
2013 EMS Local Projects Grant	N/A	2013-042882-001	<u>11,500</u>
Texas Department of Public Safety			
<i>Passed Through Texas Ranger Division</i>			
Local Border Security Program FY10/11	N/A	LBSP-10/11	24,681
Local Border Security Program FY2012	N/A	LBSP-12-0026	<u>25,000</u>
Total Texas Ranger Division			<u>49,681</u>
TOTAL STATE EXPENDITURES			<u>706,630</u>
TOTAL FEDERAL AND STATE EXPENDITURES			<u>\$ 1,794,415</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, 2013

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, 2013

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	Rider 8 Grant Local Air Quality Planning 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, 2013

None were reported.

